

Contents

Chapter-I : GEOGRAPHY AND NATURAL RESOURCES	1-61
Unit 1. Physiography of India	1
Unit 2. Indian Agriculture and Natural Resources	33
Chapter-II : SOCIAL STRUCTURE AND WELFARE & HEALTH SCIENCES IN INDIA	62-81
Unit 3. Indian Social Structure and Social Welfare	62
Unit 4. Human Rights & Health Scenario in India	74
Chapter-III : INDIAN POLITY-CONSTRUCTION AND PUBLIC ADMINISTRATION	82-108
Unit 5. India : Public Administration-Features, Accountability and Control	82
Unit 6. Principle of Good Governance and Addressal of Citizen's Grievances	93
Unit 7. Administrative Reforms and Policy Formulation in India	101
Chapter-IV : INDIAN POLITY-POLITICAL THEORIES & INTERNATIONAL RELATIONS	109-130
Unit 8. Political Science & India's International Relations	109
Unit 9. International Organizations & Indian Diaspora and Its Nuclear Policy	121
Chapter-V : GENERAL ECONOMIC THEORIES AND ROLE OF FINANCIAL INSTITUTIONS	131-176
Unit 10. Fundamental Concepts in Economics & Theories Related to Demand, Supply and Production	131
Unit 11. Role of Banks and Financial Institutions & Globalization and Privatization	157

Syllabus

INTRODUCTION TO INDIAN POLITY AND SOCIO ECONOMICS STUDIES (H-306)

Chapter 1: National Resources and Their Management

Broad Coverage of the Physical, Economic and Social geography of India, Main Features of Indian agriculture and natural resources. Environmental issues, zoological preservation and conservation of natural resources.

Chapter 2: Human Resources Management and Social Welfare

Social System In India. Community development and panchayatiraj, Socially, economically, physically and culturally challenged and excluded section of Indian Society. Management of Public health and health education Human rights, Probability in public life.

Chapter 3: Indian Polity-Construction and Public Administration

Broad Features of Indian Constitutional, legal, administrative and other issues emerging from the Politico-administrative system of India, Principle of good governance. Main features of India administration. Law enforcement, internal security and preservation of communal harmony.

Chapter 4: Indian Polity-Theories & International Relations

Political system of India, India's relationship with the World in the sphere of foreign affair with special emphasis on India's relations with neighboring countries and in the region. Security and defense related matters. Nuclear policy, issues and conflicts. The Indian Diaspora and its contribution to India and the World, International organizations.

Chapter 5: General Economic Theories and Role of Financial Institutions

Fundamental concepts in economics. Theories relating to planning, mobilization of resources. Relevance of classical economic theories to Indian Situation. Role of Banks and Financial institutions.

UNIT

1

PHYSIOGRAPHY OF INDIA

STRUCTURE

- Indian Physiography
- India's Frontiers
- Union Territories of India
- Physical Features : India
- Population
- Scheduled Castes & Scheduled Tribes
- Settlements & Urbanisation
- Major Cities of India
 - Summary
 - Test Yourself

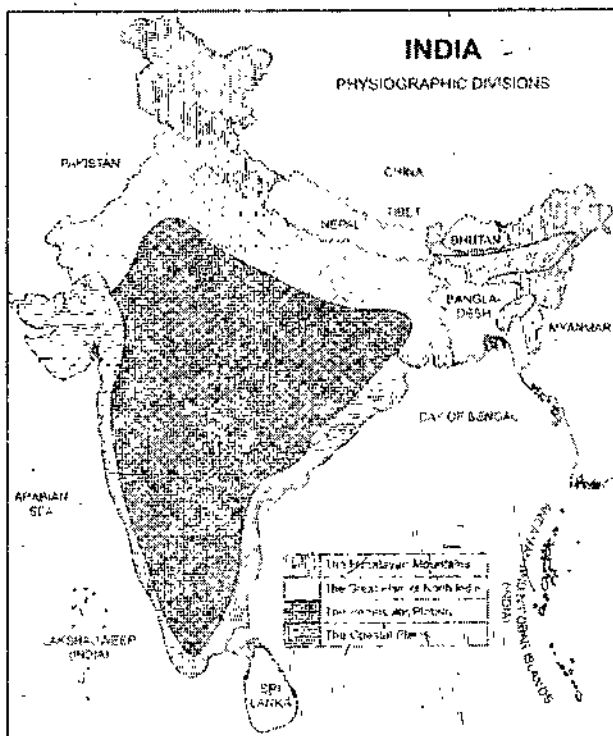
LEARNING OBJECTIVES

- After going through this unit you will be able to learn about:
- Indian Physiography in detail including its size, shape location etc,
- Major cities And union territories in India.
- Indian population
- Scheduled castes and scheduled tribes.

1.1 INDIAN PHYSIOGRAPHY

Location

India lies in the northern and eastern hemispheres of the globe between $8^{\circ} 4' N$ and $37^{\circ} 6' N$ latitudes and $68^{\circ} 7' E$ and $97^{\circ} 5' E$ longitudes. The southern extent actually goes upto $6^{\circ} 45' N$ latitude to cover the last island of the Nicobar group of islands. The southern extreme is called Pygmalion Point or Indira Point. The tropic of cancer passes through the middle part of India and crosses the states of Gujarat, Rajasthan, Madhya Pradesh, Chhattisgarh, Jharkhand, West Bengal, Tripura and Mizoram.



Its total land frontier of 15,200 kilometre passes through marshy lands, desert, level plains, rugged mountains, snow covered peaks and thick forests. Besides there is a maritime boundary of 6,100 kilometre along the main land mass which increases to 7,516 kilometres if the coastlines of Andaman-Nicobar and Lakshadweep Islands are added to it.

India-Afghanistan and Pakistan-Afghanistan international boundary is called the Durand Line, determined as a "militarily strategic border between pre-independence British India and Afghanistan". The India-China boundary (4,225 km) is a natural boundary running along the Himalayan range and is based on various treaties. Its eastern part (1,140 km) is called the Mc Mahon Line. The boundary with Pakistan and Bangladesh (formerly East Pakistan) was finalized at the time of partition in 1947 through the 'Rad Cliffe Award'.

Length of India's Border with its Neighbouring Countries

Sl. No.	Country	Length of border in km	% of total border
1.	Bangladesh	4,096	26.95
2.	China	3,917	25.55
3.	Pakistan	3,310	21.78
4.	Nepal	1,752	11.53
5.	Myanmar	1,458	9.89
6.	Bhutan	587	3.86
7.	Afghanistan	80	0.52

India: States: Main language: capital

States	Main language	Capital
Andhra Pradesh	Telugu	Hyderabad
Arunachal Pradesh	Tribal	Itanagar
Assam	Assamese	Dispur
Bihar	Hindi	Patna
Chhattisgarh	Hindi	Raipur
Goa	Marathi, Konkani	Panaji
Gujarat	Gujarati	Gandhinagar
Haryana	Hindi	Chandigarh
Himachal Pradesh	Hindi	Shimla
Jammu & Kashmir	Kashmiri	Srinagar (S) Jammu (W)
Jharkhand	Hindi	Ranchi
Karnataka	Kannada	Bengaluru
Kerala	Malayalam	Thiruvananthapuram
Madhya Pradesh	Hindi	Bhopal
Maharashtra	Marathi	Mumbai
Manipur	Manipuri	Imphal
Meghalaya	Khasi, Garo, English	Shillong
Mizoram	Mizo, English	Aizawl
Nagaland	Angami Ao	Kohima
Orissa	Oriya	Bhubaneswar
Punjab	Punjabi	Chandigarh

Rajasthan	Rajasthani, Hindi	Jaipur
Sikkim	Lepcha, Bhutia	Gangtok
Tamil Nadu	Tamil	Chennai
Tripura	Bengali, Tripuri	Agartala
Uttar Pradesh	Hindi	Lucknow
Uttarakhand	Hindi	Dehradun
West Bengal	Bengali	Kolkata
Union Territories		
Andaman & Nicobar	Andamanese, Nicobarese	Port Blair
Chandigarh	Punjabi, Hindi	Chandigarh
Dadar & Nagar Haveli	Gujarati, Marathi	Silvassa
Daman & Diu	Gujarati	Daman
Delhi	Hindi	Delhi
Lakshadweep	Malayalam	Kavaratti
Pondicherry	Tamil, French	Pondicherry

Note: India is the only country which has given its name to an ocean, i.e. Indian Ocean encircled by 46 countries (27 littoral including Australia, 7 island states and 12 land locked countries).

Size and Shape

India commands a total geographical area of 32,87,263 sq. km which is roughly 0.57% of the area of the earth and 2.4% of the total area of the land hemisphere. After Russia, China, Canada, USA, Brazil and Australia, India is the seventh largest country of the world. Its area is almost equal to the area of Europe (excluding Russia), one-third of Canada, one-fifth of Russia, eight times of Japan and twelve times of United Kingdom. In population-size, India (1027 million in 2011) is the second giant country in the world after China (1265 million in 2000). Its total population is more than the combined population of USA, Russia, Australia, Canada and Japan.

India has roughly a quadrangular shape. It measures about 3,214 km from north to south and about 2,933 km from east to west, the difference between the two being just 281 km.

1.2 INDIA'S FRONTIERS

Total land frontier of 15,200 kilometre passes through marshy lands, desert, level plains, rugged mountains, snow covered peaks and thick forests. The land frontier is provided by the high Himalayan Mountains, which form world's most elevated range. The Himalayan range form a natural frontier between India and China. In the northwest, India's Jammu and Kashmir share the international border with Sinkiang and Tibet in China. Towards its east, Himachal Pradesh and the mountain region of Uttarakhand have common frontier with Tibet. Nepal has its border with Uttar Pradesh and Bihar. West Bengal and Sikkim also touch the Nepalese border for a small distance. India-Afghanistan and Pakistan-Afghanistan international boundary is called the Durand Line, determined as a "militarily strategic border between pre-independence British India and Afghanistan". The boundary with Pakistan and Bangladesh (formerly East Pakistan) was finalized at the time of partition in 1947 through the 'Radcliffe Award'.

India's frontiers with Pakistan are artificial and unsatisfactory except in some limited and uninhabited dry parts of the Thar Desert. In Punjab, the frontier runs through a smooth and fertile plain, which is purely man made. The Indian frontier with Pakistan in Kashmir is still disputed and has led to strained relations between the two countries since partition in 1947.

The eastern boundaries of India are formed by a complex chain of the Himalayan offshoots consisting of the Mishmi, the Patkai, the Naga hills, the Barail range, the Mizo hills and finally the majestic Arakan Yama Mountains range. The Arakan Yama is submerged in the Bay of Bengal for sufficiently long stretch and emerges again in the form of Andaman and Nicobar Islands. Between the eastern states of Assam, Meghalaya, Tripura and Mizoram on one hand and West Bengal on the other hand, lies Bangladesh. The boundary line between India and Bangladesh crisscrosses the vast Ganga -Brahmaputra delta. This boundary runs through an entirely flat country in which there is not even a small mount or hill which could be used for demarcating the boundary between the two countries. Besides, there is a maritime boundary of 6,100 kilometre along the main land mass which increases to 7,516 kilometre if the coastlines

The states having common frontier with neighbouring countries

Country	States
Pakistan	Jammu & Kashmir, Punjab, Rajasthan, Gujarat
Afghanistan	Jammu & Kashmir
China	Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim, Arunachal Pradesh
Nepal	Uttarakhand, Uttar Pradesh, Bihar, West Bengal, Sikkim
Bhutan	Sikkim, West Bengal, Assam, Arunachal Pradesh
Myanmar	Arunachal Pradesh, Nagaland, Manipur, Mizoram
Bangladesh	West Bengal, Meghalaya, Assam, Tripura, Mizoram

of Andaman-Nicobar and Lakshadweep Islands are added to it. The nearest neighbour in the south across the seas is Sri Lanka which is separated from India through the narrow channel of Palk Strait. Similarly, Eight Degree Channel forms the boundary between Lakshadweep and Maldive islands.

Twin cities of India

Twin cities are a special case of two cities or urban centers which were founded in close geographic proximity and then grew into each other overtime.

- Ahmedabad and Gandhinagar
- Hyderabad and Secunderabad
- Vijayawada and Guntur (A.P.)
- Ernakulam and Kochi
- Bhubaneswar and Cuttack
- Hubli and Dharwad
- Mumbai, Navi Mumbai and Thane
- Pune and Pimpri-Chinchwad
- Kolkata and Howrah
- Tirunelveli and Palayamkottai

Indian cities & their Nicknames

Nickname	Place
Golden City.....	Amritsar
Manchester of India	Ahmedabad
City of Seven islands	Mumbai
Queen of Arabian Sea	Cochin
Space City	Bengaluru
Garden City of India	Bengaluru
Silicon Valley of India	Bengaluru

Electronic city of India	Bengaluru
Pink city	Jaipur
Gateway of India	Mumbai
Twin city	Hyderabad- Sikandarabad
City of festivals.....	Madurai
Deccan Queen.....	Pune
City of Buildings	Kolkata
Egg bowl of Asia	Andhra Pradesh
Soya region	Madhya Pradesh
Manchester of the South	Coimbatore
City of Nawabs	Lucknow
Venice of the east.....	Cochin
Queen of the Mountains	Mussoorie (Uttaranchal)
Hollywood of India	Mumbai
City of Castles	Kolkata
State of five rivers.....	Punjab
City of weavers	Panipat
City of lakes	Srinagar
Steel city of India	Jamshedpur
City of temples	Varanasi
Manchester of the north	Kanpur
City of Rallies.....	New Delhi
Heaven of India	Jammu & Kashmir
Boston of India	Ahmedabad
Garden of spices of India	Kerala
Switzerland of India.....	Kashmir
Abode of the God.....	Prayag (Allahabad)
Pittsburg of India	Jamshedpur

Some Facts

- *Jammu & Kashmir, Himachal Pradesh, Sikkim and Arunachal Pradesh are the states of India lying completely in the Himalayas.*
- *Uttarakhand lies partly in the Himalayas and partly in the northern plains.*
- *Coastal States of India: Gujarat, Maharashtra, Goa, Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Orissa and West Bengal.*
- *States having international boundary and coastline: Gujarat, West Bengal.*
- *States having neither coastline nor international boundary 1. Madhya Pradesh 2. Haryana 3. Chhattisgarh 4. Jharkhand.*
- *Assam and UP share boundary with 8 other states.*
- *Assam shares 2 international boundaries and 8 states.*
- *UP has 8 state boundaries and 1 international boundary.*
- *Boundary line between India and Pakistan is known as Radcliffe line.*
- *Boundary between India and China is divided into 3 parts-*
 - *J & K sector - Western sector*
 - *H.P and Uttarakhand- Middle sector*

- Arunachal Pradesh - Eastern sector
- Eastern sector - McMahon line - demarcated in 1914 - according to Shimla Agreement between British India and Tibet.
- Boundary line between British India and Afghanistan - Durand line.
- Central Asian Republic very close to India - Tajikistan.
- Water Body that separates India and Sri Lanka - Palk strait.
- Water body that separates Lakshadweep from Maldives - 8 degree Channel.
- Andaman and Nicobar islands are separated by 10 degree Channel. Duncan passage is between South Andaman and Little Andaman.
- Water body between Indonesia and Andaman and Nicobar islands - Great Channel.
- Water body between Andaman and Nicobar islands and Thailand is Andaman sea.
- 2 Provinces of China that border with India - Tibet and Sikiang.

1.3. UNION TERRITORIES OF INDIA

Andaman and Nicobar Islands

The Andaman and Nicobar Islands comprise of two island groups, (The Andaman Islands and the Nicobar Islands, separated by the 10° N parallel, with the Andamans to the north of this latitude, and the Nicobars to the south. Andaman and Nicobar Islands are a group of more than 3000 islands in the Bay of Bengal, a large number of which (about 265) are uninhabited being too small and with little or no water.

Chandigarh

Chandigarh and the area surrounding it was constituted as a Union Territory on 1 November 1966. It serves as the joint capital of both Punjab and Haryana states. At present, cultivable land is about 2,350 hectare in the Union Territory of Chandigarh. Irrigated area is about 2,275 hectare. Wheat, maize, vegetables and fodder are major crops.

Area	144 sq km
Total Population	200,635
Population Density	7,800 persons per sq km.
Literacy Rate	81.94%

Dadra & Nagar Haveli

Dadra and Nagar Haveli lie near the west coast surrounded by the states of Gujarat and Maharashtra. The territory was merged with the Indian Union on 11 August 1961. Since then this territory is being administered by the Government of India as a Union Territory through the Administrator. The major spoken languages in the territory are Marathi, Hindi and Gujarati.

Area	491 sq km
Population (2001)	2,20,490
Literacy rate	57.63%
Density	449 persons per sq km

Daman & Diu

Daman lies on the Gujarat coast while Diu is an islet on the southern fringe of Kathiawar peninsula. Daman is bounded on the north and south by the Bhagwan and the Kalern rivers respectively, on the east by the Gujarat State and on the west by Arabian Sea. Diu lies in the Gulf of Cambay near Veraval Port. Gujarati and Marathi are the official and main languages.

Area	112 sq km
Total Population	158,204
Population Density	1413 person per sq km.
Literacy Rate	78.18%

Lakshadweep

Lakshadweep lies about 220 to 440 km from the coastal city of Kochi in Kerala. Lakshadweep with its lagoon area of about 4.21X) sq km, 20,000 sq km of territorial waters and about seven lakh sq km of economic zone, is one of the largest territories of our nation.

Area	32 sq km
Total Population	60650
Population Density	1,895 person per sq km.
Literacy Rate	86.66%

Pondicherry

Puducherry consists of four unconnected regions: Pondicherry, Karaikal, and Yanam on the Bay of Bengal and Marie on the Arabian Sea.

Area	479 sq km
Total Population	974345
Population Density	2034 per sq km.
Literacy Rate	81.24%

National Capital Territory of Delhi

Delhi is known by the official name National Capital Territory of Delhi (NCT). The NCT is a federally administered Union Territory. It is located on the banks of the River Yamuna. The 69th Constitutional amendment is a milestone as Delhi got a Legislative Assembly with enactment of National Capital Territory Act, 1991. The cultivated area is diminishing fast due to urbanization of rural areas and ever increasing demand of land for housing purposes. As a result of urbanization, the net area sown which was 81,000 hectare in 1970-71, had decreased to 49,000 hectare in 1991-92. Similarly, the total cropped area which was 1,17,000 hectare in 1970-71 had decreased to 65,573 hectare in 1991-92. Important tourist places are Lal Quila (Red Fort), Jama Masjid, Qutab Minar, India Gate, Laxmi Narain Mandir (Birla Mandir), Humayun's tomb, Lotus Temple, etc.

Capital	New Delhi
Area	1,483 sq m
Languages	Hindi, Punjabi, Urdu
Number of Lok Sabha constituencies	7
Number of Assembly constituencies	70

Demography

Population (2001)	13,850,507
Sex ratio (female: male)	821:1000
Population density (2001)	9340 per sq km
Urban population (2001)	93.01%
Infant mortality rate per thousand (1999)	1
Literacy rate (2001)	1.82%
Death rate per thousand (1999)	.5
Infant mortality rate per thousand (1999)	8

1.4 PHYSICAL FEATURES : INDIA

Out of the total area of the country, about 10.6% is covered by mountains, 18.5% by hills, 27.7% by plateaus and 43.2% by the plains. India may be divided into four major physiographic regions, viz, 1. The Northern Mountains, 2. The Great Plains, 3. The Peninsular Uplands, and 4. The Indian Coasts and Islands.

1. The Northern Mountains

The region extends all along the northern frontier of the country, for about 2500 km, with a varying width of 240 to 320 km and a total area of about 5,00,000 km². Himalayas represent the youngest and the highest folded mountains on the earth, rising to over 8000 m above sea level and consisting of three parallel ranges: (a) Himadri (Greater Himalaya), (b) Himachal (Lesser Himalaya), and (c) the Siwaliks (Outer Himalayas). The Vale of Kashmir, about 135 km long and 40 km broad, is the only large level strip of land in the Himalayas.

Principal Peaks of India

Peak	Height (Mtrs)	Location
1. Mt. Everest	8848	Nepal-Tibet
2. Mt. K ²	8611	India
3. Kanchenjunga	8597	Nepal-India
4. Dhaulagiri	8172	Nepal
5. Nanga Parbat	8126	India
6. Annapurna	8078	Nepal
7. Gasherbrum	8068	India
8. Nanda Devi	7817	India
9. Mt. Kamet	7756	India
10. Gurla Mandhata	7728	Tibet

Valleys and their locations

Araku Valley	:	Andhra Pradesh
Damodar Valley	:	Jharkhand and West Bengal
Darma Valley	:	Uttarakhand
Dzukou Valley	:	North-eastern part
Johar Valley	:	Uttarakhand
Markha Valley	:	Ladakh
Nubra Valley	:	Ladakh
Sangla Valley	:	Himachal Pradesh
Saur Valley	:	Uttarakhand
Suru Valley	:	Ladakh
Tons Valley	:	Uttarakhand
Yumthang Valley	:	Sikkim

Mountain Passes of India

Himalayan passes

Banihal pass	.....	between Doda and Anantnag (Jawahar Tunnel), J&K
Shipki La	.....	River Sutluj enters India from Tibet, Himachal Pradesh
Bara Lacha La	.....	between Kyelang and Leh, Himachal Pradesh
Rohtang pass	.....	between Kullu and Kyelang, Himachal Pradesh
Bomdila pass	.....	between Tezpur and Tawang, Arunachal Pradesh

Himalayan passes between India and China

Shipki La	.....	Himachal Pradesh
Thaga La and Niti La	.....	Uttarakhand
Lipu Lekh La	.....	Tri-junction, India-Nepal-China, Uttarakhand
Jelep La	.....	Between India and China (Gangtok-Lhasa Road) Sikkim

Nathu La Between India and China (Entry to Chumbi Valley) Sikkim

Trans-Himalayan passes

Karakoram pass and Aghil pass Jammu & Kashmir

Passes in Western Ghats

Palghat betwe-en Palakkad and Coimbatore

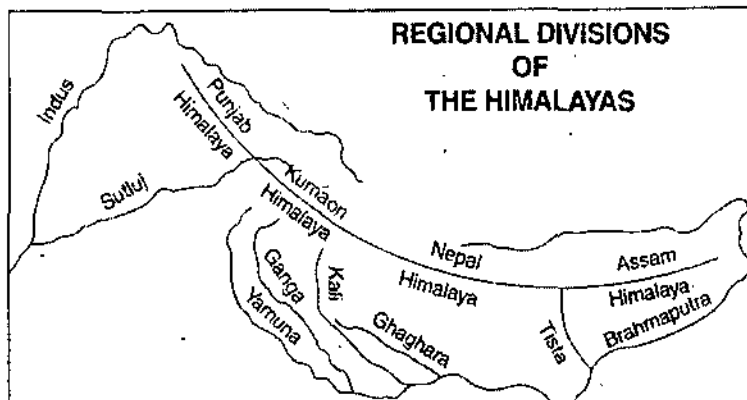
Shenkota between Kollam and Madurai

Thalghat between Mumbai and Pune

Bhorghat between Mumbai and Nasik

Important Glaciers of the Himalayan Mountains

Glaciers	Length	(km) Region
Siachen	75	Karakoram Range
Hispar	62	Karakoram Range
Baltoro	58	Karakoram Range
Rongbuk	52	Kanchenjunga-Everest
Godwin Austin	30	Karakoram Range
Gangotri	30	Kumaon-Garhwal
Kanchenjunga	21	Kanchenjunga-Everest
Milam	20	Kumaon-Garhwal
Bhagirath Kharak	18	Kumaon-Garhwal
Mana	18	Kumaon-Garhwal
Satopanch	16	Kumaon-Garhwal
Sonapani	15	Pir Panjal
Bara Shigri	15	Pir Panjal Range



2. The Great Plains

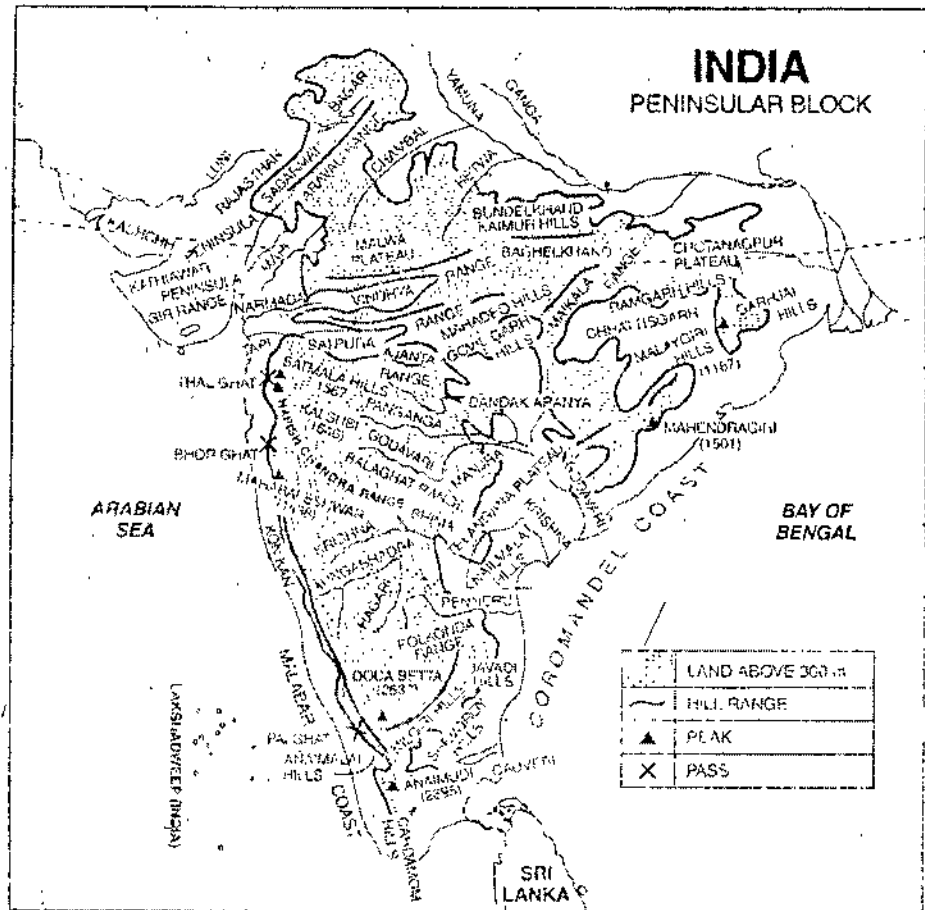
It is an aggradational plain formed by the alluvial deposits of the Indus, Ganga and the Brahmaputra and their tributaries. The plain stretches from west (from the banks of the Ravi and Sutluj) to east (the Ganga delta) over a length of 2400 km. It is about 90-100 km wide in Assam, 160km near the Rajmahal Hills, 200 km in Bihar, 280 km near Allahabad and 500 km in Punjab-Rajasthan. The plain merges into the Thar Desert in the south-west. A low watershed of the Delhi ridge (278 m) along the right bank of the Yamuna river separates the Satluj plains (a part of the Indus plain) from the Ganga plains. According to the recent studies, the average depth of the alluvium has been estimated at about 1300-1400 m which goes on decreasing towards south and finally merging with the irregular edge of the Peninsular block.

Divisions of the Great Plains

The Great Plains may be divided into a number of smaller units on the basis of the characteristics of the alluvium, surface gradient, drainage channels and regional traits.

- **Bhabar Plains:** It lies all along the foot of the Siwaliks with remarkable continuity from the Indus to the Tista. It is generally 8 to 16 km wide belt consisting of gravel and unsorted sediments deposited by the Himalayan rivers in the foreland zone due to sudden break of slope.
- The porosity is so high that all streams disappear in the Bhabar tract leaving out only dry channels.
- **Terai Plains:** To the south of the Bhabar lies a 15-30 km wide marshy tract called *terai* where streams reappear on the surface. The Terai is more marked in the eastern part than in the west due to higher amount of rainfall.

It is a zone of excessive dampness, thick forests, rich wild life and malarial climate.



- **Bangar or Bhangar Plains:** The Bhangar represents the uplands (alluvial terrace) formed by the deposition of the older alluvium and lies above the flood-limit of the plains. The main constituent of Bhangar is clay which at places gives way to loam and sandy-loam.
- **Khadar Plains:** The younger alluvium of the flood plains of the numerous rivers is called the Khadar or Bet (in Punjab). Its alluvium is light coloured and poor in calcareous matter consisting of deposits of sand, silt, mud and clay.
- **Delta Plains:** Deltaic plain is an extension of the Khadar plain. It covers about 1.86 lakh sq km of area in the lower reaches of the Ganga river (West Bengal), it mainly consists of old mud, new mud and marsh.

3. The Peninsular Uplands

Covering an area of 16 lakh sq km, the Peninsular Uplands form the largest physiographic division of India. The fault in which the Narmada river flows divides the region into two unequal parts; the smaller one in the north being known as the Central Highlands. It is slightly tilted towards north. The southern part has been tilted east with bold heights to the

west. This area is popularly known as the Deccan Plateau comprising the Satpuras, Western and Eastern Ghats and a large number of plateaus.

On the basis of its physiographic characteristics, the Peninsular Upland may be divided into a number of sub-units. These include hill ranges like the Aravalli, Vindhya, Satpura, Sahyadri, the Eastern Ghat, plateaus like Chotanagpur, Meghalaya, Deccan, Karnataka, Tamil Nadu, Andhra. Bundelkhand and fertile plains like Malwa, Chhattisgarh etc. The Aravalli which runs from north-east to south-west for about 800 km between Delhi and Palanpur (Gujarat) represents a relict of one of the world's oldest fold mountain systems. The range becomes more continuous and rising to above 900 m in the south. Its highest peak lies in Abu hills (Gurushikhar Peak 1722m).

4. The Indian Coasts and Islands

The Peninsular Uplands are flanked by coastal plains of varied width extending from Kuchchh to Orissa. With the notable exception of Gujarat the west coast has a narrow alluvial margin interspersed by hilly terrain and characterized by more wet climate. West coast is mostly a submerged coast. The backwaters are the characteristic features of this coast. From Kuchchh to Cape Comorin it has a total length of 1,840km.

The East Coast Plains are broader, associated with depositional activity of rivers. It stretches about 1,800 km from Mahanadi mouth to Cape Comorin. It is a coast of emergence in which the deltas of Mahanadi, the Godavari, the Krishna, the Kaveri etc. are characteristic features of the coast.

Division of the Indian Coastal Plains

Physiographically the Indian coastal plains may be sub-divided into following three broad divisions: (a) Gujarat Coastal Plain, (b) West Coastal Plain, and (c) East Coastal Plain.

The Indian Islands

India has a total of 247 islands of which 204 lie in the Bay of Bengal and the remaining in the Arabian Sea. The Bay islands consisting of Andaman and Nicobar group of islands have a crescentic shape and as present the peaks of submerged Tertiary mountain ranges - a continuation of the Arakan Yoma fold axis. The Arabian Sea islands have a coral origin and are surrounded by fringing reefs; Besides, there are a number of offshore islands along the Ganga-mouth, eastern and western coasts and in the Gulf of Mannar.

(a) *Arabian Sea Islands:* The Arabian Sea islands comprise of 36 islands of Lakshadweep Group. Key features of this group of islands are:

- Only 25% of the area is inhabited.
- The southern-most island (Minicoy) is separated from the rest of the group by the 9 degree channel.
- The northern-most group is collectively known as Amindivi Islands.
- Similarly the central group is collectively called as Laccadive Islands.
- In the south the Lakshadweep is separated from Maldiv Islands by Eight Degree Channel.

(b) *Bay of Bengal Islands:* The Andaman and Nicobar groups of islands are separated from each other by the 10 degree Channel. The extreme southern most point is Indira Point (Pygmalion Point or La Henching) at 6.7° N and 93.8°E. The Andaman Group of Islands includes 204 islands. There are two volcanic islands, viz. Barren and Narcondam. The Nicobar Group of Islands includes 18 islands. These are separated from the Andaman group of islands by the 10 degree Channel which represents a fracture zone. Some of the Nicobar islands like Chowra, Car Nicobar and Pulo Milo are essentially coral, while Katchall, Nancowry and Great Nicobar are hilly as are the Andamans.

(c) *Offshore islands:* India has a number of islands along the Western and Eastern coast. Among Western coast islands mention may be made of Piram, Bhaishala (Kathiawar); Diu, Vaidá, Nora (Kachchh coast); Aliabet (Narmada-Tapi mouth); Elephanta, Salsette, (near Mumbai); Pamban, Crocodile (Gulf of Mannar); Sri Harikota (mouth of Pulicat lake); Parikud (mouth of Chilka lake) and New Moore and Sagar (Ganga della).

States with the Longest Coastline

State/UT	Length of coastline (Km)
1. Andaman & Nicobar Islands	1,962
2. Gujarat	1,215
3. Andhra Pradesh	974
4. Tamil Nadu	907
5. Maharashtra	653

1.5. POPULATION

India is the second most populated country in the world after China. India, covering 2.4% of the land area of the world, shares 16.87% of the world's population. India's population is more than the population of the USA, Russia, Canada, Australia and Brazil put together.

Some highlights of Indian population are as follows-

- India's total population is about 3.6 times that of USA, 6 times that of Brazil. 7 times that of Russian Federation, 33 times that of Canada and 55 times that of Australia.
- About three-fourths of our total population lives in rural areas.
- The average growth rate of India slowed down from 2.38% in 1981-91 to 2.15% in 1991-2001.
- Our annual growth of population is equivalent to the total population of Australia.
- At the present growth rate, India's population will be doubled in a period of just 32 years.
- About two-thirds of our population consists of non-workers and only one-third of our people are workers.
- India is expected to cross Chinese population by 2030, which is 5 years ahead of UN's earlier projection that India would overtake China's population in 2035.
- The population of Uttar Pradesh (16.17% of India) is larger than any country of the world except China. USA, Indonesia and Brazil. Orissa has more population than Canada and Chhattisgarh has more population than that of Australia.
- The year 1872 marked the beginning of census in India. But the first complete and regular census started in 1881.
- The 2011 census represents the fourteenth census of India as reckoned from 1881 and seventh, after independence.
- Only 1921 census shows negative growth rate. So, year 1921 is called the 'demographic divide' in India.
- Since 1901, our population growth rate has undergone four phases:
 - o Period of Stagnant growth (1901 -1921)
 - o Period of Steady Growth (1921-1951)
 - o Period of Rapid High Growth (1951-81)

State/Union Territories in Descending Order of Population (in 2001)		
State/UT	Population	% to total population in India
INDIA	1,028,737,436	
Uttar Pradesh	166,197,921	16.16
Maharashtra	96,878,627	9.42
Bihar	82,998,509	8.07
West Bengal	80,176,197	7.79
Andhra Pradesh	76,210,007	7.41

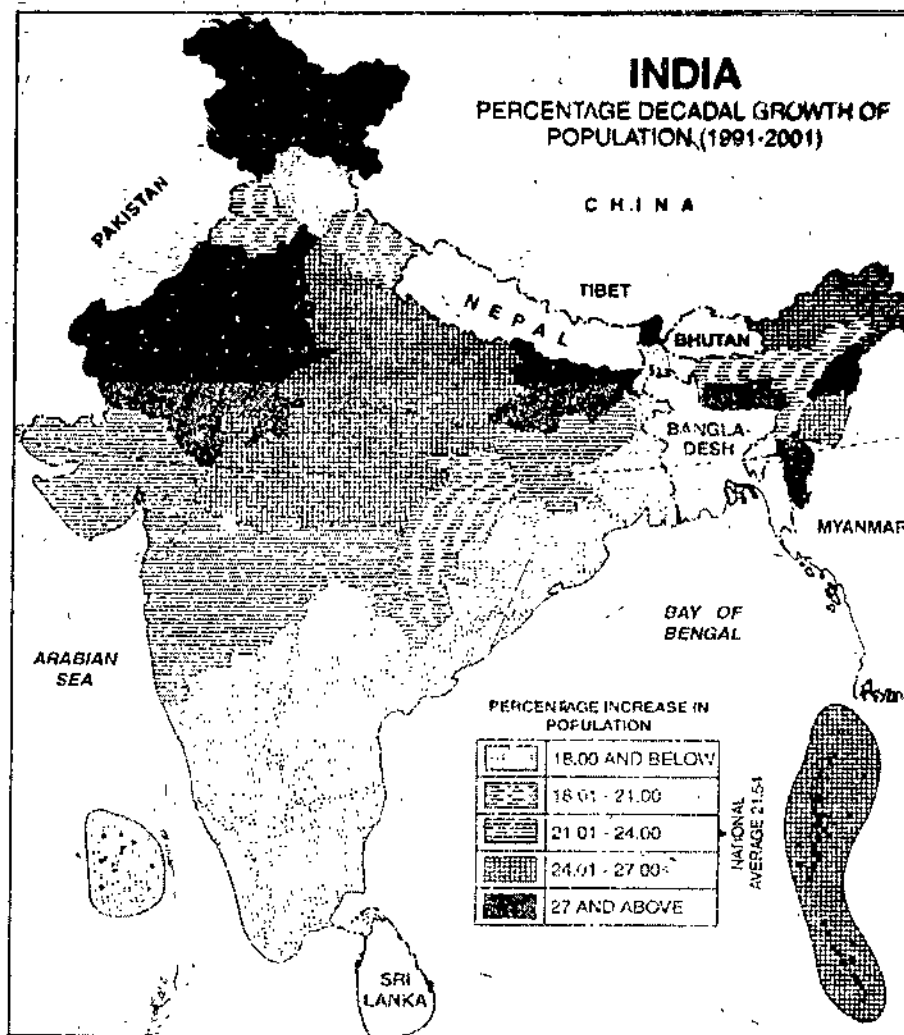
Tamil Nadu	62,405,679	6.07
Madhya Pradesh	60,348,023	5.87
Rajasthan	56,507,188	5.49
Karnataka	52,850,562	5.14
Gujarat	50,671,017	4.93
Orissa	36,804,660	3.58
Kerala	31,841,374	3.10
Jharkhand	26,945,829	2.62
Assam	26,655,528	2.59
Punjab	24,358,999	2.37
Haryana	21,144,564	2.06
Chhattisgarh	20,833,803	2.03
Delhi	13,850,507	1.35
Jammu & Kashmir	10,143,700	0.99
Uttarakhand	8,489,349	0.83
Himachal Pradesh	6,077,900	0.59
Tripura	3,199,203	0.31
Meghalaya	2,318,822	0.23
Manipur	2,293,896	0.22
Nagaland	1,990,036	0.19
Goa	1,347,668	0.13
Arunachal Pradesh	1,087,968	0.11
Pondicherry	974,345	0.09
Chhathisgarh	900,635	0.09
Mizoram	888,573	0.09
Sikkim	540,851	0.05
Andaman & Nicobar Islands	356,152	0.03
Dadra & Nagar Haveli	220,490	0.02
Daman and Diu	158,204	0.02
Lakshadweep	60,650	0.01

o Period of High Growth with signs of Slowing Down (1981-2001)

- The highest growth rate of India was during 1961-71 i.e. 24.80%.

Growth of population

A growth in population implies of a change between two given points in time. The net change in population between two points in time is expressed in percentage and is described as the 'growth rate of population'. Growth may be 'negative' if the population declines over time; it may be positive, if there is an increase of population between two points in time. The growth rate of population is caused by two factors-natural increase (which is an outcome of the excess of births over deaths) and migration. The natural increase may be high but if people migrate out of the territory in large numbers, the population will decrease.



Causes of rapid population growth

1. **High birth rate and declining death rate.** According to the 2001 census, birth rate in India was 25.0, while the death rate was 8.1. As a result, the survival rate has been increasing. To arrest this trend, the birth rate will have to be brought down further.
2. **Near Universal incidence of marriage.** According to one survey, in the 40-44 years age group, the percentage of women who never married was merely 0.55 because of universal marriage of women, the number of children born per couple is very large.
3. **Early marriage of girls.** The survey also revealed that 44% of the women in 15-19 years age-group and 90% in the 20-24 years age-group are married. This implies more chances of bearing children for women in the early reproductive years-thus leading to high birth rates.
4. **Economic backwardness.** Because of a high percentage of rural population and a high incidence of rural poverty, more children are considered a resource. A high infant mortality rate also encourages the poor to produce more children.
5. **Climatic factor.** The tropical climate is responsible for early puberty and conservative social institutions lead to an early marriage of women.

Problems related to high population growth

1. Though the present growth rate came down below 2% in 2001 census, continuous growth rate well over 2% for four decades has created many problems which are as follows.

2. Increase in proportion of women in the reproductive age. According to the 1991 census, 36% of the population was below 15 years. This led to an increase in overall birth rates due to an ever expanding reproductive age group.

3. Reduction in per capita income. During 1950-51 to 1990-91 period, the national income rose by 223% (average annual rate - 4.21%), but the per capita income rose by 52.8% only (average annual rate - 2.23%). This is because the population rose by 233% (average annual rate - 2.14%) during this period. Low rate of per capita income means low rate of savings and of investments which depress the growth of national income as a whole.

4. Increased pressure on land. As the total area of the country is fixed, the rapid growth of population has increased pressure on land, especially cultivable land. This increased pressure on agricultural land is responsible for high unemployment rate among rural people.

5. Environmental implications. Because of growth of population, there is an increased demand for food, clothing, shelter, industrial and consumer goods. This creates pressure on natural resources and leads to increased use of fertilizers, pesticides, irrigation measures, machines, power etc. This coupled with rapid deforestation to clear land for human settlement, growing slums, poor sanitation, soil erosion, air and water pollution causes a great strain on our natural resources and gives way to an unsustainable mode of development.

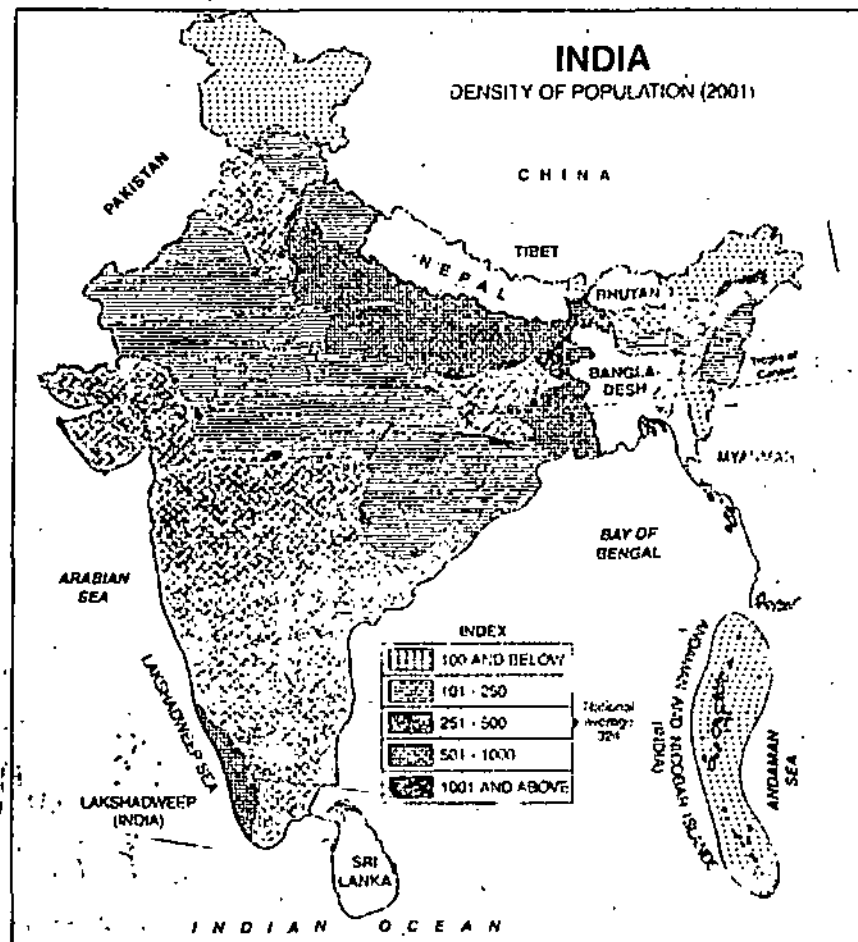
6. Increasing demand for civic amenities and related social problems. Because of high population growth rate, and migrations in search of employment to urban areas, there is immense pressure on public facilities like transport, hospitals, educational institutions, water supply, electricity, sanitation etc. Because of growing socio-economic disparities and large floating population in urban areas, social problems arise, such as crime against women and the elderly, drug abuse, child delinquency, vulgar consumerism etc.

**State/Union Territories in Descending
Order of Density of Population**

State/UT	Density	
	2001	1991
INDIA	325	267
Delhi	9,340	6352
Chandigarh	7,900	5,632
Pondicherry	2,034	1,683
Lakshadweep	1,895	1,616
Daman and Diu	1,413	907
West Bengal	903	767
Bihar	881	685
Kerala	819	749
Uttar Pradesh	690	548
Punjab	484	403
Tamil Nadu	480	429
Haryana	478	372
Dadra & Nagar Haveli	449	282
Goa	364	316
Assam	340	286
Jharkhand	338	274
Maharashtra	315	257

Tripura	305	263
Andhra Pradesh	277	242
Karnataka	276	235
Gujarat	258	211
Orissa	236	203
Madhya Pradesh	196	158
Rajasthan	165	129
Uttarakhand	159	133
Chhattisgarh	154	130
Nagaland	120	73
Himachal Pradesh	109	93
Manipur	111	82
Meghalaya	103	79
Jammu and Kashmir	100	77
Sikkim	78	57
Andaman & Nicobar Islands	43	34
Mizoram	42	33
Arunachal Pradesh	13	10

Density of Population



The density of population is expressed as number of people per unit area, for example, a square kilometre or a hectare. The population lives only in the selected areas, which are productive, rich in natural resources and accessible to man. The hilly and the rugged terrain, swampy, marshy and forest tracts as well as the areas covered by water bodies are just not suited for human habitation. This measure of density gives us an idea as to how many people are dependent on each hectare of cultivated land. An important feature of the Indian population is that the population density has been consistently increasing since 1921. It is thus clear that with every successive census, the growth of population results in greater crowdedness. The reason is that while the population increases continuously, the area cannot be expanded. The dependence on agriculture continues to be very high. It is natural to be so since the economy is not diversifying. Thus, the high rural density cannot be reduced, since population is not getting diverted to non-agricultural occupations.

Largest spoken mother tongue

Language	Persons	% to state total population (2001)
1. Hindi	422,048,642	41.03
2. Bengali	83369769	8.11
3. Telugu	74002856	7.19
4. Marathi	71936894	6.99
5. Tamil	607938145.91	

1.6 SCHEDULED CASTES & SCHEDULED TRIBES

Scheduled Castes Population

- Highest number of Scheduled Castes reside in Uttar Pradesh, West Bengal, Bihar, Andhra Pradesh, Tamil Nadu
- States with highest percentage of SCs in their population - Punjab, Himachal Pradesh, West Bengal, Uttar Pradesh, Haryana.
- States without SC population - Nagaland, Andaman & Nicobar and Lakshadweep islands
- Literacy of SCs - 37.41% (Male - 49.91%, Female-23.7%)

States with the Largest Number of Scheduled Castes (1991)

State	No.
Karnataka.....	1 01
Orissa	93
Tamil Nadu	76
Kerala.....	68
Uttarakhand, Uttar Pradesh	66

Scheduled Tribes Population

- Highest population of ST - Madhya Pradesh, Maharashtra, Orissa, Gujarat, Rajasthan
- States with the highest percentage of STs in their population - Mizoram, Lakshadweep, Nagaland, Meghalaya, Arunachal Pradesh

States with the Highest Population of Scheduled Castes

State	(2001)
Uttar Pradesh	3,51,48,377
West Bengal	1,84,52,555
Bihar	1,30,48,508
Andhra Pradesh	1,23,39,496
Tamil Nadu	1,18,57,504

Maharashtra	98,81,656
Rajasthan	96,94,462
Madhya Pradesh	91,55,177
Karnataka.....	85,63,930
Punjab.....	70,28,723
India	16,66,24,561

- States without ST population -Punjab, Haryana, Chandigarh, Delhi and Puducherry.
- Literacy of STs - 29.6% (Male -40.7%, Female- 18.2%)

Scheduled Tribes

The notion of the tribe in India is determined primarily by the political and administrative consideration of uplifting a section of the Indian people which has been relatively remotely situated in the hills and forests and which is backward in terms of the indices of development. The Scheduled Tribes have been identified in terms of the two parameters of relative isolation and backwardness. They constitute about 8% of the total population. They are spread over all states except Punjab and Haryana and in all union territories except Chandigarh, Delhi and Pondicherry. Nearly 93% of the tribal population has a rural base.

Problems faced by tribal population in India

1. Loss of control over natural resources
2. Lack of education
3. Displacement and rehabilitation
4. Problems of health and nutrition
5. Poor condition of women
6. Erosion of identity

States with the Largest Number of Scheduled Tribes (1991)

State	No.
Arunachal Pradesh.....	98
Orissa	62
Karnataka.....	49
Maharashtra.....	47
Madhya Pradesh.....	46
Chhattisgarh	42

States with the Highest Population of Scheduled Tribes (2001)

State	Population
Madhya Pradesh	1,22,33,474
Maharashtra.....	85,77,276
Orissa	81,45,081
Gujarat.....	74,81,160
Rajasthan.....	70,97,706
Jharkhand	70,87,068
Chhattisgarh	66,16,596
Andhra Pradesh	50,24,104
West Bengal	44,06,794
Karnataka.....	34,63,986
India	8,23,33,378

States with the Largest Number of Primitive Tribe Groups (1991)

State	No.
Orissa	13
Andhra Pradesh	12
Bihar	9
Madhya Pradesh	7
Tamil Nadu.....	6
Gujarat.....	5
Kerala.....	5
Andaman & Nicobar Islands	5

Religious Composition

India is the birth place of four major religions - Hinduism, Buddhism, Jainism and Sikhism. Before partition of India, Hindus accounted for 66.5% and Muslims 23.7% of the population of the Indian sub-continent (1941). But after partition, Hindus accounted for 84.1% and Muslims 9.8% of the total population of India (1951).

Population of religious communities

Religious Communities	(%) total Population of India
Hindus	80.5
Muslims.....	13.4
Christians	2.3
Sikhs.....	1.9
Buddhists	0.8
Jains	0.4
Others.....	0.6

States with the Highest Percentage of Hindus

States	% Hindu population
INDIA	80.5
Himachal Pradesh.....	95.4
Chhattisgarh	94.7
Orissa	94.4
Uttar Pradesh	80.6
Maharashtra.....	80.4
Chandigarh	78.6

States with the Highest Percentage of Christians

States	% Christian population
India	2.3
Nagaland	90
Mizoram	87
Meghalaya	70.3
Manipur	34
Goa	26.7

1.7 SETTLEMENTS & URBANISATION

Rural Settlements

Rural settlements refer to clusters of dwellings called 'villages' together. Settlements are generally classified as:

- i) Urban Settlement
- ii) Rural Settlement

Factors Affecting Settlement Patterns

The type of rural settlement is determined by a number of factors. These factors may be grouped as follows :

- (i) Physical (ii) Cultural (iii) Historical

- **Physical Factors:** The factors such as land relief, altitude, drainage, and depth of water table, climate and type of soil play an important role in determining the type and spacing of settlements,
- **Cultural Factors:** Ethnic and cultural factors, such as tribal, caste or communal identity are also important in determining the layout of a rural settlement.
- It attracts other caste groups who provide services to village community and they occupy specific place in settlement plan.
- Harijan dwellings are generally situated on the periphery away from settlement. This shows social segregation.
- But it leads to fragmentation of a compact settlement into several units.
- **Historical factors:** These have been also exercised an important influence on the type of rural settlement in India.
- Regions which were exposed to frequent invasions from outside during which the swarms of armies inflicted terror, village communities preferred to live in compact settlements which helped them a lot in defending against the invaders. This was more evident in North Indian Plain.

Classification of Villages

Following classes of villages are recognized:

1. **Pura:** The place where a habitat had been in ancient days and where chief habitats are all around or nearby areas is called pura.
2. **Khas:** The word khas is used for the main village or sadar.
3. **Kalan:** The word kalan is used for large villages and is used at the end of the name of the village i.e. Bound Kalan,
4. **Khurd:** This word is used for small villages.
5. **Khera:** This word is used for small colonies and also for the higher land of the village.
6. **Nangla:** It comprises a group of small villages where one village is surrounded by several satellite villages.

Urbanisation

Urbanisation refers to the mode of the population by which they start settling in Cities some major facts related to urbanization India are:

- Only 27.78% of India's population is urban whereas 45% of world's population resides in the urban areas.
- In terms of absolute numbers, India's urban population far exceeds the total population of any country in the world except that of China and the USA.
- India's urban population is the world's second largest after that of China.
- Mizoram (49.5%) is the most urbanized while

- Himachal Pradesh (9.8%) is the least urbanized state.
- Mizoram is followed by Goa, Tamil Nadu, Maharashtra and Gujarat.
- Himachal Pradesh is followed by Bihar, Sikkim, Assam and Orissa.
- Highest growth of urban population – Dadra & Nagar Haveli.
- Among major states, Arunachal Pradesh witnessed the highest growth of urban population.
- Highest growth of rural population - Nagaland.
- Lowest growth of rural population – Tamil Nadu and Goa (Negative growth).
- In the Census 2001 as many as 5161 towns were delineated, which was 472 more than the number in the 1991 Census (4689).
- In 2001, 3800 were statutory towns and 1361 were Census towns.
- The number of Urban Agglomerations (UAs) in the country increased from 381 in the 1991 Census to 384 in the Census 2001.
- According to the Census 2001, in India out of total population of 1027 million about 285 million lived in urban areas and 742 million lived in rural areas. Thus, around 28 out of every 100 persons in India live in urban areas.

Cities having million (+) Population in 2001

Rank	UA/ City	Population (Lakhs)
1	Greater Mumbai	163.7
2	Kolkata	132.2
3	Delhi	127.9
4	Chennai	64.2
5	Bengaluru	56.9
6	Hyderabad	55.3
7	Ahmedabad	45.2
8	Pune	37.5
9	Surat	28.1
10	Kanpur	26.9
11	Jaipur	23.2
12	Lucknow	22.7
13	Nagpur	21.2
14	Patna	17.1
15	Indore	16.4
16	Vadodara	14.9
17	Bhopal	14.5
18	Coimbatore	14.5
19	Ludhiana	14.0
20	Kochi	13.5
21	Visakhapatnam	13.3
22	Agra	13.2
23	Varanasi	12.1
24	Madurai	11.9
25	Meerut	11.7
26	Nasik	11.5

27	Jabalpur	11.2
28	Jarnshedpur	11.0
29	Asansol	10.9
30	Dhanbad	10.6
31	Fahdabad	10.5
32	Allahabad	10.5
33	Amritsar	10.1
34	Vijaywada	10.1
35	Rajkot	10.0
	Total	1078.8

Most Urbanised States (2001)

State	%age
1 Mizoram	49.5
2. Goa	49.47
3. Tamil Nadu	44
4. Maharashtra	42.4
5 . Gujarat.....	37.3
6. Kamalaka	34
7. Punjab	33.9

State with the largest number of towns (2001)

State	Statutory	Census	Total
town	towns	towns	
1. Tamil Nadu	721	111	832
2. Uttar Pradesh	638	66	704
3. Madhya Pradesh	339	55	394
4. Maharashtra	251	127	378
5. West Bengal	123	252	375

1.8. MAJOR CITIES OF INDIA

- **Agra:** A Cultural, historical and industrial city of Uttar Pradesh located on the banks of the Yamuna river. The most popular tourist attraction and UNESCO World Heritage sites - Taj Mahal and Agra Fort are located here.
- **Ahmedabad:** Situated in the cotton belt of the Gujarat plains, it is the largest city of Gujarat and is known as the "Manchester of the East". Located on the banks of river Sabarmati it is an important industrial, cultural and educational town.
- **Ajmer:** Situated in Taragarh hills in Aravallis, important railway junction & trade and a pilgrimage centre. Famous for Puskar lake and Dargah of Mohinuddin Chisti.
- **Amritsar:** Home to Harmandir Sahib (Golden Temple), spiritual and cultural centre of Sikh religion, commercial activities include tourism, carpet manufacturing, farm produce and light engineering.
- **Asansol:** Located in the Bardhaman district of West Bengal. Important railway junction and famous for MSCO (Indian Iron and Steel Company), Asbestos Industry & Automobile Industries located here.

- **Bengaluru:** Capital of Karnataka state, Bengaluru is a clean, spacious and well planned city with beautiful parks and is known as 'Garden city of India'. One of the fastest growing cities, this 'city of the future' is famous for BHEL, HAL, HMT, Indian Telephone Industry and IT Industry and is known as 'Silicon valley of India'.
- **Baroda/Vadodra:** Third most populated city of Gujarat, on Vishwamitri river, cultural capital of Gujarat and administrative headquarters of Vadodra district. Petrochemical, engineering, pharmaceuticals, plastic industries are located here. Gujarat refinery of IOC, Gujarat state fertilizers and Chemicals IPCL, Gujarat Alkaline Chemicals Ltd. etc are also present here.
- **Bhubaneshwar:** Capital of Orissa, popularly known as the 'Temple city of India'. It is a planned city, cultural and educational town, famous for its Khandagiri and Udaygiri cave and Dhaulagiri rock edict.
- **Chennai:** Capital of Tamil Nadu, centre of Dravidian culture, ancient city and the oldest artificial harbour on the east coast of India. India's largest sea beach Marina beach is on its Bay of Bengal coast.
- **Coimbatore:** Tamil Nadu, also called Kovai, second largest city of Tamil Nadu, located at the foothills of Nilgiris. It is important for cotton textile, electric motors, pumps, automobile, iron and steel and aluminum castings. It is known as the Manchester of South India.
- **Dalhousie:** A hill station located on a spur of the Dhauladhar range of the Himalaya in Himachal Pradesh. It is famous for handicrafts industry and is a military base. It has spectacular scenic beauty and is the gateway to Chamba district.
- **Darjeeling:** A major hill resort of West Bengal and has strategic importance as a possible access to Nepal and Tibet. The Himalayan mountaineering institute is located here. It is also famous for tea estates and handicrafts. Darjeeling Himalayan Railways is UNESCO world heritage site.
- **Dhanbad:** Located near river Damodar in Jharkhand, it has coal mining centre and Indian Institute of Mining.
- **Ghatshila/Ghatsila:** It is a copper mining centre in the Singhbhum region of Chhottanagpur plateau. Located on the bank of river Subarnarekha near Jamshepur.
- **Guwahati:** Oil refinery gateway to North Eastern states, biggest city of Assam on the bank of Brahmaputra river. Largest commercial, industrial and educational centre of Assam.
- **Gwalior:** A historical and cultural city with an expanding industrial base located in the agricultural heartland of Madhya Pradesh. Famous for palaces, forts, temples, tombs and handicrafts.
- **Haldia.** It is a port town recently developed on the river Hugli about 105 km downstream from Kolkata. Its main purpose is to release congestion at Kolkata. Haldia has an oil refinery. It receives larger vessels which otherwise had gone to be harboured in Calcutta.
- **Hyderabad:** Capital of Andhra Pradesh located on the bank of river Musi. It is the largest town of Andhra Pradesh, leading industrial and trade centre, twin city is Secunderabad. Major industries are engineering goods, power generation, Indian drugs and pharmaceuticals factory and electronic industry.
- **Imphal:** Capital of Manipur, cultural and administrative centre, fertile plains of Manipur, cotton textile, handicraft, bamboo made goods, central university, NH-39.
- **Jaipur:** Surrounded on three sides by the rugged Aravalli hills, Jaipur is the picturesque capital of Rajasthan. It is a planned city, known as the gateway to Rajasthan and 'Pink City'. It is famous for forts, palaces, ancient observatory, handicrafts and jewellery.
- **Jaisalmer:** The desert town founded on an oasis, palaces, fort, Jain temples and camel and sheep's hair, handicrafts have made this city the most important tourist centre. Every year 'Desert Festival' celebrated in January. It is the district headquarter of the largest district of Rajasthan.

- **Jammu:** Gateway to Kashmir. Jammu is also the winter capital of the state. Situated on the banks of the river Tawi, this busy, prosperous town is surrounded by lakes hills, temples and fortresses. It is a cultural, commercial and a major tourist centre.
- **Jharia:** Located in Jharkhand, second in India in terms of coal reserves. The best metallurgical store of India, Base for a number of iron-steel industries and other metallurgical centres.
- **Jodhpur:** Situated close to the edge of the Thar desert, Jodhpur is a historical and cultural city. It is an important tourist centre due to beautiful forts, museum and handicraft industries.
- **Kakinada:** A deep water port with Special Economic Zone status, also known as fertilizer city of Andhra Pradesh. Hinterland has a great economic value due to the natural gas deposit in Khshna-Godavari basin.
- **Kalol:** Famous for oil refinery, crude-oil and natural gas reserves crude-oil transported through pipeline to Koyali for refining.
- **Kanyakumari:** India's southernmost mainland town, important for Tourism. It is the meeting point of three great Seas - the Indian ocean, the Arabian sea and the Bay of Bengal.
- **Kochi:** It is another natural harbour located on the coast of Kerala. Kochi has sheltered backwater bay. it handles the export of tea, coffee and spices and-imports of mineral oil and chemical fertilizers. The Kochi Oil Refinery receives crude oil through this port.
- **Kodaikanah** A quiet, charming hill station situated in the scenic Palni hills of Tamil Nadu. it has the solar physical observatory and orchidarium. It is famous for the Kurinji flower which blooms once in 12 years.
- **Kolkata:** India's second largest city and capital of West Bengal. Located in the jute producing region of India, it is a major port city called the 'Gateway to Eastern India'.
- **Korba:** Power hub of Chhatisgarh, land of black diamond, Kosa silk and Thermal power, a major mineral source of Chattisgarh. Half of total mineral income of the state, one of the largest treasures of coal in India with other minerals suches limestone, fireclay, etc. 'Gavra project' largest opencast mine of India is located here. Major industrial hub, Aluminium coal and power industries are located here.
- **Kulu:** Kulu town, situated on the banks of the winding river Beas, is famous for its orchards, temples, scenery and handloom shawls.
- **Ladakh:** A dry, mountainous land of the passes, sandwiched between the Karakoram range and Zaskar range, most often referred to as the "little Tibet". Ladakh is the highest altitude plateau region in India. Leh is the largest town in Ladakh.
- **Leh:** The ancient capital of Ladakh, lies in a fertile valley-near the Indus river. It has many Buddhist monasteries, mosques and highest airport and golf course in the world. It is a quiet little township and tourist centre, overshadowed by a hilltop palace and monastery.
- **Madurai:** One of the most pleasant cities. Madupji has a charming situation on the river Vaigai, fringed by lush paddy fields and coconut grooves. It is famous for handloom, handicrafts and the Meenakshi temple.
- **Mahabaleshwar:** One of the most popular hill stations of western India, and at 1372 mt the highest of the region. Situated in the Sahyadri range of the Western Ghats in Satara district of Maharashtra. Mahabaleshwar is also blessed with spectacular views of the Krishna and Koyni; valleys and also known as a holy place.
- **Mahabalipuram:** UNESCO world heritage Site. Famous for Shore temple (Pancha ternples) and is a port city.
- **Manali:** Situated in northern end of Kullu valley, a hill resort, good scenic beauty, tourist spot, famous for Yak Skiing.
- **Marmagao:** It is an important port of Goa and occupies fifth position in handling the traffic. For a long period, it handled the export of iron ore from Goa.
- **Mathura:** Ancient holy city, largest oil refinery of India, silver polishing industry and is famous for Eari printing & water-tap factories.

- **Mount Abu:** Rajasthan's only hill station, located on the Aravalli hills, it is an important pilgrimage centre. Gurushikhar, the highest peak of Aravalli is near this town. Nakki lake and Dilwara temple are most important tourist spots.
- **Mumbai:** It is the Gateway of India from the west, largest city, biggest port and commercial capital. Originally located on the salsette island, it is the state capital of Maharashtra and Hollywood of India.
- **Murshidabad:** Located in the left bank of Bhagirathi river in West Bengal. This city is famous for manufacturing utensils, handloom, weaving and silk industry.
- **Mysore:** A cultural and industrial city, known for its palaces, garden, silk factory, and handicraft. It is also known as the 'sandalwood city' and the 'city of palaces'. It is the second largest city of Karnataka.
- **Nainital:** Town in Uttarakhand in Kumaon hills, present in a valley containing pear-shaped lake, famous tourist spot. India's oldest national park, Corbett National Park is located here.
- **New Mangalore:** It is situated on the coast of Karnataka and handles export of iron ore from Kudremukh. It also handles import of fertilizers, petroleum products, edible oils and other cargo.
- **Neyveli:** Thermal power centre in Tamil Nadu, famous for lignite coal, helps in development of industries.
- **Ootacamund (Udhagamandalam) Ooty:** Former summer capital of the Madras presidency (now Tamil Nadu), Ooty is popularly known as the '*Queen of Hill Stations*'. It nestles in the Nilgiris (Blue mountain) near the junction of Karnataka, Tamil Nadu and Kerala. Also famous for its Botanical garden and plantations.
- **Paradeep:** A cultural, industrial and port city of Orissa, Paradeep is located on the Bay of Bengal coast. It handles iron ore and coal along with some other dry cargo.
- **Por-bandar:** Located in Porbandar district of Gujarat, a coastal city on the extreme west coast of Arabian Sea, birthplace of Mahatma Gandhi, all weather port with direct Berthing facilities.
- **Pune:** A cultural, military and an administrative town famous for palaces, temples, film and television institute and museum. It is the birth place and one of the main estates of the Maratha hero Chhatrapati Shivaji.
- **Puri:** A minor seaport of Orissa, world famous for the Jagannath Temple. It is a cultural city & pilgrimage. Located on the continental shelf of Bay of Bengal, it has a beautiful natural sea-beach and chemicals, drugs & pharmaceutical industries.
- **Ramchandiapuram:** Located in Andhra Pradesh near Godavari delta. The central power distribution company of Andhra Pradesh is located here. It is famous for rice, betel and coconut cultivation.
- **Ranchi:** Capital of Jharkhand state. Industrial and cultural town famous for machine tools, spare parts and alumina. Dams falls located nearby. River Subarnarekha flows near this city.
- **Raniganj:** One of the largest and most important coalfields of India situated in upper Damodar valley in West Bengal.
- **Shimla:** Former summer capital of British India, Shimla is the largest hill station in the world and capital of the state of Himachal Pradesh. This hill resort is famous for its meadows and forest and handicraft industry.
- **Srinagar:** Capital of Jammu & Kashmir, located on river Jhelum. Cultural and industrial centre, famous for wood work, woollen, silk clothing, carpet manufacturing and handicrafts.
- **Surat:** Situated on river Tapi (left bank). Climate is tropical and rain is abundant, industrial hub for production of synthetic, manmade fibers and diamond cutting industry.

- **Talcher:** Industrial town in Angul district (The industrial hubs of Orissa), rich in black diamond, NTPC power plant uses coal from Talcher coalfields and water from a small barrage reservoir on river Brahmani.
- **Trivandrum:** It is a busy seaside city built on seven hills, overlooking the peaceful valleys. It derives its name from Thiru-Anantha-Puram (Home of the Serpent) and is also known as the city of the Sacred Geese,
- **Tuticorin:** A port city developed on the coast of Tamil Nadu which handles traffic of coal, foodgrains, edible oils, sugar and petroleum products.
- **Varanasi (Benaras):** The centre of Hinduism and most important pilgrimage place in India. Located on the Bank of Ganga it is an important seat of learning. It is famous for temples, metal handicrafts and sarees.
- **Vishakhapatnam.** It has the deepest landlocked and protected port. An important industrial, educational, medical and port city. It has iron & steel, fertilizer, petroleum refinery and the ship-building and ship repair industry.

SUMMARY

- India lies in the northern and eastern hemispheres of the globe between 8° 4' N and 37°6'N latitudes and 68°7' E and 97°5' E longitudes.
- India commands a total geographical area of 32,87,263 sq. km.
- After Russia, China, Canada, USA, Brazil and Australia, India is the seventh largest country of the world.
- The Andaman and Nicobar Islands comprise of two island groups, the Andaman islands and the Nicobar islands.
- India is divided into four major physiographic regions, viz, 1. The Northern Mountains, 2. The Great Plains, 3. The Peninsular Uplands, and 4. The Indian Coasts and Islands.
- Great Plains are gradational plains formed by the alluvial deposits of the Indus, Ganga and the Brahmaputra and their tributaries.
- The northern mountain region extends all along the northern frontier of the country, over about 2500 km, with a varying width of 240 to 320 km and a total area of about 5,00,000 km².
- The peninsular uplands cover an area of about 16 lakh sq km and form the largest physiographic division of India.
- The Indian coastal plains are divided into (a) Gujarat Coastal Plain, (b) West Coastal Plain, and (c) East Coastal Plain.
- India has a total of 247 islands of which 204 lie in the Bay of Bengal and remaining in the Arabian Sea.
- India is the second most populated country in the world after China and accounts for 16.87% of world's population.
- A growth in population implies a change between two given points in time.
- Various problems related to high population growth are:
 - (a) Increase in proportion of women in the reproductive age.
 - (b) Reduction in per capita income.
 - (c) Increased pressure on land.
 - (d) Environmental implications.
 - (e) Increasing demand for civic amenities and related social problems.
- The density of population is expressed as number of people per unit area, for example, a square kilometre or a hectare
- India is the birth place of four major religions - Hinduism, Buddhism, Jainism and Sikhism

- After partition, Hindus accounted for 84.1% and Muslims 9.8% of the total population of India as per the 1951 census.
- The term "settlement" refers to a grouping of houses or huts with a certain layout plan and it includes the buildings meant for residential or other purposes as well as the streets or the roads which connect them together.
- Factors affecting settlement pattern are: physical , cultural and historical.
- Classification of villages recognized are:
 - Pura
 - Khas
 - Kalan
 - Khurd
 - Khera
 - Nanglay

TEST YOURSELF

1. Write the names of the neighbouring countries of India and the total border length India shares with these countries.
.....
.....
.....
2. Give the names of the Union Territories in India and also give percale of differences between a union territory and state.
.....
.....
.....
3. What is schedule tribe ? Write problems faced by them.
.....
.....
.....
4. Write a short note on India's population. What do you understand by population density?
.....
.....
.....
.....
5. Find out and write names of all the countries in the world which are bigger in size than India.
.....
.....
.....
.....

Objective Type Questions :

Tick mark the correct option

1. India has a total coastline of
(a) 7615km (b) 7516km (c) 7156km (d) 7165km
2. Kannada is the main language of which state?
(a) Andhra Pradesh (b) Kerala (c) Karnataka (d) Tamil Nadu
3. India islargest country in the world
(a) Fifth (b) Sixth (c) Seventh (d) Eighth

4. Boundary line between India and Pakistan is known as
- (a) Radcliffe line (b) Durand line
(c) Ht line (d) Wagah border line
5. is the only UT nominated as the capital of two states
- (a) Delhi (b) Chandigarh
(c) Goa (d) Dadra & Nagar haveli

Answers

1. (b) 2. (b) 3. (c) 4. (a) 5. (b)

Long Answer questions

1. Describe in brief the physical features of India.
2. Write a short note on rural settlement.
3. What do you understand by density of population ? Explain. Which areas do you think are prone to higher density of population and why?
4. What are the problems associated with high population growth? Describe.
5. What are the factors which effect the settlement patterns in India? Explain.

AREA AND POPULATION
TABLE 2.1- AREA AND POPULATION BY STATES
(Census-2011)

India/ State/ Union Territory	Area in sq. kms.	Population				
		Males	Females	Persons	Rural	Urban
		(M)	(F)	(P)		
1	2	3	4	5	6	7
INDIA (1) ++	3287263*	623724248	586469174	1210193422	833087662	377105760
State:						
Andhra Pradesh	275045	42509881	42155652	84665533	56311788	28353745
Arunachal Pradesh	83743	720232	662379	1382611	1069165	313446
Assam	78438	15954927	15214345	31169272	26780516	4388756
Bihar	94163	54185347	49619290	103804637	92075028	11729609
Chhattisgarh	135191	12827915	12712281	25540196	19603658	5936538
Goa	3702	740711	717012	1457723	551414	906309
Gujarat	196024	31482282	28901346	60383628	34670817	25712811
Haryana	44212	13505130	11847951	25353081	16531493	8821588
Himachal Pradesh	55673	3473892	3382617	6856509	6167805	688704
Jammu & Kashmir (1) ++	222236	6665561	5883365	12548926	9134820	3414106
Jharkhand	79714	16931688	16034550	32966238	25036946	7929292
Karnataka	191791	31057742	30072962	61130704	37552529	23578175
Kerala	38863	16021290	17366387	33387677	17455506	15932171
Madhya Pradesh	308245	37612920	34984645	72597565	52537899	20059666
Maharashtra	307713	58361397	54011575	112372972	61545441	50827531
Manipur +	22327	1369764	1351992	2721756	1899624	822132
Meghalaya	22429	1492668	1471339	2964007	2368971	595036
Mizoram	21081	552339	538675	1091014	529037	561977
Nagaland	16579	1025707	954895	1980602	1406861	573741
Orissa	155707	21201678	20745680	41947358	34951234	6996124
Punjab	50362	14634819	13069417	27704236	17316800	10387436
Rajasthan	342239	35620086	33000926	68621012	51540236	17080776
Sikkim	7096	321661	286027	607688	455962	151726
Tamil Nadu	130058	36158871	35980087	72138958	37189229	34949729
Tripura	10486	1871867	1799165	3671032	2710051	960981
Uttar Pradesh	240928	104596415	94985062	199581477	155111022	44470455
Uttarakhand	53483	5154178	4962574	10116752	7025583	3091169
West Bengal	88752	46927389	44420347	91347736	62213676	29134060

Union Territory:

A.& N.Islands	8249	202330	177614	379944	244411	135533
Chandigarh	114	580282	474404	1054686	29004	1025682
D.& N.Haveli	491	193178	149675	342853	183024	159829
Daman & Diu	112	150100	92811	242911	60331	182580
Delhi	1483	8976410	7776825	16753235	419319	16333916
Lakshadweep	32	33106	31323	64429	14121	50308
Puducherry	479	610485	633979	1244464	394341	850123

Source: Office of Registrar General of India, Ministry of Home Affairs

* The area figures of States and U.T's do not add up to area of India because :

(i) The shortfall of 7 square km. area of Madhya Pradesh and 3 square km. area of Chhattisgarh is yet to be resolved by the Survey of India.

(ii) Disputed area of 13 square km. between Pondicherry and Andhra Pradesh is neither included in Pondicherry nor in Andhra Pradesh.

(1) The population figures excludes population of the area under unlawful occupation of Pakistan and China where Census could not be taken.

++ Area figures includes the area under unlawful occupation of Pakistan and China. The area includes 78,114 sq.km. under illegal occupation of Pakistan, 5,180 sq. km. illegally handed over by Pakistan to China and 37,555 sq.km. under illegal occupation of China.

+ The population of India, Manipur State and Senapati District by sex includes estimated population and excludes the households of Mao Maram, Paomata and Purul sub divisions, as the census results for 2001 Census for these sub divisions were cancelled due to administrative and technical reasons.

AREA AND POPULATION

**TABLE 2.3- DISTRIBUTION OF POPULATION, SEX RATIO, DENSITY
AND DECADAL GROWTH RATE OF POPULATION**

(Census-2011)

India/ State/ Union Territory	Total population			Sex ratio (females per 1000 males)	Density (Per sq. km)	Decadal growth rate
	Persons	Males (M)	Females (F)	(P)		
1	2	3	4	5	6	7
INDIA	1210193322	623724248	586469174	940	382	17.64
State:						
Andhra Pradesh	84665533	42509881	42155652	992	308	11.10
Arunachal Pradesh	1382611	720232	662379	920	17	25.92
Assam	31169272	15954927	15214345	954	397	16.93
Bihar	103804637	54185347	49619290	916	1102	25.07
Chhattisgarh	25540096	12827915	12712281	991	189	22.59
Goa	1457723	740711	717012	968	394	8.17
Gujarat	60383628	31482282	28901346	918	308	19.17
Haryana	25353081	13505130	11847951	877	573	19.90
Himachal Pradesh	6856509	3473892	3382617	974	123	12.81
Jammu & Kashmir	12548926	6665561	5883365	883	124	23.71

Jammu & Kashmir (1)++	12548926	6665561	5883365	883	124	23.71
Jharkhand	32966238	16931688	16034550	947	414	22.34
Karnataka	61130704	31057742	30072962	968	319	15.67
Kerala	33387677	16021290	17366387	1084	859	4.86
Madhya Pradesh	72597565	37612920	34984645	930	236	20.30
Maharashtra	112372972	58361397	54011575	925	365	15.99
Manipur +	2721756	1369764	1351992	987	122	18.65
Meghalaya	2964007	1492668	1471339	986	132	27.82
Mizoram	1091014	552339	538675	975	52	22.78
Nagaland	1980602	1025707	954895	931	119	-0.47
Orissa	41947358	21201678	20745680	978	269	13.97
Punjab	27704236	14634819	13069417	893	550	13.73
Rajasthan	68621012	35620086	33000926	926	201	21.44
Sikkim	607688	321661	286027	889	86	12.36
Tamil Nadu	72138958	36158871	35980087	995	555	15.60
Tripura	3671032	1871867	1799165	961	350	14.75
Uttar Pradesh	199581477	104596415	94985062	908	828	20.09
Uttarakhand	10116752	5154178	4962574	963	189	19.17
West Bengal	91347736	46927389	44420347	947	1029	13.93
Union Territory:						
A. & N. Islands	379944	202330	177614	878	46	6.68
Chandigarh	1054686	580282	474404	818	9252	17.10
D. & N. Havli	342853	193178	149675	775	698	55.50
Daman & Diu	242911	150100	92811	618	2169	53.54
Delhi	16753235	8976410	7776825	866	11297	20.96
Lakshadweep	64429	33106	31323	946	2013	6.23
Puducherry	1244464	610485	633979	1038	2598	27.72

Source: Office of Registrar General of India, Ministry of Home Affairs

EDUCATION

Table 29.6-LITERACY RATE IN INDIA

(Percent)

Territory	1991			2001					
	Persons	Male	Female	Persons	Male	Female	Persons	Male	Female
1	2	3	4	5	6	7	8	9	10
India	52	64	39	65	75	54	74	82	65
Andhra Pradesh	44	55	33	61	70	50	68	76	60
Arunachal Pradesh	42	52	30	54	64	44	67	74	60
Assam	53	62	43	63	71	55	73	79	67
Bihar	38	51	22	47	60	33	64	73	53
Chhatisgarh	43	58	28	65	77	52	71	81	61

Goa	76	84	67	82	88	75	87	93	82
Gujarat	61	73	49	69	80	58	79	87	71
Haryana	56	69	41	68	79	56	77	85	67
Himachal Pradesh	64	75	52	77	85	67	84	91	77
Jammu & Kashmir	-	-	-	56	67	43	69	78	58
Jharkhand	41	56	26	54	67	39	68	78	56
Karnataka	56	67	44	67	76	57	76	83	68
Kerala	90	94	86	91	94	88	94	96	92
Madhya Pradesh	45	59	29	64	76	50	71	81	60
Maharashtra	65	77	52	77	86	67	83	90	75
Manipur	60	72	48	71	80	61	80	86	73
Meghalaya	49	53	45	63	65	60	75	77	78
Mizoram	82	86	79	89	91	87	92	94	89
Nagaland	62	68	55	67	71	62	80	83	77
Orissa	49	63	35	63	75	51	73	82	64
Punjab	59	66	50	70	75	63	77	81	71
Rajasthan	39	55	20	60	76	44	67	81	53
Sikkim	57	66	47	69	76	60	82	87	76
Tamil Nadu	63	74	51	74	82	64	80	87	74
Tripura	60	71	50	73	81	65	88	92	83
Uttar Pradesh	41	55	24	56	69	42	70	79	59
Uttaranchal	58	73	42	72	83	60	80	88	71
West Bengal	58	68	47	69	77	60	77	83	71
Union Territory:									
A. & N. Islands	73	79	66	81	86	75	86	90	82
Chandigarh	78	82	72	82	86	77	86	91	81
D. & N. Haveli	41	54	27	58	71	40	78	86	66
Daman and Diu	71	83	59	78	87	66	87	91	80
Delhi	75	82	67	82	87	75	86	91	81
Lakshadweep	82	90	73	87	93	81	92	96	88
Puducherry	75	84	66	81	89	74	87	92	81

Notes: 1. Literacy rate is defined as the population of literates in the population aged 7 year and above.

2. The 1991 data (Excluding Jammu & Kashmir)and 2001data(Excludes figures of Paomata, Mao Maran and Pura sub-divisions of Senapati district of Manipur for 2001) refer to Census of India.

3. Data for the 2004, 2006 & 2007 relates to National Sample Survey Organisation 60th round (Jan-June, 2004), 62nd Round (July 2005-June 2006) and 63rd round (July 2006-June 2007) respectively. Data for 1991 & 2001 is from

INDIAN AGRICULTURE AND NATURAL RESOURCES**STRUCTURE**

- Agriculture
- Cropping Seasons
- Types of Farming
- Green Revolution
- Land Resources and Pattern of Their Use
- Major Crops
- Minerals
 - Non-Metallic Minerals
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

- Indian agriculture in detail along with major crops and land use pattern in India.
- Types of farming practised in India.
- Metallic, non-metallic minerals in india and their production statistics.
- Vegetation and natural resources of all the continents in brief.

2.1. AGRICULTURE

Agriculture includes raising of crops from the land, animal husbandry, agroforestry and pisciculture. It acts as a supplier of raw materials to the industries and as consumer of industrial products. Agriculture and allied sectors contribute nearly 22 per cent of our country's GDP, while about 65 per cent of the population is dependent on agriculture for their livelihood.

Characteristics of Indian Agriculture

- Subsistent type of agriculture
- Characterised by heavy population pressure
- Predominance of the cultivation of food grains
- Agriculture shows diversity of crops
- India has the highest percentage (54%) of its geographical area under cultivation
- Due to physical, economic and social factors the landholdings are tiny, fragmented and unsuitable for modern methods of agriculture
- Intensive farming is carried on in limited areas
- Utilises a number of draught animals like bullocks
- Mostly dependent on rainfall
- Climatic and edaphic factors are favourable for agriculture.
- Indian agricultre pays minimum attention to fodder crops.

Agriculture and Its Contribution

- Net sown area is 140.8 million hectare and gross sown area is 190.64 million hectare (2003-04),
- Agriculture and allied sectors contribute about 22% of GDP.

- Agro-exports contribute only about 10.2% of total exports of India (in 2006-07).
- In agri-exports, marine products is 1.4%, followed by Raw Cotton (1.1%) and oil meals (1.0%)
- The share of agri-imports to total imports is 2.9% (2006-07), in which edible oils have the largest share (1.1%) followed by raw cereals and pulses.
- All India average consumption of fertilizers per hectare is 113.26kg (2006-07).
- India is the third largest producer and consumer of fertilizers in the world after China and USA.
- NPK consumption ratio in India has increased to 6:2.4:1.
- India is self-sufficient in respect of urea while about 95% self-sufficient in DAP.

2.2. CROPPING SEASONS

- *Kharif Crops:* These crops, require much water and a long hot weather for their growth. These are sown (in June or early July) with the commencement of south-west monsoon and are harvested by the end of monsoon or autumn (September/October). The main kharif crops include rice, jowar, maize, cotton, groundnut, jute, hemp, tobacco, bajra, sugarcane, pulses, forage grasses, green vegetables, chillies, gourd, lady's finger etc.
- *Rabi Crops:* These crops, grown in winter, require relatively cool climate during growth and warm climate during germination of their seeds and on maturation. Therefore sowing is done in November and crops are harvested in April-May. The major rabi crops are wheat, gram and oilseeds like mustard and rape seed.
- *Zaid Crops,* Besides above two dominant types of crops, a brief cropping season has been lately introduced in India mainly in irrigated areas where early-maturing crops, called zaid crops, are grown between March and June. The chief zaid crops are urad, moong, melons, water melons, cucumber, tuber vegetables etc.

2.3. TYPES OF FARMING

Subsistence farming

- Majority of farmers in large parts of the country, practise subsistence farming.
- Farmers cultivate small and scattered holdings with the help of draught animals and family members.
- Techniques are primitive and tools are simple.
- The farmer and his family members consume the entire farm produce and do not have any surplus farm production to sell in the market.
- The main emphasis is on food crops. *Plantation agriculture*
- Plantation agriculture was introduced in India by the Britishers in the 19th century.
- This type of agriculture involves growing and processing of a single cash crop purely meant for sale.
- Large capital input, vast estates, managerial ability, technical know-how, sophisticated farm machinery, fertilizers, good transport facilities, and a factory for processing the produce are some of the outstanding features of plantation agriculture.
- There are plantations of rubber, tea, coffee, "" cocoa, banana, spices, coconut, etc.
- This type of agriculture is practised mainly in Assam, sub-Himalayan West Bengal, and in the Nilgiri, Anaimalai and Cardamom Hills in the south.

Shifting agriculture

- This is a shifting cultivation practised by tribals in the forest areas of Assam, Meghalaya, Nagaland, Manipur, Tripura, Mizoram, Arunachal Pradesh, Orissa, Madhya Pradesh and Andhra Pradesh.
- It is known as **Jhum** in Assam, **Ponam** in " Kerala, **Podu** in Andhra Pradesh and Orissa, **Beewar, Mashan, Penda** and **Beera** in different parts of Madhya Pradesh.

- This is a type of agriculture in which a piece of forest land is cleared mainly by tribal people by felling and burning the trees to grow crops.
- After 2-3 years when the fertility of the soil of the cleared land decreases, it is abandoned and the tribe shifts to some other piece of land.
- Dry paddy, buck wheat, maize, small millets, tobacco and sugarcane are the main crops grown under this type of agriculture.
- This is a very crude and primitive method of cultivation which results in large scale deforestation and soil erosion especially on the hill sides.

2.4. GREEN REVOLUTION

Green revolution is the name given to the package technology woven around new high yielding varieties of crops, including use pesticides, assured irrigation, electricity, fertilizers, improvement of rural infrastructure, credit and marketing facilities on cooperative basis, a system of support prices and buffer stocking. Present day green revolution has its genesis in the Intensive Agriculture Development Programme (IADP). It aims at diffusing technical know-how, credit and agricultural technology to set up agricultural production in selected districts, so that it may have demonstration effect.

Components of Green Revolution

Following are the 12 components of Green Revolution:

1. High Yielding Varieties (HYV) of seeds
2. Irrigation (a) surface and (b) ground
3. Use of fertilizers (chemical)
4. Use of Insecticides and Pesticides
5. Command Area Development (CAD)
6. Consolidation of holdings
7. Land reforms
8. Supply of agricultural credit
9. Rural electrification
10. Rural Roads and Marketing
11. Farm Mechanisation
12. Agricultural Universities

Impact of Green Revolution

Like other developing countries, Green Revolution has influenced the economy and way of life in India to a great extent as is evident from the following points:

1. Increase in Agricultural Production
2. Prosperity of Farmers
3. Reduction in import of foodgrains
4. Capitalistic Farming
5. Ploughing back of profits
6. Industrial Growth
7. Rural Employment

Negative socio-economic impact of Green Revolution

Some of the demerits or problems of Green Revolution are briefly discussed as under.

1. Inter-Crop Imbalances
2. Increase in regional disparities
3. Big farmers are the real beneficiaries

4. Increased Unemployment
5. Increased inter-regional migration
6. Ecological problems

2.5. LAND RESOURCES AND PATTERNS OF THEIR USE

• India's vast size and diversity in relief is the most important resource. It has lofty mountains, old denuded plateaus and extensive plains.

• This diversity in topography guarantees different economic activities as illustrated below-

(i) About 43% of land area is plain, which provides opportunity for crop farming.

(ii) The mountainous areas, accounting for about 30% of surface area are storehouse of natural resources as well as important for their scenic beauty and ecological aspects.

(iii) The plateau area covers about 27% of total area and has rich reserves of mineral resources besides forests and arable land.

Land Use Pattern

The existing pattern of land use in India is the result of continued interplay between physical elements like topography, climate and soil, and human efforts conditioned by various socio-economic factors. Of the total geographical area of 328.726 million hectare of the country the land use statistics are available for 304.85 million hectare of area (92.73% of the total geographical area). Within this total available area the net sown area occupied 132.80 million hectare (43.56%) during 2002-03, followed by forests 69.47 million ha. (22.79%), area put to non-agricultural uses 23.01 million ha. (7.55%), barren and uncultivable land 19.03 million ha. (6.2%), current fallows 21.53 million ha. (7.06%), cultivable waste 13.48 million ha. (4.42%), permanent pastures and grazing land 10.50 million ha (3.45%), other fallows 11.7 million ha (3.84%), and land under miscellaneous tree crops and groves not included in net sown area 3.32 million ha (1.09%). The corresponding figures for the years 1950-51 and 1975-76 present a temporal trend in the country's land use.

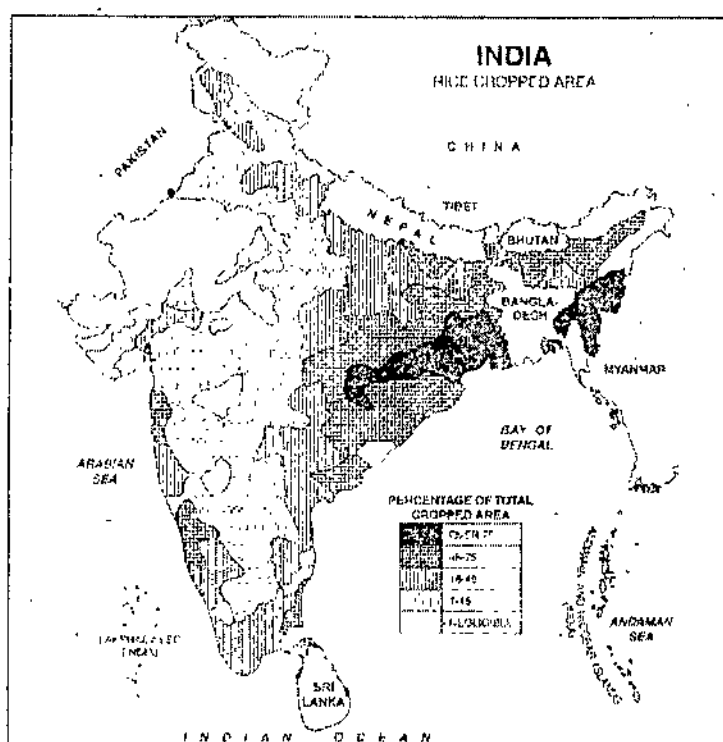
India: Land Utilization (million hectare)						
Land use categories	Years			Percent	Per cent change 1950-51 to 2002-03	
	1950-51	1975-76	2002-03 area			
Total geographical area	328.05	328.80	328.73			
Total reporting area for land use	284.32	304.33	304.85	92.73	7.22	
Area under forests	40.48	66.41	69.47	22.79	71.62	
Not available for cultivation						
a) Area put to non-agricultural uses	9.36	17.10	23.01	7.55	145.83	
b) Barren and uncultivable land	38.16	23.13	19.03	6.24	-50.13	
	47.52	40.23	42.04	13.79	-11.53	
Other uncultivated land excluding fallows						
a) Permanent pastures and grazing land	6.68	12.59	10.50	3.45	57.19	
b) Land under tree crops and groves	19.83	3.63	3.32	1.09	-83.26	
c) Cultivable waste	22.94	17.74	13.48	4.42	-41.24	
	49.45	33.96	27.30	5.95	-44.79	
Fallow Land						
a) Current fallows	10.67	12.45	21.53	7.06	+101.78	
b) Other fallows	17.45	9.52	11.71	3.84	-32.89	

	28.12	27.97	33.24	70.90	+ 18.21
Net sown area	118.75	142.22	132.80	43.56	11.83
Area sown more than once	13.14	28.77	43.19		228.69
Total cropped area	131.89	170.99	175.99		33.44
Area under irrigation	22.60		72.97		222.88
			Source	Statistical Abstract India,	2005

2.6. MAJOR CROPS

Agricultural crops in India can be divided into following categories:

- Food crops - Rice, wheat, maize, millets-jowar, bajra etc.
- Cash crops - Cotton, jute, sugarcane, tobacco, groundnut etc
- Plantation crops - Tea, coffee, spices, coconut, rubber etc
- Horticulture crops - Apple, mango, banana, citrus etc.



Food Crops

- The se covers about 64.7% (2002-03) of the total cropped area in the country.
- The se includes: Rice, wheat, maize; millets-jowar, bajra, ragi; pulses-gram, tur (Arhar)

State	Production (96)	Share
	(Million Tonnes)	
West Bengal	15.60	15 81
Andhra Pradesh	13.78	12 75
UttarPradesh	13.07	12 13
Punjab	11.00	12 09

Cash Crops

- Cash crops include those commercial crops which are grown for sale in a raw or semi-processed form to generate income for the farmers.
- These crops occupy about 23 per cent of the total cropped area of the country but provide about 40% of the value of agricultural output.
- Provide raw material to a number of agrobased industries.

Following are some of the cash crop grown in India :

Jute (*Corchorus capsulans*)

- India is the largest producer as well as consumer of jute products.
- Jute is now being used to manufacture more ecofriendly interior for cars and automobiles.
- Bangladesh is the largest producer of raw jute.

Sugarcane (*Saccharum officinarum*)

- Sugarcane has the largest area under cultivation in the world.
- It is cultivated on about 23.8 million hectares in more than 90 countries, with a worldwide harvest of 1.69 billion tones.
- Brazil is the largest producer of sugarcane.

Cotton (*Gossypium Hirsulum*)

- China is the largest producer of cotton.
- Cotton fibres occurs naturally in white, brown and green colours.
- U.S. is the largest exporter of cotton.

Plantation Crops

Tea (*Camellia tea*)

- India is the largest producer and consumer of tea and accounts for about 27% of world production.
- It is a labour intensive tropical and sub-tropical crop wherein women constitute over 50% of the total workforce.
- Tea Research Association is at Tocklai (Assam).

Conditions of growth

- Tea plant thrives well in tropical and sub-tropical areas. It requires 24°C to 30°C of temperature.
- It is a shade loving plant and the growth is faster under light shade.
- It needs an annual rainfall of 150 cm to 250 cm well distributed throughout the year.
- The deep friable loams or virgin forest soils acidic in nature and rich in organic matter are preferred. *Varieties and Yield*
- There are two main varieties of tea: (a) *bohea* or Chinese, and *assamica* or Assamese.
- The average per hectare yield of tea is 1714 kg.
- The state of Karnataka records the highest per hectare yield of 2740 kg, followed by Tamil Nadu (1890 kg), West Bengal (1860kg) and Assam (1603 kg)

Area and Production

- India has the world's largest area under tea and contributes 28.3 per cent of the world production.
- About 74% of area and 73% of production of tea come from Assam and West Bengal.

Coffee (*Coffea*)

- It is indigenous to Abyssinia (Ethiopia). *Conditions of Growth*
- Coffee plant requires hot and humid climate with 16°C-28°C of temperature. 150 cm-250 cm of rainfall and well drained friable forest loams along hill slopes (height 600 m-1500 m).

Varieties

- There are two main varieties of coffee grown in India: (a) *Coffee arabica*, and (b) *Coffee robusta*.
- Arabica is a more popular variety covering 55-60 per cent of the coffee growing area.
- Its main varieties include Coorgs, Chicks, Kents, Margogipe, Bourbon, Amarillo, Blue Mountain, etc.
- Robusta variety occupies lower slopes (300-610m) and produces higher yields. It accounts for 40 per cent of the total coffee growing area.

Area and Production

- India produces 4.3 per cent of the total production of coffee in the world
- About 90 per cent of the total area and 99 per cent of the total production of coffee come from three southern states of Karnataka, Kerala and Tamil Nadu.

Rubber (*Hevea brasiliensis*)

- India is the third largest natural rubber producer next to Thailand and Indonesia and accounts for about 9% of the world's total production.

Conditions of Growth

- Rubber plant requires hot and humid climate. It grows well in temperate conditions between 25°C-35°C
- The rainfall of 300 cm, well distributed over the whole year, favours the plant growth.

Yield

- The average per hectare yield of rubber is 1705 kg which varies from 1767 kg in Kerala to 630 kg in Andaman and Nicobar islands.

Area and Production

- India is the fourth largest producer of natural rubber accounting for 6.5 per cent of the total world production.
- Kerala has almost monopoly in rubber production accounting for 92% of the country's output.

Spices

- India is the second largest producer of pepper.
- India is the largest producer of ginger, cardamom and arecanut.
- India is the third largest producer of coconut next to Philippines and Indonesia.
- Kerala leads in the production of pepper, cardamom, ginger, arecanut and coconut among Indian states.
- Andhra Pradesh is the largest producer of chillies and turmeric.
- India is the largest producer, processor, consumer and exporter of cashew nut in the world.

Horticulture Crops

Horticulture is the art and science of the cultivation of plants. It mainly includes cultivation of fruits and vegetables. It is followed to get better taste and quality. India is the second largest producer of fruits and vegetables. India leads the world in the production of mango, banana, sapota and acid lime and has recorded highest productivity in grapes. Mango, citrus and banana rank first, second and third respectively in area in India. Mango covers about 39% of area and accounts for 23% of total production in India. Banana ranks first in fruits production followed by Mango. India is next only to China in area and production of vegetables, contributing 13% of world production. India occupies first rank, second rank and third rank in the production of cauliflower, onion and cabbage respectively.

Foodgrains production (2005-06)

State	State %	Production (Million Tonnes)
UttarPradesh	19.37	40.41
Punjab	12.07	25.18
Andhra Pradesh	8.13	16.25

Coarse cereals production (2005-06)

State	State %
Karnataka	19.27
Maharashtra	17.87
Rajasthan	13.29

Production of different commodities (2006-07)

Commodities	Production in million tonne
Cereals	201.9
Oilseeds	23.8
Pulses	14.2
Foodgrains	216.1

States with the Highest Milk Production (2008-09)

State	(000 Tonnes)
Uttar Pradesh	22100
Andhra Pradesh	9729
Rajasthan	8536
Punjab	9320

States with the Highest Meat Production (2005-06)

State	'000 Tonnes
West Bengal	487.18
Andhra Pradesh	457.14
Maharashtra	236.28
Uttar Pradesh	198.36

States with the Highest Wool Production (2006-07)

State	'000 kg
Rajasthan	15685
Jammu & Kashmir	7400
Karnataka	5599
Andhra Pradesh	4230

States with the Highest Egg Production (2006-07)

State	Lakh Nos.
Andhra Pradesh	158411
Tamil Nadu	80435
Haryana	39596
Punjab	37740

Particular fish's share in India's total Fish production

Fish-type	(%) Share
Mackerrel.....	33
Herring.....	15
Prawn.....	9

Production of Inland Fish (2004-05)

State	(Tonnes)
West Bengal	1035500
Andhra Pradesh	642321
Uttar Pradesh	277074
Bihar	267510

Production of Marine Fish (2004-05)

State	(Tonnes)
Kerala.....	601863
Gujarat.....	584779
Maharashtra.....	417769
Tamil Nadu.....	307693
Andhra Pradesh	210733

States with the highest fish production (2007-08)

State	(Tonnes)
1. West Bengal.....	1447262
2. Andhra Pradesh	1010087
3. Orissa	849483
4. Gujarat	721907
5. Kerala	667327

2.7. MINERALS

There are 3,168 mines in India, out of which 570 are fuel mines, 563 metallic mineral mines and 1975 non-metallic mines. Mineral sector accounts for 11.5% of the country's industrial output and nearly 8% of GDP. Chhotanagpur Plateau is known as the mineral heart land of India. The high rainfall areas of India lack in limestone, gypsum and salts which are soluble in water. The Himalayas have a variety of rocks but its geological structure is too complex. The exploitation of minerals in this mountainous terrain is not economically viable because of:

- Small quantity available at any one location
- Difficult terrain
- Lack of transportation
- Sparse population and
- Adverse climatic conditions

States with the largest number of mines (2004-05)

State	Number of Mines
Gujarat.....	430
Andhra Pradesh	413
Rajasthan	391
Madhya Pradesh.....	335
Jharkhand	203

2.8 Metallic Minerals

Iron Ore

- It is the backbone of modern civilisation.
- Varieties of iron ore:

- Magnetite- the best quality of iron ore which contains 72% pure iron.
- Haematite- contains 60 to 70% pure iron.
- Limonite- contains 40 to 60% pure iron,
- Siderite- contains many impurities and has just 40 to 50% pure iron.
- Jharkhand has the largest reserves accounting for about 25% of the total reserves of iron ore in India.

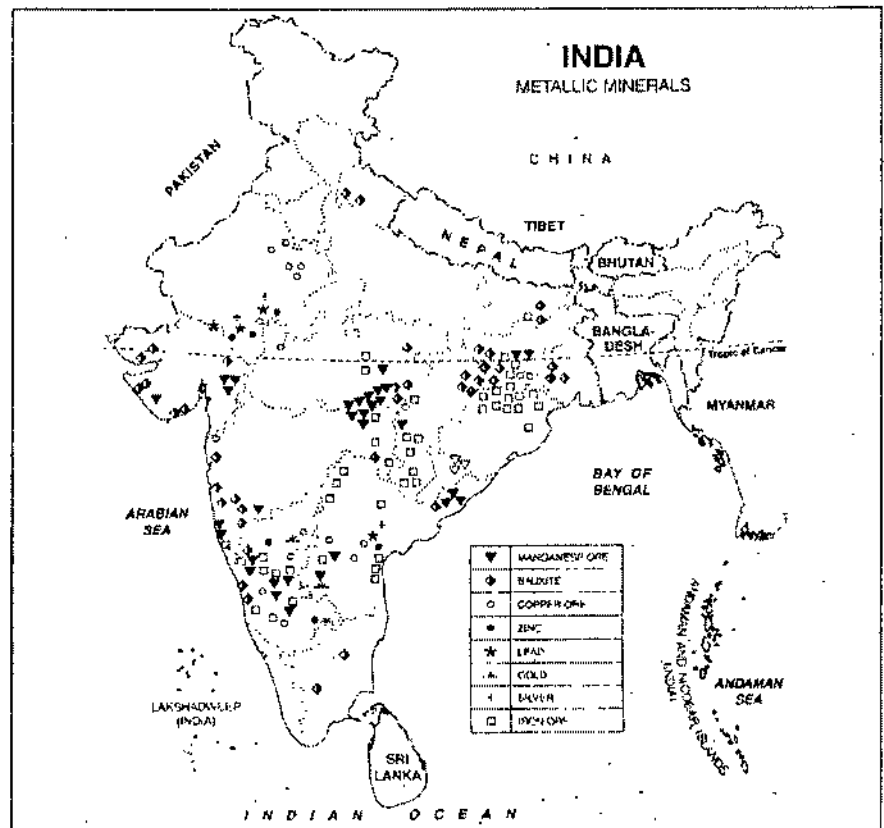
States and their share in iron reserves (2004-05)

State	(%) Share
Karnataka.....	40.85
Orissa	17.14
Jharkhand	13.82
Chhatisgarh	9.59
Andhra Pradesh	7.25

States and percentage share in iron ore production (2004-05)

State	(%) Share
Orissa	28.43
Karnataka.....	26.05
Chhatisgarh	16.20
Goa.....	15.63
Jharkhand.....	11.27

- India is the fifth largest exporter of iron ore in the world.
- Japan is the biggest buyer of Indian iron ore accounting for about three-fourths of our total exports.



Manganese

- India has the second largest manganese ore reserves in the world after Zimbabwe.
- India is the fifth largest producer in the world after Brazil, Gabon, South Africa and Australia.
- The main reserves are found in Karnataka, followed by Orissa, Madhya Pradesh, Maharashtra and Goa.

Production of Manganese (2004-05)

State	(%) Share
Orissa	36.61
Maharashtra.....	23.50
Madhya Pradesh.....	18.79
Karnataka.....	16.27
Andhra Pradesh	4.29

- The belt comprising Nagpur-Bhandara districts of Maharashtra and Balaghat-Chhindwara districts of MP is the important region for manganese ore production.
- Srikakulam (in Andhra Pradesh) is considered to be the earliest producer of manganese ore in India (1892).
- India exports manganese ore less than one fifth of the total production.
- Japan is the largest buyer of Indian manganese accounting for about two-thirds of our total exports,

Chromite

- Most of the reserves are concentrated in Orissa, Bihar, Karnataka, Maharashtra and Andhra Pradesh.
- Orissa is the largest producer, accounting for 99% of the total production, followed by Karnataka.

Copper

- India contributes about 3.5 to 4% of the world's total production of copper.
- Major copper ore deposits are located in Singhbhum district (Jharkhand), Balaghat district (MP) and Jhunjhunu and Alwar districts (Rajasthan).

States and their share in copper production (2004-05)

State	(%) Share
Madhya Pradesh	55.48
Rajasthan	43.84
Jharkhand	2.62

- Malanjkhand belt of Balaghat (MP) and Khetri-Singhanu belt of Jhunjhunu, Kho-Dariba and Delwara-Kirovli area are very well known mining centres.

Bauxite

Share of States in Bauxite production (2004-05)

State	(%) Share
Orissa	40.59
Gujarat.....	20.10
Jharkhand	12.90
Maharashtra.....	12.05
Chhattisgarh	9.47

- Kalahandi and Koraput belt of Orissa is the largest bauxite bearing region of the country.

Gold

- India's contribution to gold production in the world is less than one percent (0.75%).
- There are mainly three gold fields in India:
 - Kolar gold field in Karnataka
 - Hutti gold field in Karnataka
 - Ramgiri gold field in Anantapur district of Andhra Pradesh
- Karnataka is the largest producer of gold followed by Andhra Pradesh.

Miscellaneous: Other Minerals

- *Diamond* is found in Panna belt of Madhya Pradesh, Wajrakarur Kimberlite belt in Andampur district of Andhra Pradesh. New kimberlite fields were discovered recently in Raichur-Gulbarga districts of Karnataka.
- *Silver* is mainly produced from Zawar mines of Udaipur district in Rajasthan.
- *Wolfram* is the ore of '*Tungsten*'. Over 95% of the wolfram is used by the steel industry. Wolfram deposits are mainly in Degana (Rajasthan) and Chhendapathar in Bankura district (West Bengal).
- More than 99% of the total *zinc* in India is produced in Zawar area in Udaipur district of Rajasthan.
- The ore of *lead* is galena. Over 94% of this is produced in Rajasthan followed by Andhra Pradesh.
- Orissa has the largest deposits of *Nickel*.
- Karnataka is the leading state in *Lead & Zinc* reserves followed by Rajasthan, Maharashtra and West Bengal.
- *Salt* is obtained from sea water, brine springs, wells and salt pans in lakes and from rocks. Rock salt is taken out in Mandi district of Himachal Pradesh and in Gujarat. Sambhar lake in Rajasthan produces about 10 per cent of our annual production. Gujarat coast produces nearly half of our salt.

2.9 NON-METALLIC MINERALS

- India also produces a large number of non-metallic minerals.

Mica

- The three major types of mica found in India are - Muscovite, Phlogopite and Biotite.
- The total in situ reserves of mica are placed at 59,065 tonnes out of which -
 - Andhra Pradesh has 42,626 tonnes
 - Bihar and Jharkhand have 14,431 tonnes
 - Rajasthan has 2006 tonnes.
- India is the world's leading producer of sheet mica and accounts for about 60% of global mica trade due to which India is the largest exporter of mica in the world.
- About 95% of India's mica is found in just three states of Andhra Pradesh, Rajasthan and Jharkhand.

States and their share in Mica production (2004-05)

State	% Share
Andhra Pradesh	97.36
Rajasthan	1.98
Jharkhand	0.59
Bihar	0.07

Limestone

- Limestone deposits are of sedimentary origin and exist in almost all the geological sequences from pre-cambrian to recent except in Gondwana.

- The total in situ reserves of all categories and grades are placed at 1,69,941 million tonnes.

States' share in Limestone reserves (2004-05)

States	(%)
Andhra Pradesh	17.71
Rajasthan.....	15.60
Madhya Pradesh.....	15.45
Gujarat.....	11.25
Chhattisgarh	9.15

Dolomite

- Limestone with more than 10% magnesium is called dolomite, when the percentage rises to 45, it becomes true dolomite.
- Iron and Steel industry is the chief consumer of dolomite accounting for over 90% consumption followed by fertilizer (4%), ferroalloys and glass (2%) and alloy steel (1%).

States' share in Dolomite production (2004-05)

State	Share (%)
Orissa	29.45
Chhattisgarh	26.39
Andhra Pradesh	20.40
Karnataka.....	6.50
Jharkhand	5.41

- About 90% reserves are concentrated in Madhya Pradesh, Chhattisgarh, Orissa, Gujarat, Karnataka, West Bengal, Uttar Pradesh and Maharashtra.
- Biramitrapur area is the major dolomite producing district in Orissa.

Asbestos

- Two different minerals are included under this name: Amphibole and Chrysotile.
- Chrysotile accounts for 80% of the asbestos of commercial use.
- Rajasthan is the largest producer and accounts for over 94% of the total production in India
- Andhra Pradesh is the second largest producer followed by Karnataka.

Gypsum

- It is mainly used in making ammonium sulphate fertilizer and in cement industry.
- Rajasthan is the main producer followed by Jammu and Kashmir. Rajasthan produces 99 per cent of the total production in (2002-03)

Magnesite

- Major deposits of magnesite are found in Uttarakhand, Tamil Nadu and Rajasthan;
- Chalk Hill near Salem is the major centre for the production of magnesite in India.

States' share in magnesite production (2002-03)

State	Share (%)
Tamil Nadu	80.98
Uttarakhand	12.02
Karnataka.....	6.95
Sikkim	0.04

Mineral Fuels

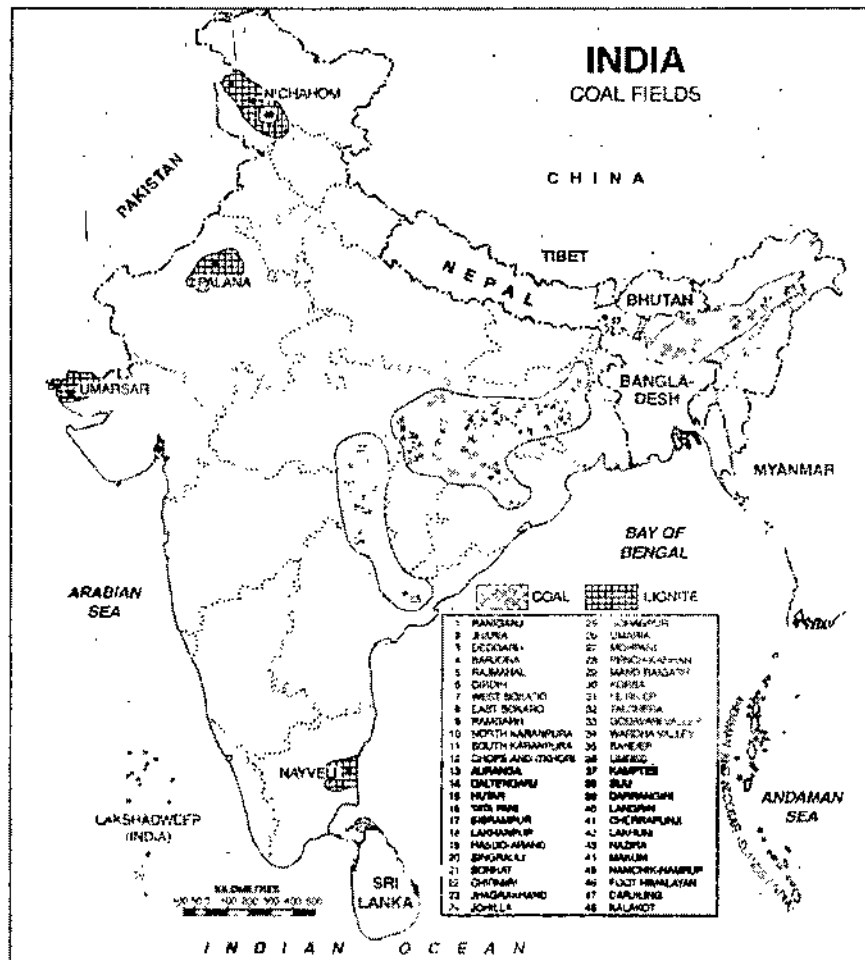
Coal (Black Gold)

- It constitutes about 70% of total commercial energy consumed in India. And, the power sector and industries account for 94% of total consumption.
- Coal has been described as the bridge into the future.
- India ranks third in the world after China and USA in coal production.

State-wise distribution of coal reserves (2008)

State	Reserves (in million tonne)
Jharkhand	74314
Orissa	61999
Chhattisgarh/MP	61227
West Bengal	28335
Andhra Pradesh	17461

- Coal occurs in rock sequences mainly of two geological ages-Gondwana and tertiary deposits.
- Gondwana coal is located in coalfields occupying the Indian heartland, while tertiary coals occur in Assam, Arunachal Pradesh, Meghalaya and Nagaland.



Varieties of Coal

- Anthracite Coal - the best quality of coal which contains 80 to 95% carbon.
- Bituminous coal - the most widely used coal which contains 40 to 80% carbon.
- Lignite - also known as brown coal. It is a lower grade coal and contains about 40 to 50% carbon.

- Peat - it is the first stage of transformation of wood into coal and contains less than 40% carbon.

State-wise coal production (2006-07)

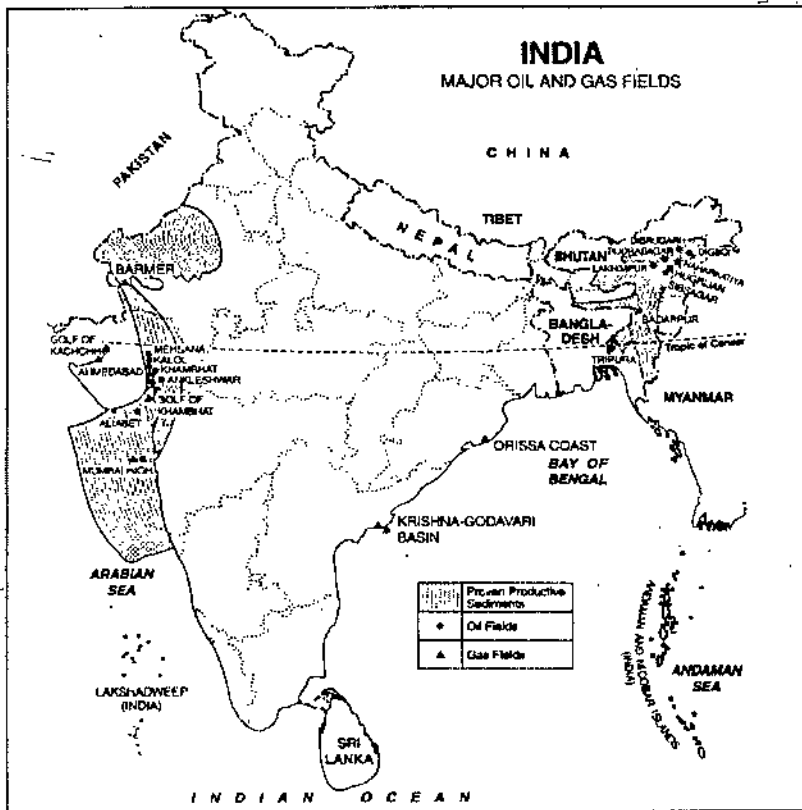
State	Production (Million Tonnes)
Jharkhand	88.78
Chhattisgarh	83.18
Orissa	81.16
Madhya Pradesh.....	59.73
Andhra Pradesh	37.71

Petroleum

- In 2006-07, India produced 33.9 million tonnes of crude oil out of which 11.3 million tonnes came from on-shore sources and 22.6 million tonnes from off-shore oilfields.

Oilfields in India- Highlights

- Assam is the oldest oil producing state in India.
- Digboi is the oldest oil field of India.
- Naharkatiya field, Moran-Hugriyan field are other oil-producing fields in Assam.
- Ankleshwar, Lunej, Kalol etc are important oil fields of Gujarat.
- Pt Jawahar Lal Nehru called Ankleshwar oil field the 'fountain of prosperity'.
- Saraswati and Rajeshwari are two on-shore oil blocks in Barmer (Rajasthan) discovered recently.
- Mumbai High, Bassein and Aliabet are important off-shore oilfields in India.



Natural Gas

Production of Natural Gas (2006-07)

State/Basin	(Million Cubic Metres)
Mumbai High	16567

Gujarat.....	3294
Andhra Pradesh	1525
Assam/Nagaland	2526
Tamil Nadu	11 30

- Recent discoveries of Krishna-Godavari offshore basin and Ravva field will have a big contribution in the field of gas production in India.
- The production of natural gas had reached to 31.55 BCM in 2007 in India.
- Krishna-Godavari off-shore basin is reported to be the largest discovery of natural gas in the world in the year 2002. The wells are being drilled at depths upto 1350-2700 metre which is the deepest oil exploration in India.

SUMMARY

- Agriculture includes raising of crops from the land, animal husbandry, agroforestry and pisciculture.
- Agriculture and allied sectors contribute about 22% of our GDP and 65% population is dependent on agriculture.
- Different types of crops with respect to the cropping seasons grown in India are :
 - Kharif crops
 - Rabi crops
 - Zaid crops
- Types of farming practices adopted in India are:
 - Subsistence farming
 - Shifting agriculture
- In subsistence farming farmers cultivate small and scattered holdings with the help of draught animals and family members using primitive tools and techniques.
- Shifting agriculture is a type of agriculture in which a piece of forest land is cleared mainly by tribal people by felling and burning of trees and crops are grown.
- Green Revolution is the name given to the methods adopted to increase the yield and productivity of Indian agriculture.
- Land use pattern in India is affected by elements like topography, climate and soil, and human effort conditioned by various socio-economic factors.
- Indian crops can be divided into following categories:
 - Food crops - Rice, wheat, maize, millets-jowar, bajra etc.
 - Cash crops -Cotton, jute, sugarcane, tobacco, groundnut etc
 - Plantation crops-Tea, coffee, spices, coconut, rubber etc
 - Horticulture crops - Apple, mango, banana, citrus etc.

TEST YOURSELF

1. Horticulture is also related to cultivation of flowers. Find out the names of the major states involved in flower cultivation and the climatic conditions suited for such cultivation?

2. There is a category of minerals called the Atomic minerals, find out and write a short note on it.

A. Fill in the blanks

1. crops are grown in summer season and require more water.
2. is the highest salt producing region in India
3. Dolomite is formed with more than 10% addition of in limestone.
4. is referred to as black gold.
5. An agriculture practice mainly followed by the tribals in Assam and other states is known as

ANSWERS

1. Kharif 2. Gujarat coast 3. magnesium 4. Coal 5. Shifting agriculture.

B. Tick mark (✓) the correct option.

1. Biotite is a type of
(a) Manganese (b) Mica (c) Aluminium (d) Silver
2. India is the largest exporter of this mineral
(a) Copper (b) Mica (c) Manganese (d) Chromite
3. Coffee is type of crop
(a) Horticulture (b) Cash crop (c) Plantation (d) Cash
(e) Food
4. India is the largest producer of this crop in the world
(a) Coffee (b) Tea (c) Spices (d) Rubber
5. This variety of coal contains least amount of carbon.
(a) Peat (b) Anthracite (c) Lignite (d) bituminous

ANSWERS

1. (b) 2. (b) 3. (c) 4. (b) 5. (a)

Long answer questions

1. Describe various types of crops produced in India and give cultivation requirements for each of them?
2. Discuss the various types of minerals found in India?
3. Write a short note on the types of agriculture practised in India.
4. Give the names of 7 major mineral producing states of our country and also write which state is the highest producer of which mineral.
5. Write a short note on the role of Indian agriculture in Indian economy?

AGRICULTURE

Table 8.3 - PRODUCTION OF PRINCIPAL CROPS

('000 tonne)

Year/State/ Union Territory	Food grains (cereals)										
	cereals										
	Rice	Jowar	Bajra	Maize	Ragi	Small millets	Wheat	Barley	(Cols. 2 to 9)	Gram	Tur
1	2	3	4	5	6	7	8	9	10	11	12
2000-01	84977	7529	6759	12043	2732	587	69681	1431	185739	3855	2247
2001-02	93340	7557	8284	13160	2375	577	72766	1425	199483	5473	2260
2002-03	71820	7012	4719	11152	1316	459	65761	1407	163646	4237	2186
2003-04	88526	6681	12109	14984	1966	564	72156	1298	198284	5718	2356
2004-05	83132	7244	7931	14172	2432	478	68637	1207	185233	5469	2347
2005-06	91793	7630	7684	14709	2354	472	69355	1221	195217	5600	2738
2006-07	93355	7151	8424	15097	1444	480	75807	1328	203085	6334	2314
2007-08	96693	7926	9970	18955	2152	551	78570	1196	216014	5749	3076
2008-09	99182	7246	8887	19731	2040	445	80679	1689	219900	7060	2266
2009-10	89093	6698	6506	16720	1889	382	80804	1355	203446	7476	2465
2009-10											
State:											
Andhra Pradesh	10538	437	53	2762	53	13	10	-	13866	846	203
Arunachal Pradesh	216	-	-	60	-	18	5	-	299	-	1
Assam	4336	-	-	14	-	3	64	-	4417	1	4
Bihar	3599	2	3	14798	-	3	4571	13	9678	58	42
Chhattisgarh	4110	6	-	143	2	28	122	2	4414	222	31
Goa	101	-	-	1	-	-	-	-	101	-	-
Gujarat	1292	171	828	5331	1	57	2352	-	5244	125	241
Haryana	3625	36	932	27	-	-	10500	137	15257	62	23
Himachal Pradesh	106	-	-	543	2	2	327	16	996	-	-
Jammu & Kashmir	497	3	11	487	-	5	290	8	1301	-	-
Jharkhand	1538	-	-	191	6	12	173	9	1928	58	53
Karnataka	3691	1406	153	3013	1312	11	251	-	9837	574	282
Kerala	598	2	-	-	-	-	-	-	600	-	4
Madhya Pradesh	1261	565	248	1045	-	74	8410	110	11713	3304	308
Maharashtra	2183	3566	766	1828	109	23	1740	1	10216	1114	919
Manipur	320	-	-	12	-	-	-	-	332	-	-

Meghalaya	207	-	-	26	-	2	1	-	236	-	1
Mizoram	44	-	-	12	-	-	-	-	56	-	-
Nagaland	240	-	-	73	-	4	2	-	319	-	2
Orissa	6918	6	2	175	38	10	6	-	7154	34	112
Punjab	11236	-	4	475	-	1	15169	47	26932	3	4
Rajasthan	228	104	2035	1146	-	3	7501	620	11636	535	7
Sikkim	24	-	-	66	5	2	6	1	104	-	-
Tamil Nadu	5665	222	82	1144	163	31	-	-	7307	5	20
Tripura	640	-	-	2	-	-	1	-	643	-	1
Uttar Pradesh	10807	169	1389	1039	1	9	27518	362	41294	509	202
Uttarakhand	608	-	-	38	163	70	845	26	1750	1	2
West Bengal	14341	1	-	385	14	2	847	2	15591	24	1

**Union
Territory:**

A. & N. Islands	25	-	-	-	-	-	-	-	25	-	-
Chandigarh	-	-	-	-	-	-	-	-	-	-	-
D. & N. Haveli	14	1	-	-	1	-	1	-	17	-	1
Daman & Diu	3	-	1	-	-	-	-	-	4	-	-
Delhi	29	3	-	-	-	-	93	-	125	-	1
Lakshadweep	-	-	-	-	-	-	-	-	-	-	-
Puducherry	52	-	-	-	-	-	-	-	52	-	-

AGRICULTURE

Table 8.3: PRODUCTION OF PRINCIPAL CROPS-Contd.

(*000 tonne)

Year/State/ Union Territory	Food grains(Pulses)		Total Food	Oilseeds					Cotton	Jute	
	Other pulses	Total pulses		Ground- nuts (# #)	Sesa- mum	Rape seed and Mustard	Lin- seed	Castor seed			Total Oilseeds (*)
1	13	14	15	16	17	18	19	20	21	22	23
2000-01	6199	11076	196814	6408	518	4187	204	883	18437	9524	9317
2001-02	5635	13368	212851	7028	698	5083	209	653	20662	9997	10584
2002-03	4702	11125	174771	4121	441	3880	177	428	14838	8624	10274
2003-04	6786	14905	213189	8127	782	6291	197	797	25186	13729	10252
2004-05	5314	13130	198363	6774	674	7593	170	793	24354	16429	9399
2005-06	5046	13384	208602	7993	641	8131	173	991	27978	18499	9970
2006-07	5550	14198	217282	4864	618	7438	168	762	24289	22632	10317
2007-08	5937	14762	230775	9183	757	5834	163	1054	29755	25884	10220
2008-09	5241	14567	234466	7168	640	7201	169	1171	27719	22276	9634
2009-10	4722	14662	218108	5429	588	6608	154	1009	24882	24022	11230

2009-10

State:

Andhra Pradesh	380	1429	15295	1006	20	2	-	64	1500	3227	-
Arunachal Pradesh	9	10	309	-	1	24	-	-	28	-	-
Assam	59	65	4481	-	7	129	4	1	145	1	715
Bihar	372	472	10151	1	2	89	21	-	145	-	1118
Chhattisgarh	236	489	4903	39	9	25	12	-	200	-	-
Goa	9	9	110	8	-	-	-	-	8	-	-
Gujarat	151	517	5761	1757	80	341	-	831	3097	7986	-
Haryana	15	100	15357	2	1	849	-	1	878	1926	-
Himachal Pradesh	21	21	1017	-	0	3	-	-	4	-	-
Jammu & Kashmir	14	14	1314	-	2	48	-	-	50	-	-
Jharkhand	113	224	2152	11	1	56	9	1	80	-	1
Karnataka	262	1118	10955	512	31	2	4	12	1005	868	-
Kerala	6	10	611	1	-	-	-	-	1	1	-
Madhya Pradesh	693	4305	16018	218	87	849	51	-	7636	855	-
Maharashtra	337	2370	12586	359	15	2	9	2	2814	5859	-
Manipur	7	7	339	-	1	-	-	-	1	-	-
Meghalaya	3	4	239	-	1	5	-	-	7	6	35
Mizoram	7	7	62	-	1	-	-	-	3	1	-
Nagaland	33	35	354	1	2	47	9	-	85	-	2
Orissa	254	399	7553	89	11	3	12	10	172	147	30
Punjab	10	18	26950	3	3	39	-	-	83	2006	-
Rajasthan	172	714	12350	355	97	2948	7	86	4407	903	-
Sikkim	13	13	117	-	-	5	-	-	9	-	-
Tamil Nadu	179	204	7511	890	29	-	-	2	940	225	-
Tripura	4	5	648	1	1	1	-	-	3	1	4
Uttar Pradesh	1190	1901	43195	61	34	682	15	-	816	5	-
Uttarakhand	43	46	1796	2	1	12	-	-	33	-	-
West Bengal	125	150	15742	113	153	443	1	-	727	3	9325

Union

Territory:

A. & N. Islands	2	2	27	-	-	-	-	-	-	-	-
Chandigarh	-	-	-	-	-	-	-	-	-	-	-
D. & N. Haveli	4	5	20	-	-	-	-	-	-	-	-
Daman & Diu	1	1	5	-	-	-	-	-	-	-	-
Delhi	-	1	126	-	-	5	-	-	5	-	-
Lakshadweep	-	-	-	-	-	-	-	-	-	-	-
Puducherry	-	-	52	1	-	-	-	-	1	-	-

Notes : Production of cotton is in bales of 170kgs. Each and Jute & Mesta in bales of 180 kgs. each.

(##) Data relates to nuts in shell.

(*) Relates to the nine number of oilseeds viz., groundnut, sesamum, rapeseed and mustard, linseed, castorseed, nigerseed, safflower, sunflower and soyabean.

AGRICULTURE

Table 8.3 -PRODUCTION OF PRINCIPAL CROPS-Concl'd.

Year/State/Mesta Union Territory	('000 tonnes)												
	Tea		Coffee	Natural Rubber	Bana- na	Sugar cane	Toba- cco	Potato	Black Pepper	Chill- ies	Gin- ger	Coco- nut	Tur- meric
	(000 Bales)											(# # #)	
1	24	25	26	27	28	29	30	31	32	33	34	35	36
2000-01	1239	847	301	630	12898	295956	345	22488	64	984	288	12678	714
2001-02	1094	854	301	631	13160	297208	546	23924	62	1069	322	12963	563
2002-03	1002	846	275	649	11975	287383	500	23269	72	895	280	12535	522
2003-04	921	879	271	712	11388	233862	550	23060	73	1236	302	12178	565
2004-05	873	907	276	750	11710	237088	549	23631	73	1186	359	12833	718
2005-06	870	949	274	803	12105	281172	552	23905	93	1015	391	14811	852
2006-07	956	973	288	853	16609	355520	519	22181	69	1242	393	15840	787
2007-08	990	987	262	825	23823	348188	493	34658	47	1298	383	10148	794
2008-09	731	973	262	865	26217	285029	624	34391	47	1270	380	10148	821
2009-10	587	991	290	831	26470	292301	..	36577	50	1203	385	10824	793
2010-11			299**	862P									
2009-10													
State:													
Andhra Pradesh	192	-	..	..	2820	11708	..	-	-	701	9	667	420
Arunachal Pradesh	-	4	..	..	-	27	..	-	-	3	39	..	2
Assam	20	498	..	..	805	1059	..	590	-	10	..	101	9
Bihar	159	1	..	..	1435	5033	..	5387	-	3	1	..	3
Chhattisgarh	3	-	..	..	-	29	..	-	-	2	1	..	1
Goa	-	-	..	..	-	52	..	-	-	-	-	88	..
Gujarat	-	-	..	..	3780	12400	..	1657	-	6	4	108	14
Haryana	-	-	..	..	-	5335	..	495	-	1	1	-	5
Himachal Pradesh	-	1	..	..	-	46	..	-	-	-	17	-	0
Jammu & Kashmir	-	-	..	..	-	0	..	-	-	1	-	-	-
Jharkhand	4	-	..	..	-	447	..	573	-	-	-	-	-
Karnataka	1	6	..	..	2132	30443	..	460	4	138	19	1497	58

Kerala	-	72	..	..	406	285	..	-	46	2	32	3992	7
Madhya Pradesh	1	-	..	..	1460	2535	..	608	-	33	6	-	-
Maharashtra	26	-	..	..	5200	64159	..	-	-	46	1	120	8
Manipur	-	-	..	..	-	21	..	-	-	4	4	-	-
Meghalaya	18	-	..	..	-	-	..	-	-	1	52	-	10
Mizoram	-	-	..	..	-	12	..	-	-	1	34	-	40
Nagaland	-	-	..	..	-	153	..	-	-	1	35	-	1
Orissa	82	-	..	..	-	490	..	-	-	6431	-	190	59
Punjab	-	-	..	..	-	3700	..	2117	-	17	-	-	-
Rajasthan	-	-	..	..	-	345	..	-	-	20	-	-	-
Sikkim	-	-	..	..	-	-	..	-	-	..	35	-	2
Tamil Nadu	-	179	..	..	4981	29746	..	-	1	3815	-	3692	110
Tripura	6	7	..	..	-	45	..	-	-	3	7	8	2
Uttar Pradesh	-	-	..	..	1139	117140	..	13447	-	15	2	-	6
Uttarakhand	-	-	..	..	-	5842	..	-	-	..	12	-	..
West Bengal	75	223	..	..	982	1001	..	8880	-	9524	-	245	35
Union Territory:													
A. & N. Islands	-	-	..	..	-	2	..	-	-	1	2	56	-
Chandigarh	-	-	..	..	-	-	..	-	-	..	-	-	-
D. & N. Haveli	-	-	..	..	-	-	..	-	-	..	-	-	-
Daman & Diu	-	-	..	..	-	-	..	-	-	..	-	-	-
Delhi	-	-	..	..	-	-	..	-	-	..	-	-	-
Lakshadweep	-	-	..	..	-	-	..	-	-	..	-	40	-
Puducherry	-	-	..	..	-	247	..	-	-	-	-	20	-

Sources: 1. Directorate of Economics and Statistics, Ministry of Agriculture

2. Tea Board, Ministry of Commerce & Industry

3. Coffee Board, Ministry of Commerce & Industry

4. Rubber Board, Ministry of Commerce & Industry

(###) In terms of million nuts.

** Post monsoon estimate

Note : Totals may not tally due to rounding off of figure

AGRICULTURE

Table 8.2-AREA UNDER PRINCIPAL CROPS

Indian Agriculture and
Natural Resources

Year/State/ Union Territory	Food grains (cereals)								Food Total grains(pulses)		
	Rice	Jowar	Bajra	Maize	Ragi	Small millets	Wheat	Barley	cereals		
									(Cols. 2 to 9)	Gram	Tur
1	2	3	4	5	6	7	8	9	10	11	12
2000-01	44712	9856	9829	6611	1759	1424	25731	778	100700	5185	3632
2001-02	44904	9795	9529	6582	1647	1311	26345	660	100771	6416	3328
2002-03	41176	9300	7740	6635	1415	1201	25196	702	93364	5906	3359
2003-04	42593	9331	10612	7343	1666	1191	26595	657	99988	7048	3516
2004-05	41907	9092	8233	7430	1553	1101	26383	617	97315	6715	3519
2005-06	43660	8667	9581	7588	1534	1064	26484	630	99208	6926	3581
2006-07	43814	8473	9508	7894	1177	1010	27995	646	100515	7494	3562
2007-08	43914	7764	9571	8117	1387	1039	28039	603	100434	7544	3726
2008-09	45537	7531	8753	8174	1381	905	27752	706	100738	7893	3378
2009-10	41918	7787	8904	8261	1267	831	28458	624	98051	8169	3465
2009-10											
State:											
Andhra Pradesh	3441	385	45	783	45	25	10	-	4734	647	463
Arunachal Pradesh	122	-	-	44	-	21	3	-	190	-	1
Assam	2496	-	-	20	-	7	58	-	2580	2	6
Bihar	3214	2	3	632	10	4	2193	12	6069	58	28
Chhattisgarh	3671	5	-	102	8	153	112	3	4055	252	60
Goa	47	-	-	-	-	-	-	-	47	-	-
Gujarat	679	163	672	497	14	58	878	-	2961	132	266
Haryana	1205	72	585	12	-	-	2492	42	4408	84	22
Himachal Pradesh	77	-	-	295	3	5	353	21	754	1	-
Jammu & Kashmir	260	4	17	311	-	10	289	14	906	-	-
Jharkhand	995	-	-	163	10	25	100	9	1303	63	61
Karnataka	1487	1369	305	1240	765	27	283	-	5476	972	604
Kerala	234	3	-	-	-	-	-	-	237	-	3
Madhya Pradesh	1446	446	166	832	-	268	4276	85	7519	3086	362
Maharashtra	1470	4176	1034	794	120	59	1081	3	8737	1291	1093

Manipur	169	-	-	5	-	-	-	-	174	-	-
Meghalaya	108	-	-	17	-	2	-	-	128	1	1
Mizoram	47	-	-	9	-	-	-	-	56	-	-
Nagaland	169	-	-	68	-	10	2	-	249	1	3
Orissa	4365	9	3	81	59	18	4	-	4539	45	133
Punjab	2802	-	3	139	-	3	3522	14	6483	3	5
Rajasthan	151	719	5169	1097	-	19	2394	223	9771	884	18
Sikkim	13	-	-	40	4	2	5	1	65	-	-
Tamil Nadu	1846	239	54	244	82	33	-	-	2498	7	27
Tripura	246	-	-	2	-	-	1	-	248	-	1
Uttar Pradesh	5187	191	848	709	1	7	9668	171	16781	618	305
Uttarakhand	294	-	-	28	132	72	395	24	945	1	2
West Bengal	5630	2	-	98	12	2	316	2	6060	22	1
Union Territory:											
A. & N. Islands	8	-	-	-	-	-	-	-	8	-	-
Chandigarh	-	-	-	-	-	-	-	-	-	-	-
D. & N. Haveli	13	1	-	-	1	-	1	-	15	-	2
Daman & Diu	2	-	-	-	-	-	-	-	2	-	-
Delhi	7	3	-	-	-	-	21	-	31	-	-
Lakshadweep	-	-	-	-	-	-	-	-	-	-	-
Puducherry	21	-	-	-	-	-	-	-	21	-	-

AGRICULTURE

Table 8.2 - AREA UNDER PRINCIPAL CROPS-Concl'd.

('000 hectare)

Year/State/ Mesta Union Territory	Natural												
	Coffe												
	Tea	Rubber (Tapped area)	Banana	Sugar cane	Tobacco	Potato	Black Pepper	Chill- ies	Ginger	Coconut	Tur- meric		
	24	25	26	27	28	29	30	31	32	33	34	35	36
2000-01	190	504	347	400	459	4316	262	1222	214	837	86	1824	192
2001-02	174	510	347	401	489	4412	349	1208	219	880	91	1932	167
2002-03	171	516	354	408	460	4520	327	1345	224	827	88	1922	150
2003-04	153	520	355	428	391	3938	370	1289	233	774	85	1934	150
2004-05	142	521	363	440	404	3662	367	1319	228	738	95	1935	159
2005-06	138	556	380	447	424	4202	373	1401	260	654	111	1947	172
2006-07	142	567	381	454	477	5151	369	1484	246	763	106	1937	178
2007-08	146	578	388	459	658	5055	348	1553	197	806	104	1903	175

2008-09	115	579	394	463	709	4415	391	1828	239	779	109	1903	181
2009-10	94	579	400	468	770@	4174	..	1835&	197	767	107	1895	180
2010-11			400 P	477 P									

2009-10

State:

Andhra Pradesh	23	3	..	..	81	158	..	-	-	213	2	104	66
Arunachal Pradesh	-	322	..	..	..	2	..	-	-	2	5	-	1
Assam	5	2	..	..	53	27	..	87	-	15	-	19	12
Bihar	17	-	..	..	32	116	..	314	-	3	1	-	3
Chhattisgarh	1	-	..	..	-	12	..	-	-	5	1	-	1
Goa	-	-	..	..	-	1	..	-	1	-	-	26	..
Gujarat	-	-	..	..	62	154	..	60	-	6	2	16	1
Haryana	-	-	..	..	-	74	..	23	-	1	-	-	-
Himachal Pradesh	-	2	..	..	-	2	..	..	-	1	2	-	-
Jammu & Kashmir	-	-	..	..	-	0	..	..	-	1	-	-	-
Jharkhand	1	-	..	..	-	7	..	38	-	-	-	-	-
Karnataka	1	2	..	..	104	337	..	81	16	122	15	419	12
Kerala	-	37	..	..	51	3	..	-	173	2	7	788	3
Madhya Pradesh	1	-	..	..	33	62	..	61	-	42	5	-	1
Maharashtra	18	-	..	..	85	756	..	-	-	100	1	21	7
Manipur	-	1	..	..	-	1	..	-	-	7	2	-	-
Meghalaya	4	1	..	..	-	-	..	-	1	2	9	-	2
Mizoram	-	1	..	..	-	1	..	-	1	1	10	-	10
Nagaland	-	2	..	..	-	5	..	-	-	1	5	1	-
Orissa	17	-	..	..	-	8	..	-	-	76	16	51	25
Punjab	-	-	..	..	-	60	..	83	-	10	-	-	-
Rajasthan	-	-	..	..	-	6	..	-	-	15	-	-	-
Sikkim	-	80	..	..	-	-	..	-	-	..	7	-	1
Tamil Nadu	-	9	..	..	114	293	..	-	5	62	1	390	20
Tripura	1	-	..	..	-	1	..	-	-	2	1	6	1
Uttar Pradesh	-	2	..	..	-	1977	..	541	-	15	1	-	2
Uttarakhand	-	115	..	..	-	96	..	..	-	-	1	-	..
West Bengal	5	..	..	..	41	14	..	370	-	63	11	29	15

Union Territory:										
A. & N. Islands	-	-	-	-	..	1	-	22
Chandigarh	-	-	-	-	..	-	-	-
D. & N. Haveli	-	-	-	-	..	-	-	-
Daman & Diu	-	-	-	-	..	-	-	-
Delhi	-	-	-	-	..	-	-	-
Lakshadweep	-	-	-	-	..	-	-	-
Puducherry	-	-	-	2	..	-	-	2

Sources: 1. Directorate of Economics and Statistics, Ministry of Agriculture

2. Tea Board, Ministry of Commerce & Industry

3. Coffee Board, Ministry of Commerce & Industry

4. Rubber Board, Ministry of Commerce & Industry

Note : Totals may not tally due to rounding off of figure.

@ It also include 84.2 '000 hectare as other states.

& It also include 178.0 '000 hectare as other states

AGRICULTURE

Table 8.1- PATTERN OF LAND UTILISATION

('000 hectare)

Year/State/ Union Territory	Classification of reported area					
	Reporting area for land utilis- ation statistics (col.3 to 10)	Forests	Not avail- able for culti- vation	Permanent pastures & other gra- zing lands	Land under misc. tree crops & groves (not included in net area sown)	Cultu- rable waste land
	1	2	3	4	5	6	7
2000-01	305180	69529	41479	10666	3441	13630
2001-02	305118	69406	41573	10532	3450	13520
2002-03	305344	69572	42065	10535	3358	13607
2003-04	305556	69654	42227	10488	3379	13240
2004-05	305578	69646	42469	10456	3400	13271
2005-06	305432	69680	42562	10448	3389	13224
2006-07	305636	69688	42965	10418	3362	13270
2007-08	305685	69625	43192	10363	3423	13066
2008-09	305687	69635	43324	10343	3402	12762

2008-09

State:

Andhra Pradesh	27505	6210	4797	569	299	650
Arunachal Pradesh	5659	5154	64	19	37	65
Assam *	7850	1853	2626	160	196	77
Bihar *	9360	622	2085	16	241	46
Chhattisgarh	13790	6349	1004	855	1	347
Goa	361	125	37	1	1	53
Gujarat *	18871	1833	3758	853	4	1976
Haryana	4368	40	573	30	12	29
Himachal Pradesh *	4549	1101	1129	1496	65	138
Jammu & Kashmir	3781*	2023	585	128	67	150
Jharkhand	7969	2239	1332	110	93	336
Karnataka	19050	3072	2163	923	290	413
Kerala	3886	1082	500	(a)	6	96
Madhya Pradesh	30756	8696	3401	1337	19	1160
Maharashtra *	30758	5213	3151	1246	248	917
Manipur *	1965	1693	27	1	6	1
Meghalaya	2227	948	226	..	160	393
Mizoram	2109	1594	133	5	46	5
Nagaland	1621	863	98	..	121	60
Orissa	15571	5813	2138	494	342	375
Punjab	5033	295	516	7	5	3
Rajasthan	34270	2728	4265	1699	18	4336
Sikkim *	723	319	250	4	5	2
Tamil Nadu	13027	2106	2665	110	259	333
Tripura *	1049	606	134	..	27	1
Uttarakhand	5673	3486	441	199	384	303
Uttar Pradesh	24170	1658	3268	65	374	440
West Bengal	8684	1174	1814	7	55	32

Union Territory:

A. & N. Islands *	795	717	24	6	18	12
Chandigarh *	7	..	5	..	1	..
D. & N. Haveli*	49	20	4	1	-	(a)
Daman & Diu *	5	..	..	..	..	..
Delhi	147	1	92	(a)	1	10
Lakshadweep*	3	..	..	..	..	..
Puducherry	49	..	18	(a)	1	4

For footnotes, please see next page.

AGRICULTURE

Table 8.1 - PATTERN OF LAND UTILISATION-Concl.

('000 hectare)					
Classification of reported area -Concl.					
Year/State Union Territory	Fallow land		Net area sown	Total cropped area	Area sown more than once
	Fallow lands other than current fallows	Current fallows			
1	8	9	10	11	12
2000-01	10293	14778	141364	185340	43976
2001-02	10560	15345	140733	188286	47552
2002-03	11885	21857	132465	175580	43115
2003-04	11338	14471	140757	190077	49320
2004-05	10687	14481	141167	191546	50379
2005-06	10603	14065	141461	193316	51855
2006-07	10510	15425	139998	192491	52493
2007-08	10353	14759	140904	195156	54252
2008-09	10316	14541	141364	195104	53739
2008-09					
State:					
Andhra Pradesh	1488	2624	10868	13830	2962
Arunachal Pradesh	70	40	211	276	65
Assam *	59	126	2753	3984	1231
Bihar *	119	569	5662	7796	2134
Chhattisgarh	258	265	4710	5683	973
Goa	..	9	135	166	31
Gujarat *	19	623	9801	11571	1770
Haryana	5	105	3576	6484	2908
Himachal Pradesh *	15	64	541	936	395
Jammu & Kashmir	23	65	739	1137	398
Jharkhand	962	1394	1504	1689	185
Karnataka	516	1500	10174	12369	2195
Kerala	46	68	2089	2695	606
Madhya Pradesh *	621	582	14941	20657	5716
Maharashtra	1187	1370	17426	22108*	4682
Manipur *	(a)	(a)	236	236*	-
Meghalaya	157	59	284	337	53

Mizoram	171	60	95	95	-
Nagaland	89	73	316	402	86
Orissa	229	576	5604	9071	3467
Punjab	(a)	37	4169	7912	3743
Rajasthan	2108	1565	17551	22771	5220
Sikkim *	30	5	107	118	10
Tamil Nadu	1498	1013	5043	5824	781
Tripura *	1	1	280	295	15
Uttarakhand	71	35	754	1188	435
Uttar Pradesh *	540	1408	16417	25540	9123
West Bengal	22	287	5294	9801	4507
Union Territory:					
A. & N. Islands *	3	1	13	18	5
Chandigarh *	(a)	(a)	1	2	1
D. & N. Haveli*	1	2	21	27	6
Daman & Diu *	..	..	5	5	..
Delhi	8	12	23	43	20
Lakshadweep*	..	..	3	3	(a)
Puducherry	2	3	19	33	14

Source: Directorate of Economics and Statistics, Ministry of Agriculture

(a) Below 500 hectares

* The figures are taken from the latest forestry statistics publication, agriculture census, are estimated based on latest available year data received from the States/UTs respectively.

Note: The figures classified under different columns for different categories of land use do not always add up in sub-totals and as a whole to the area totals at state and all India levels due to rounding off of the figures.

UNIT

3

INDIAN SOCIAL STRUCTURE AND SOCIAL WELFARE

STRUCTURE

- Social Structure in India: A brief Introduction
- Community development & Panchayati Raj
- Social Welfare: An introduction
- Education in India – Key Indicators
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

- After going through this unit you will be able to learn:
- Social welfare
- Three tier system of panchayati raj.
- Evolution of social welfare ministry in India.
- Scenario of Education in India

3.1. SOCIAL STRUCTURE IN INDIA: A BRIEF INTRODUCTION

The ethnic and linguistic diversity of India is proverbial and rivals the diversity of continental Europe which is not a single nation-state like India. India contains a large number of different regional, social, and economic groups, each with distinctive or dis-similar customs and cultural practices. Region-wise, differences between social structure of India's north and south are marked, especially with respect to kinship systems and family relationships. Religious differences are pervasive throughout the country. There is the Hindu majority and the large Muslim minority or "second majority". There are other Indian groups—Buddhists, Christians, Jains, Jews, Parsis, Sikhs, and followers of tribal religions—and hundreds of sub-religions or religious communities within larger communities like the Arya Samajis, Sanatanis among the Hindus; Shias and Sunnis among the Muslims; Monas and Keshdharis among Sikhs and hundreds of other castes, sub-castes, communities, vegetarians and non-vegetarians from each religion. Each group is proud of its faith and very sure of its superiority over other faiths.

A highly noticeable feature of India's social structure is highly inequitable division of the nation's wealth. Access to wealth and power varies sharply. Extreme disparity in socio-economic status are glaringly visible among the smallest village communities to metropolitan cities and mega-towns. The poor and the rich live side by side in urban and rural areas. Prosperous, well-fed, perfumed men or women in chauffeured luxury cars passing and even living in narrow streets with poor, starving, ill-nourished, ill-clad or even half-naked men, women, children dwelling on their pavements and bathing in dirty water of its flowing or even clogged drains are common sights. Contrasting extreme poverty and enormous wealth and obvious class distinction are visible in almost every settlement in India.

Urban-rural disparities too are immense. Over 70 per cent of India's population lives in villages; agriculture still remains their mainstay. Mud houses, dusty lanes, grazing cattle, chirping and crying of birds at sunset and rising smell of dung and chulah-smoke are the usual sights for the social lives of most rural Indians. In India's enlarging cities, millions of people live among roaring vehicles, surging crowds, overcrowded streets, busy commercial establishments, loudspeakers blaring movie tunes or religious recitations, factories and trucks and buses pumping poisonous pollution into unhealthy lungs.

Gender distinctions are highly pronounced. The behaviour norms of men and women are very different, more so in villages. Prescribed ideal gender roles are fast losing to new patterns

of behaviour among both sexes. Individually, both men and women behave in one way and collectively in quite another way. Public behaviour of both men and women is rude and unhelpful, but the same people when in individual situation and relationship can be very different. People occupying public positions are extremely unhelpful and even normal actions done toward others as part of normal routine are projected as personal favours. Even senior citizens, retired persons, war widows do not get their pension approved for years! A clerk in a government office wields greater actual power than a decision-making executive and can withhold implementation of his superior's orders for ever. If the victim of delay approaches the court, the litigant is in for a shock after shock as the case gets adjourned endlessly and after years of attending court hearings gets an unimaginably skewed judgment written in a highly ambiguous language. Litigants pay high fees to lawyers and bribes to court staff and even to judges.

Surprisingly, observers tend to bypass these all-pervading differences of region, language, wealth, status, religion, urbanity, gender and absence of the rule of law but pay most devoted attention to that special and peculiar feature of Indian society: the "CASTE". The most loved and recognized identity of Indians is their caste. And, there are thousands of castes and caste-like groups. These are hierarchically ordered and named groups into which members are born. Caste members, as far as possible, marry within the caste or sub-caste and follow caste rules with respect to diet, ritual and aspects of life.

Yet, no generalisation can be made because, increasingly, caste-discipline is loosening and every individual is free to decide her or his own social ways and such an individual will always find small or big support and a milieu to evolve a suitable mode of living in spite of turning her/his back on caste and caste-ridden society, though at times, this can be a harrowing experience, especially in sub-caste communities where inter-caste and widow marriage is equated with community honour leading to honour-killing of the perceived violator of caste-norms, especially if the violator is weak. However, underlying norms of life, though honesty of thought and action may not be among them, are widely accepted in India.

Indian city dwellers are often nostalgic about "simple village life", but Indian villages have been losing both simplicity and gaiety of life and are boiling in the caste cauldron of petty rivalries. They are afflicted with addiction to all kinds of drugs like alcohol, opium and heroin. Roads, television and mobile phones are now changing the village scene though dirt, squalor and disease still vitiate rural India.

Indian village life is neither simple nor inviting. That is why no villager who has come to the city goes back. According to sociologists: "Each village is connected through a variety of crucial horizontal linkages with other villages and with urban areas both near and far. Most villages are characterized by a multiplicity of economic, caste, kinship, occupational, and even religious groups linked vertically within each settlement. Factionalism is a typical feature of village politics. In one of the first of the modern anthropological studies of Indian village life, anthropologist Oscar Lewis called this complexity "rural cosmopolitanism."

Typical Indian villages have clustered dwelling patterns built very close to one another. Sociologists call them "nucleated settlements", with small and narrow lanes for passage of people and sometimes carts. Village fields surround these settlements. On the hills of central, eastern, and far northern India, dwellings are more spread out. In wet States of West Bengal and Kerala, houses are a little dispersed; in Kerala, some villages merge into the next village and visitors are not able to see divisions between such villages.

In northern and central India, neighbourhood boundaries can be vague. Houses of Dalits are ordinarily situated on outskirts of nucleated settlements. Distinct Dalit hamlets, however, are rare. Contrastingly, in the south, where socio-economic divisions and caste pollution observances tend to be stronger than in the north, Dalit hamlets are set at a little distance from other caste neighbourhoods

Bigger landowners do not cultivate land but hire tenant farmers to do this work. Artisans in pottery, wood, cloth, metal, and leather, although diminishing, continue to eke out their existence in contemporary Indian villages like centuries past. Religious observances and weddings are occasions for members of various castes to provide customary ritual goods and services.

Accelerating urbanization is fast transforming Indian society. More than 26 per cent of the country's population is urban. India's larger cities have been growing at double the rate of smaller towns and villages. About half of the increase is the result of rural-urban migration, as villagers seek better life for themselves in the cities.

Most Indian cities are densely populated. New Delhi, for example, had 6,352 people per square kilometre in 1991. Congestion, noise, traffic jams, air pollution, grossly inadequate housing, transportation, sewerage, electric power, water supplies, schools, hospitals and major shortages of key necessities characterize urban life. Slum and pavement dwellers constantly multiply so also do trucks, buses, cars, auto-rickshaws, motorcycles, and scooters, spewing uncontrolled fumes, all surging in haphazard patterns along with jaywalking pedestrians and cattle.

A recent phenomenon is illegal migrants from neighbouring Bangladesh and terrorists via Nepal, Bangladesh and Pakistan. They stalk all big cities and State capitals and strike at will. Overall the recent changes in the scenario have made India's city life extremely insecure and crime-infested.

3.2 COMMUNITY DEVELOPMENT & PANCHAYATI RAJ

Panchayat Raj is an ancient institution as antique as India. In fact, it has been the backbone of Indian villages since the beginning of recorded history. Gandhiji dreamt of every village a republic under the Panchayat Raj system of local self-government administered by a council or 'Panchayat' duly elected by the people of the village in a democratic manner. The institution of Panchayati Raj is specifically designed for rural population to take care of the problems of rural areas. It provides the administrative apparatus for implementation of the programmes of rural development.

The basic objective of Panchayati Raj is to evolve a system of democratic decentralization and devolution of power to the people with a view to ensuring rapid socio-economic progress and speedier and inexpensive justice. It also ensures the direct participation of people at the grass root level.

In 1956, the National Development Council appointed a committee under Balwant Rai Mehta, which submitted its report in 1957 in which it recommended :

- A 3 – tier structure consisting of Zila Parishad at the District Level, Panchayat Samiti at the Block Level and Gram Panchayat at the Village Level.
- Genuine transfer of power & responsibility to these institutions.
- Adequate resources to them.
- All social & economic development programmes channelized through these.

The 3 – tier system of Panchayat Raj was first adopted by Rajasthan (Nagaur District) on Oct 2, 1959.

This was followed by Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Maharashtra, Punjab, Tamil Nadu, UP & West Bengal.

Three Tier System

It envisages Panchayat at the village level, Panchayat Samitis at the block level & Zila Parishad at the district level.

a. Village Panchayat

- Consists of elected representatives of the people.
- Membership varies from 5 – 31.
- Seats reserved for SC, ST, women, etc.
- Chairman is elected from among its members and is designated as 'Sarpanch'.
- The Panchayat is accountable for all its actions to the Gram Sabha, the general body of villagers.
- Gram Sabha consists of all the adults residing within the jurisdiction of the Panchayat.

- It exercises general supervision over the working of the Panchayat & lays down necessary guidelines for its working.

b. Block & Panchayat Samiti

- The block, consisting of 20 – 60 villagers is administered through a Panchayat Samiti, consisting of indirectly elected members of village panchayats.
- The chairman of Panchayat Samiti is called 'Pradhan'.

c. Zila Parishad

- It is the top level of the 3 – tier structure.
- Elect its chairman from amongst its members who is known as the District Collector.

Aims of Panchayati Raj

The main aim of the Panchayati Raj has been democratic decentralization, rural self – government, and rural development. Socio-economic development of rural India has been a major goal. Panchayati Raj has been designed to encourage the people of rural areas in meeting their needs locally. It develops the habit of democratic living. It strengthens the foundations of Indian Democracy. Make villages self-governing and self-reliant units. Secure a sense of self-confidence among the rural people. It acts as a system of democratic education and training and to undertake rural development by involving the rural community. To satisfy local needs, promote democratic living; provide political education and training, and rural development through local efforts.

Working of Panchayati Raj (1959 – 1992)

By 1959, almost all the States had introduced Panchayati Raj in their rural areas. They quite faithfully adopted the recommendations of Balwant Rai Mehta Committee. Almost all the states adopted the three-tier system. But within it some states like Maharashtra decided to assign the development functions to the Zilla Parishads and not to the Panchayat Samitis. However, other States decided to assign these functions to Panchayat Samities. During 1959-92 Panchayati Raj kept on working for achieving its objectives. However, its efforts were not fully successful. Its working brought to light several shortcomings which prevented it from becoming really successful. It virtually failed to produce a qualitative change in rural life of India. Rural Illiteracy, lack of funds, poverty, inexperienced representatives, groupism, corruption, government interferences, lack of continuity in the working of Panchayati Raj institution and lack of interest taken by the rural people, all became responsible for an inadequate success of Panchayati Raj.

Reform of Panchayati Raj (73rd Amendment Act 1992)

For removing the defects of Panchayati Raj as well for strengthening the institutions, the Parliament passed the 73rd Amendment Act, 1992. Its purpose was to improve and strengthen Panchayati Raj. Through it a good attempt was made for securing a more regular, active and efficient working of Panchayati Raj. On April 23, 1994 all the States of India completed the process of enacting fresh laws for strengthening the Panchayati Raj Institutions in accordance with the rules laid down by the 73rd Amendment. Thereafter, an amended and reformed Panchayati Raj system came into existence. So, after the passing of 73rd Amendment Act 1992, a reformed Panchayati Raj has been in operation in all parts of India. The enforcement of 73rd Amendment Act marked the beginning of the process of a bigger grant of power to Panchayats and other rural institutions. Now an important and strong drive towards the strengthening of the democratic development process in the rural areas of India got initiated. In the main, the 73rd Amendment Act provided for Reservation of seats for SCs and STs in proportion to their populations. Reservation of the posts of chairpersons for the SCs and STs is in state. Reservation of not less than 1/3rd of the elected seats in each Panchayat for women and reservation of 1/3rd posts of chairpersons for rural women. It also directs elections of Panchayats and chairpersons of Panchayats. It provides representation of MPs and MLAs in Panchayati Raj institution and continuous and active presence of Panchayati Raj institutions.

3.3 SOCIAL WELFARE: AN INTRODUCTION

Social Welfare is an institution, comprising policies and laws, that are operationalized by organized activities of voluntary (private) and/or government (public) agencies, by which a

defined minimum number of social services, money and other consumption rights are distributed to individuals, families and groups, by criteria other than those of the market place or those prevailing in the family system, for the purpose of preventing, alleviating or contributing to solution of recognized social problems so as to improve the well being of the individuals, groups and communities directly.

Social Welfare: Definitions

All social interventions that are intended to enhance or maintain the social functioning of human beings may be defined as social welfare—

-Ralph Dolgoff

All collective interventions to meet certain needs of the individual and / or to serve the wider interests of society is called as social welfare -

-Richard Titmuss

In a narrow sense, social welfare includes those non-profit functions of society, public or voluntary, that are clearly aimed at alleviating distress and poverty or ameliorating the conditions of causalities of society.

Social Welfare includes all programs whose explicit purpose is to protect adults and children from the degradation and insecurity of ignorance, illness, disability, unemployment and poverty

- Amy Gutmann

Social Welfare generally denotes the full range of organized activities of voluntary and governmental organizations that seek to prevent, alleviate or contribute to the solution of recognized social problems or to improve the well being of individuals, groups and communities.

-NASW

Social Welfare is a system of laws, Programs, benefits and services which strengthen or assure provision for meeting social needs recognized as basic for the welfare of the population and for functioning of the social order

-Elizabeth

Social Welfare is centered on two basic concepts

1. Social Problems

2. Ways in which the Society responds to its problem (Related to policy, legislation, procedure etc.).

3.4. SOCIAL PROBLEMS

India is one of the developing nations of the modern world. It has become an independent country, a republic, more than a half century ago. During this period the country has been engaged in efforts to attain development and growth in various areas such as building infrastructure, production of food grains, science and technology and spread of education. The life expectancy has increased and many diseases have been controlled. However, there are many areas in which Indian society is experiencing a variety of problems. Some of these problems have their roots in our colonial past while others are related to demographic changes, socio-political conditions and cultural processes.

Poverty

A large section of the Indian society is in the grips of poverty. Poverty is a phenomenon which is objective as well a subjective. Objectively poverty implies a dehumanizing condition in which people are unable to look after their basic needs. Subjectively poverty stands for perceived deprivation. As such it is relative and anybody can feel poor by comparing himself or herself with a rich person. Poor people lack the necessary resources and capacity to satisfy basic needs like food, shelter, health and education. They live under difficult conditions which are not conducive for development of their human potential. Poverty interferes with development in many ways. For instance lack of or inadequate nutrition arrests mental development during early childhood. The unavailability of stimulating environment and absence of effective role models decreases the motivation level. A large section of poor children do not go to school. Even if they go, they become drop outs and fail to complete their education.

In this context it may be pointed out that poverty is also related to the social structure. A number of low caste, scheduled tribes and backward communities have been put to discrimination for many centuries. They are socially disadvantaged and are deprived of the experiences necessary for development on account of their membership of specific groups. In

this sense they are doubly deprived. Studies have shown that the children from the background of poverty and social disadvantage lag behind their counterparts from the enriched background. Their cognitive development and performance is found to be at a lower level. Studies of perception, memory and intelligence have demonstrated it several times. The studies have also shown that the performance efficiency between the advantaged and disadvantaged children increases with advancing age. It has also been found that the poverty condition is demotivating and makes a person more vulnerable. Low level of achievement motivation and greater need for dependence in these people make them less effective in coping with the problems of everyday life. As a result the poor become marginalized and can not contribute to the mainstream of the society. The question why some people are poor has been answered in many ways. The search for causes of poverty has lead to many answers. It has been located in the individual, in the social structure, or the culture of the people. For instance many people blame the victim and consider the poor as responsible for the characteristics or dispositions of the people. A detailed analysis of the problem of poverty shows that poverty is caused by multiple factors. The social and economic structure in India promotes inequality, and social disadvantages. The life in the poverty condition reinforces certain behaviour pattern, values and coping styles which, reduce the chances of upward social mobility.

Gender Discrimination

Women and men are equally important for the growth and development of individual and social life. The women play an important role as mother and the same makes it unique. However, careful analysis of Indian society indicates that the situation is not good for women folk. The sex ratio of male and female in the India's population has been changing and becoming unfavourable towards women. In the Indian society women are considered major contributors to family and society. We have gods and goddesses both and one of the incarnations of lord Shiva is Ardhanareeshwar, which is made of half male and half female in its constitution. Unfortunately this equality and prominence tells an incomplete fact. The women are also subjected to discrimination in learning, dowry deaths and exploitation of various kinds which are very common. In fact the women are becoming targets of atrocities of many types. The same is manifested in discrimination against them from very early period. The incident of infanticide, early marriage, emphasis on domestic activities and less emphasis on education and career have made women's lives full of problems. They are discriminated against from early childhood. The Indian women's dependence on others (e.g. parents, husbands) becomes fate of the majority of the women folk. The pattern of discrimination against women varies across rural, urban and tribal areas. They are assigned diverse responsibilities and treated as relatively weaker and less competent. This image is still prevailing in various sections of the society. It is reflected in the discriminatory practices in the family such as distribution of work, food and social activities. The female child is usually burdened with responsibilities that are beyond her capacity. Such exploitations function as obstacles in the process of development and growth of the girl child.

When a girl child matures and becomes an adult she is often found to be physically weak and mentally constrained. They are neither able to realize their potentials nor able to contribute to the mainstream of society. Their contributions are often limited to family and those too are ignored.

However, some Indian women have been able to overcome the barriers in their path and became successful in many walks of life. In this connection one can mention the names of Pandita Rama Bai, Sarojini Naidu, Indira Gandhi who emerged as leaders at national level. The provision for education, legal provisions about the age of marriage and reservation for women in various walks of life has contributed to bring about change in their situation. Today the presence of women in various occupations and public offices is much more prominent than what it used to be during recent part. However, the Indian society has still to go a long way as for as gender equality is concerned.

Some Other Social Problems : Corruption, Illiteracy and Urbanization.

As a developing country India is facing a number of problems which need careful analysis and demands steps for their solution. These problems are many in number. The

outstanding ones include corruption, illiteracy and urbanization. Let us briefly discuss these problems.

Corruption refers to those transactions which involve undue benefit to some people who don't deserve or are not entitled for them. Such transactions make some people recipients of financial benefits, physical and social resources that make these people capable of exhorting power over others and controlling the rewards and punishments for others. This is often reflected in the formation of a nexus between politicians and criminals such as use of money to bribe and drawing benefits that are not feasible under the law of the land. Misuse and misappropriation of resources for personal benefits is creating a gulf between "haves" and "have not". The use of black money and scams of various types that have been discovered in recent years clearly tell that corruption is adversely influencing the growth and development of Indian society.

Illiteracy is another major problem before the society. It's a sad state of affairs that a country which had higher level of literacy (than Britain) at a time when British came three centuries ago is now facing the challenge of a huge number of people who are illiterate and cannot read or write. The lack of these skills renders them deprived of the opportunities for upward social mobility. Such people have to depend on others for various things and are exploited in various ways. For example, the poor rural people are asked to put their thumb impression on various legal documents and are subjected to exploitation and legal hassles. Keeping these negative consequences in view the government is trying to universalize primary education. The lack of reading and writing skills makes a person incapable of availing the various opportunities to help himself. Each and every educated person, therefore, is expected to contribute to the literacy mission and towards making it a success.

Urbanization is another problem that deserves serious attention. There is increasingly greater migration from villages to cities. This situation is generating pressure on cities which were meant for a definite size of population. The limited civic facilities, civilian organizations and structures are facing difficulties in meeting the demands of the people. The mega cities like Mumbai, Kolkata Chennai and Delhi have crossed the limits for which they are capable. This situation creates a number of problems such as unauthorized and illegal activities, emergence of slums, problem of waste disposal, crime and health related problems. The social organization, economy and environmental planning in many cities are becoming unmanageable. Also, urbanization is linked with certain kinds of attitudes like consumerism and individualism. Consumerism emphasizes on exploitation of resources for personal consumption without any concern for society and environment. This attitude is responsible for the ecological imbalance that is widely experienced in today's world. Similarly, the individualistic attitude favours the view that the individual is the ultimate reality and all processes need to be explained at individual level. The individual is free and responsible to his or her self only.

3.5 EDUCATION IN INDIA – KEY INDICATORS

- Only 66% per cent of the Indian people are literate (76% of men and 54% of women).
- While close to 90 per cent children in the 6-11 age group are formally enrolled in primary schools, nearly 40 per cent drop out at the primary stage. The enrolment ratios of Scheduled Caste (SC), Scheduled Tribe (ST) and Muslim children (especially girls) still remain far lower than the national average.
- 1.36 crore (40 per cent) children in the age group of 6-14 years remained out of school as on March 2005, four years after the launch of the Sarva Shiksha Abhiyan.
- Half of India's schools have a leaking roof or no water supply, 35% have no blackboard or furniture, and close to 90 per cent have no functioning toilets.
- The official teacher-student norm is 1:40, yet in some states class average is one teacher per 80 children. The prescribed norm of a school being available within the radius of one kilometre is still not being fulfilled.
- Malnutrition, hunger and poor health remain core problems, which comprehensively affect attendance and performance in classes. The added burden of home chores and child labour influence a large number of children, especially girls, to drop out of school.

Table 1 : Education Policy in India 1951 to 2005

Period	Policy Framework	Programmes and Approaches of the Central Government
1951-68	Constitution of India	Expansion of the formal schooling system. State governments to shoulder the responsibility for primary education.
1968-86	National Policy on Education 1968	1976 : Education shifted to the 'Concurrent list' thereby giving the GOI and state governments equal responsibility for promoting and managing education. 1980s : Non-Formal Education introduced to supplement formal schooling, thereby increasing Central investment in primary schooling.
1986-92	National Policy on Education, 1986 Conference for Education for All followed by EFA projects – most of them with foreign aid.	Andhra Pradesh Primary Education Project, early 1980 (British ODA) Environmental Education, 1986 (Domestic Resources) Rajasthan Shiksha Karmi Project, 1987 (Sida) Total Literacy Campaign, 1988 (Domestic resources) Mahila Samakhya in Karnataka, U.P. and Gujarat, 1989 (Dutch Government) Bihar Education Project, 1991 (UNICEF) Rajasthan Lok Jumbish 1992 (Sida) U.P. Basic Education Project, 1992 (World Bank)
1992 to 2002	Revised National Policy on Education, Policy Mid-day Meal, 1995 Supreme Court Order on Mid-day meal in 2001	District Primary Education Programme (DPEP), 1993 with consortium funding from DFID India. World Bank, Delegation of the European Union, UNICEF and Royal Netherlands Government) National Programme of Nutritional Support to Primary Education (commonly known as the mid-day Meal Scheme) was launched as a Centrally-sponsored Scheme on August 15, 1995. Its objective was to boost "universalisation of primary education by increasing enrolment, retention and attendance and simultaneously impacting on nutrition of students in primary classes". Sarya Shiksha Abhiyan 2001 – an umbrella programme for elementary education of India. November 2001: the Supreme Court of India directed all state governments to provide cooked mid-day meals in all primary schools (order dated November 28, 2001); follow-up order April 20, 2004 – when it was reported that few states were giving a hot cooked meal and many were distributing dry rations.
2002 onwards	Free and compulsory education bill, 2004 Revised Mid-day meal programme in 2004	Free and compulsory education made a Fundamental Right for all children between 6-14 years and included in part III (Fundamental Rights) of the Constitution of India; Universal mid-day meal for primary schools across the country. Central government has approved a revised scheme, entitled National Programme of Nutritional Support to Primary Education 2004 (NP-NSPE, 2004). Objectives of the revised Scheme are : <ul style="list-style-type: none"> • To boost universalisation of primary education (classes I-V) by improving enrolment, attendance, retention and learning levels of children especially those belonging to disadvantaged sections. • Improve nutritional status of students of primary stage in drought-affected areas during summer vacation also.

SUMMARY

- Unequal division of wealth is a highly noticeable feature of Indian social structure.
- Over 70% of Indian population still lives in villages and agriculture remains their main occupation.

- Besides Gender discrimination caste is one peculiar feature to which Indian society pays a lot of attention.
- Panchayati Raj is specifically designed for rural population to take care of the problems of rural areas.
- The basic function of panchayati raj is to ensure rapid socio-economic progress and speedier and inexpensive justice.
- Panchayati raj follows a 3 – tier structure consisting of Zila Parishad at the District Level, Panchayat Samiti at the Block Level and Gram Panchayat at the Village Level.
- Parliament too recognize the panchayati raj system. To strengthen the institutions, the Parliament passed the 73rd Amendment Act, 1992.
- Social Welfare is an institution, comprising of policies and laws that are intended to enhance or maintain the social functioning of human beings. These policies are implemented by organized activities of voluntary (private) and / or government (public) agencies.
- On 14 June 19 the Department of Social Security was created thereafter on 24 January 1966 the Department of Social Security was redesignated as Department of Social Welfare; and on 24 August, 1979 when the Department of Social Welfare was elevated to the status of an independent Ministry.
- Social Welfare Administration is the process of efficiently providing resources and services to meet the needs of the individuals, families, groups and communities to facilitate social relationship and adjustment necessary to social functioning.

TEST YOURSELF

1. Write a short note on how our ancient history has effected and shaped our current social structure?

2. Highlight the importance of panchayati raj and comment on its working considering the present situation prevailing in states such as U.P. Bihar and Haryana.

Fill in the blanks

1. It was in the year that the department of social welfare was given the status of an independent ministry.
2. The process of migration of village population to cities is called
3. The chairman of the planning commission in India is of the country.
4. Panchayati raj was reformed in Amendment act
5. The chairman of the zila parishad is called

ANSWERS

1. 1979 2. urbanization 3. Prime Minister 4. 73rd, 1992 5. District collector

Long answer questions

1. Why is urbanization considered to be a problem when it is required for the progress of the country?
2. Discuss the topic "Education in India".
3. Describe the various means to ensure social welfare in a state?
4. What do you understand by Panchyatiraj. How and why did it canal into pristence.
5. Discuss in detail the prevailing social structure in our country and the effect of western culture on it?

RURAL AND URBAN DEVELOPMENT
Table 35.4: PHYSICAL AND FINANCIAL PROGRESS UNDER SGSY
 (As on 18 May 2011)

S. No.	Head	(₹ in crore)												Total/Average*
		1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	
1	2	1	2	3	4	5	6	7	8	9	10	11	12	13
A. Financial Progress (₹ crore)														
1	Funds Available	1962.01	1608.18	1299.55	1178.22	1214.88	1511.20	1558.53	1724.55	2394.17	3003.05	3495.65	3752.21	24702.19
2	Funds Utilised	959.86	1117.94	970.32	921.11	1043.43	1290.83	1338.78	1424.20	1965.97	2285.40	2779.19	2804.04	18901.07
3	%age utilisation to funds available	48.92	69.52	74.67	78.18	85.89	85.42	85.90	82.58	82.11	76.10	79.50	74.73	76.52
4	Credit Disbursed to SHGs	187.30	256.64	318.34	459.08	707.82	1027.66	1275.41	1803.34	2090.70	2513.38	3475.21	3753.02	17867.91
5	Credit Disbursed to Individual Swarozgaris	869.16	1202.80	1011.34	725.21	594.28	630.52	547.75	487.87	669.60	1016.69	971.82	832.95	9560.00
6	Total Credit Mobilised (4+5)	1056.46	1459.44	1329.68	1184.30	1302.10	1658.18	1823.16	2291.21	2760.31	3530.07	4447.0	4586.0	27427.91
7	Subsidy Disbursed to SHGs	124.58	167.93	209.94	282.53	444.36	586.08	671.22	771.46	990.97	1150.94	1477.21	1499.17	8376.40
8	Subsidy Disbursed to Individual Swarozgaris	417.11	533.92	455.68	323.36	269.01	272.73	233.61	199.59	298.14	591.33	484.92	314.94	4394.34
9	Total Subsidy Disbursed (7+8)	541.69	701.85	665.62	605.89	713.38	858.81	904.83	971.05	1289.10	1742.27	1962.13	1814.11	12770.73
10	Credit Subsidy Ratio	1.95	2.08	2.00	1.95	1.83	1.93	2.01	2.36	2.14	2.03	2.27	2.53	2.09
11	Total Investment	1598.15	2161.29	1995.30	1790.18	2015.48	2516.99	2727.99	3262.27	4049.41	5272.34	6409.16	6400.09	40198.64
12	Ratio of Investment on Individuals to SHGs	0.24	0.24	0.36	0.71	1.33	1.79	2.49	3.75	3.18	2.28	3.40	4.58	1.88
13	Per Capita Investment (in ₹)	17113	21481	21284	21666	22472	22555	23699	19281	28765	29932	31817	31378	-
B. Physical Progress (in number)														
1	Help Groups formed	292426	223265	434387	398873	392136	266230	276414	246309	306688	563530	389259	311314	4100831

2	Women SHGs formed	176263	153285	296175	221085	233136	191666	213213	176712	231670	404972	292788	207280	2798245
3	%age of Women SHGs	60.28	68.66	68.18	55.43	59.45	71.99	77.14	71.74	75.54	71.86	75.22	66.58	68.24
4	No. of SHGs passed Grade-I	125402	214011	176002	189634	204987	219604	210639	222029	251163	322322	439275	280575	2855643
5	No. of SHGs passed Grade-II	74234	101291	54040	94754	90673	105839	91920	156353	116878	138641	161496	171657	1357776
6	SHGs taken up Eco. Activities	29017	26317	30576	35525	50717	68102	80130	137931	181386	114452	136411	312288	1202852
7	SHGs Swarozgaris Assisted	347912	318803	364676	414419	577532	788573	873485	1472066	1154269	1470032	1736214	1743536	11261517
8	Individual Swarozgaris Assisted	585956	687349	572792	411848	319363	327355	277631	219860	253503	291392	278136	296113	4521298
9	Swarozgaris assisted under Special Project	..	..	..	..	..	..	..	..	291523	100451	70827	70147	532948
10	Total Swarozgaris Assisted (7+8+9)	933868	1006152	937468	826267	896895	1115928	1151116	1691926	1699295	1861875	2085177	2109796	16315763
11	%age of SHGs Swarogaris Assisted	37.25	31.69	38.90	-	-	-	133.47	155.07	125.62	105.63	114.41	96.90	..
12	SC Swarogaris Assisted	278938	310886	284040	249556	274893	352864	383124	600364	561052	601299	753640	734775	5385431
13	ST Swarozgaris Assisted	134944	137850	143619	130260	138909	149115	165407	241291	251783	274530	322142	362051	2451901
14	Total SC/ST Swarogaris Assisted	413882	448736	427659	379816	413802	501979	548531	841655	812835	875829	1075782	1096826	7837332
15	Minorities Swarozgaris Assisted	..	..	..	..	..	..	..	60494	142399	275121	241866	244225	964105
16	Women Swarozgaris Assisted	416690	409842	385891	382613	470740	606141	662764	1247132	1083905	1206513	1502285	1424059	9798575
17	Disabled Swarozgaris Assisted	8529	6737	6059	6118	8504	12680	14793	31864	36113	42315	45869	40838	260419
18	%age of SC/STs Assisted	44.32	44.60	45.62	45.97	46.14	44.98	47.65	49.75	47.83	47.04	51.59	51.99	47.29
19	%age of Minorities assisted	..	..	..	..	..	..	..	3.58	8.38	14.78	11.60	11.58	10.20
20	%age of Women Assisted	44.62	40.73	41.16	46.31	52.49	54.32	57.58	73.71	63.79	64.80	72.05	67.50	60.06
21	%age of Disabled Assisted	0.91	0.67	0.65	0.74	0.95	1.14	1.29	1.88	2.13	2.27	2.20	1.94	1.60

Source: Ministry of Rural Development

All India target for Per Capital Investment and credit subsidy ratio are 25,000 and 3:1 respectively

*Average per year.

UNIT

4

HUMAN RIGHTS & HEALTH SCENARIO IN INDIA

STRUCTURE

- Health scenario in India
- Health In India – Key Indicators
- Introduction to Human Rights
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

After going through this unit you will be able to learn:

- Health in India
- Human rights

4.1 HEALTH SCENARIO IN INDIA

Public health has been of national and international concern as in the process of assuring the health standards of any nation, it involves mobilizing and engaging local, state, national and international resources. Since the health problems and issues vary from country to country, the health policies and reforms addressing these should also be customized.

To effectively implement and practise these developments, it is necessary to scientifically derive the lessons learnt and relate them to adequately trained and adroit health workforce. Winslow in his definition of Public Health stated, "Public Health is the science and art of preventing disease, prolonging life and promoting health and efficiency through organized community efforts for the sanitation of environment, the control of community infections, the education of individuals in principles of hygiene, the organization of medical and nursing services for the early diagnosis and preventive treatment of diseases and the development of social machinery which will ensure to every individual in the community a standard of living adequate for maintenance of health, so organizing these benefits as to enable every citizen to realize his birth right of health and longevity. To effectively comply with the multidisciplinary dimensions reflected in Winslow's definition, it is necessary to explore the different domains of public health and provide sufficient capacity building initiatives to work upon the existing situations related to each of these domains. Public health education and competence at various levels needed to translate evidence into policies, and to design, implement and evaluate programs. The reach of public health has now burgeoned from studying infectious and tropical diseases to understanding the health systems and workforce at large.

The need of an ardent workforce equipped with the appropriate qualifications and professional trainings is necessary for strengthening the public health architecture of any country. Most low- to middle-income countries (LMIC) including India have to cope with a wide range of health problems that interfere with their future economic development. This entails the requirement of formal training and courses in public health addressing specific issues and areas; to help build the capacity of individual professionals and the health systems of the countries at large. Public health education broadly covers the multidisciplinary domains of biostatistics, epidemiology, social and behavioral sciences, environmental and occupational health and health management and administration. Looking at the global health scenario and the emphasis laid upon achieving the Millennium Development Goals, public health education covering these five domains is

the main forte and need of the hour. Traditionally public health education in India is catered through medical colleges and is open for medical graduates only.

However, a predominant medical model of public health education is inadequate to answer a public health concern of a large magnitude. Public health professionals with medical background alone cannot address the severe crunch of public health personnel in the country. There is a growing recognition that public health is a multi-disciplinary field. This is because public health activities are a product of teamwork and involve an extensive and continuous engagement between the community and the health team.

Good health is dependent upon a much wider range of determinants that encompass economics, equity, education, empowerment, social justice and governance. Addressing these multiple dimensions is not possible for any one single professional and would need team work in policy formulation, administration and service delivery to the beneficiaries. In order to address these issues currently there is a conscious shift in public health education in India with a few institutions (with medical and non-medical background) initiating public health programs for both medical and nonmedical graduates. Some of them offer core public health programs (Masters in Public Health - MPH) and some of them offer specialized courses in health management and administration

The healthcare industry in India is rapidly expanding with endeavours of the various public and private stakeholders. There has been multi-million dollars of investments by various national and international donor agencies, pharmaceutical sector, central and state governments and the developmental partners. It is projected to grow 23% per annum to touch US \$77 billion by 2013 from the current estimated size of US \$35 billion, according to Yes Bank and an industry body report published in November 2009. In order to respond to this growth and effectively and efficiently utilize the available resources and achieve realistic targets, it requires trained professionals in the areas of public health management and hospital administration. The ability of healthcare systems to provide safe, high quality, effective and patient centered services depends on sufficient, well-motivated, and appropriately skilled personnel operating within service delivery models that optimize their performance. However, the country faces a dearth of adequately trained workforce in these domains to be suitably located at the various levels of the health care deliveries.

4.2 HEALTH IN INDIA – KEY INDICATORS

- India accounts for more than 20% of global maternal and child deaths, and the highest maternal death toll in the world estimated at 138,000.
- United Nations calculations show that India's spending on public health provision, as a share of GDP is the 18th lowest in the world.
- Nearly 67% of the population in India do not have access to essential medicines.
- Infant Mortality Rate (IMR) in India was 67.6 in 1998-99 and had come down to 57 in 2005-06. Kerala heads the progress made so far with an IMR of 15/1000 births. Uttar Pradesh has the worst IMR in the country of 73/1000 births.
- Maternal Mortality Rate (MMR) is currently 4 deaths per 1000 births. India accounts for the largest number of maternal deaths in the world.
- 79% of the children between the age of 6-35 months, and more than 50% of women, are anaemic, and 40% of the maternal deaths during pregnancy and child-birth relate to anaemia and under-nutrition.
- There are 585 rural hospitals compared to 985 urban hospitals in the country. Out of the 6,39,729 doctors registered in India, only 67,576 are in the public sector.
- The ratio of hospital beds to population in rural areas is almost fifteen times lower than that for urban areas

4.3 INTRODUCTION TO HUMAN RIGHTS

Human rights are rights inherent to all human beings, whatever be the nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status. All human beings are equally entitled to their human rights without discrimination. These rights are all interrelated, interdependent and indivisible.

Universal human rights are often expressed and guaranteed by law, in the forms of treaties, customary international law, general principles and other sources of international law. International human rights law lays down obligations of Governments to act in certain ways or to refrain from certain acts, in order to promote and protect human rights and fundamental freedoms of individuals or groups.

Universal and inalienable

The principle of universality of human rights is the cornerstone of international human rights law. This principle, as first emphasized in the Universal Declaration on Human Rights in 1948, has been reiterated in numerous international human rights conventions, declarations, and resolutions. The 1993 Vienna World Conference on Human Rights, for example, noted that it is the duty of States to promote and protect all human rights and fundamental freedoms, regardless of their political, economic and cultural systems.

All States have ratified at least one, and 80% of States have ratified four or more, of the *core human rights treaties, reflecting consent of States which creates legal obligations for them and giving concrete expression to universality*. Some fundamental human rights norms enjoy universal protection by customary international law across all boundaries and civilizations.

Human rights are inalienable. They should not be taken away, except in specific situations and according to due process. For example, the right to liberty may be restricted if a person is found guilty of a crime by a court of law.

Interdependent and indivisible

All human rights are indivisible, whether they are civil and political rights, such as the right to life, equality before the law and freedom of expression; economic, social and cultural rights, such as the rights to work, social security and education, or collective rights, such as the rights to development and self-determination, are indivisible, interrelated and interdependent. The improvement of one right facilitates advancement of the others. Likewise, the deprivation of one right adversely affects the others.

Equal and non-discriminatory

Non-discrimination is a cross-cutting principle in international human rights law. The principle is present in all the major human rights treaties and provides the central theme of some of international human rights conventions such as the International Convention on the Elimination of All Forms of Racial Discrimination and the Convention on the Elimination of All Forms of Discrimination against Women.

The principle applies to everyone in relation to all human rights and freedoms and it prohibits discrimination on the basis of a list of non-exhaustive categories such as sex, race, colour and so on. The principle of non-discrimination is complemented by the principle of equality, as stated in Article 1 of the Universal Declaration of Human Rights: "All human beings are born free and equal in dignity and rights."

Both Rights and Obligations

Human rights entail both rights and obligations. States assume obligations and duties under international law to respect, to protect and to fulfil human rights. The obligation to respect means that States must refrain from interfering with or curtailing the enjoyment of human rights. The obligation to protect requires States to protect individuals and groups against human rights abuses. The obligation to fulfil means that States must take positive action to facilitate the enjoyment of basic human rights. At the individual level, while we are entitled to our human rights, we should also respect the human rights of others.

Article 1.

- All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

Article 2.

- Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

Article 3.

- Everyone has the right to life, liberty and security of person.

Article 4.

- No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

Article 5.

- No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.

Article 6.

- Everyone has the right to recognition everywhere as a person before the law.

Article 7.

- All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.

Article 8.

- Everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights granted him by the constitution or by law.

Article 9.

- No one shall be subjected to arbitrary arrest, detention or exile.

Article 10.

- Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.

Article 11.

- Everyone charged with a penal offence has the right to be presumed innocent until proved guilty according to law in a public trial at which he has had all the guarantees necessary for his defence.
- No one shall be held guilty of any penal offence on account of any act or omission which did not constitute a penal offence, under national or international law, at the time when it was committed. Nor shall a heavier penalty be imposed than the one that was applicable at the time the penal offence was committed.

Article 12.

- No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.

Article 13.

- Everyone has the right to freedom of movement and residence within the borders of each state.
- Everyone has the right to leave any country, including his own, and to return to his country.

Article 14.

- *Everyone has the right to seek and to enjoy in other countries asylum from persecution.*
- This right may not be invoked in the case of prosecutions genuinely arising from non-political crimes or from acts contrary to the purposes and principles of the *United Nations*.

Article 15.

- Everyone has the right to a nationality.
- No one shall be arbitrarily deprived of his nationality nor denied the right to change his nationality.

Article 16.

- Men and women of full age, without any limitation due to race, nationality or religion, *have the right to marry and to found a family. They are entitled to equal rights as to marriage, during marriage and at its dissolution.*
- Marriage shall be entered into only with the free and full consent of the intending spouses.
- The family is the natural and fundamental group unit of society and is entitled to protection by society and the State.

Article 17.

- *Everyone has the right to own property alone as well as in association with others.*
- No one shall be arbitrarily deprived of his property.

Article 18.

- Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief, and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

Article 19.

- Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

Article 20.

- Everyone has the right to freedom of peaceful assembly and association.
- No one may be compelled to belong to an association.

Article 21.

- Everyone has the right to take part in the government of his country, directly or through freely chosen representatives.
- Everyone has the right of equal access to public service in his country.
- The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

Article 22.

- Everyone, as a member of society, has the right to social security and is entitled to

realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

Article 23.

- Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
- Everyone, without any discrimination, has the right to equal pay for equal work.
- Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
- Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24.

- Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25.

- Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
- Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

Article 26.

- Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.
- Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.
- Parents have a prior right to choose the kind of education that shall be given to their children.

Article 27.

- Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.
- Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

Article 28.

- Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.

Article 29.

- Everyone has duties to the community in which alone the free and full development of his personality is possible.
- In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due

recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society.

- These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

Article 30.

- Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein.

SUMMARY

- Health problems and issues vary from country to country, so it is very important to scientifically design health programs suited to the needs of that particular country.
- Human rights are rights inherent to all human beings, whatever be the nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status.
- Human rights are:
 - Universal and inalienable
 - Interdependent and indivisible
 - Equal and non-discriminatory
 - Both Rights and Obligations
- UN provides 30 articles of Human rights which are universally accepted.

TEST YOURSELF

1. Discuss any 10 human right and obligations.

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2. Highlight the proposals made by the government in the recent budget to improve the health scenario in India?

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3. What do you understand by equal and non-discriminatory principle ?

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Fill in the blanks

1. There are rural hospitals compared to Urban hospitals in the country.
2. LMIC is
3. MPH is
4. ensures the guarantee and enforcement of human rights.
5. As stated by UNO human rights are in number.

ANSWERS

1. 1.585m 885 2. Low to middle income countries 3. master in public health 4. Law 5. 30

Long answer questions

1. Discuss the various features of human rights which remain same throughout the world.
2. Why are human rights necessary? What are they required for?
3. What is universal and inalienable principle of human rights ?
4. Write a short note on the prevailing health scenario in India and the reasons behind it?

UNIT

5

INDIA : PUBLIC ADMINISTRATION-FEATURES, ACCOUNTABILITY AND CONTROL

STRUCTURE

- Introduction
- Indian Administration
- The POSDCORB View of Public Administration
- The Subject-matter View of Public Administration
- Approaches to the Study of Public Administration
- Human Factor in Administration
- Administration and Finance
- Budget
- Administrative Law and Delegated Legislation
- Need for Control
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

After going through this unit you will be able to learn:

- Public administration in India
- POSDCORB view of public administration
- Approaches to study public administration

5.1. INTRODUCTION

Public Administration, at least in its embryonic form, was born primarily and principally to regulate group action and behaviour. When a group of people started living together and emerged as a community some common problems made themselves feel which needed collective resolution. One such concern has been the maintenance of peace and prevention of crime. It was in this category of needs that for the first time public administration was born. A community could not have survived if it had not devised a mechanism to regulate and order its behaviour in certain respects. Regulation of group action was as unescapable a necessity as was the need for group living. It was only at a much later stage in the course of its evolution that it found itself engaged in carrying out positive functions intended to promote human happiness and welfare.

5.2. INDIAN ADMINISTRATION

A sort of mini-administrative state began taking shape in India under the logic of the Government of India Act, 1919 even though unconsciously. The act of 1919, implemented in 1921, made a planned beginning towards responsible government, and introduced dyarchy in the provinces. Under such an arrangement, departments engaged in nation building activities were transferred to the elected Indian leaders for self government. This was the first conscious move of the colonial rulers in India to entrust tasks of governance to people's representatives, and the sectors related to agriculture, education, cooperatives, animal husbandry, irrigation, public health etc, these are the ingredients of what later on came to be known as development administration. Both politicians and (a section of) the bureaucrats received their first planned experience in developmental activities which stood them in good stead in years to come. This experience constituted an asset of no small significance to future India. A mini-administrative State in India was emerging. The embryo of what is now called positive state or welfare state was born under the diarchy of the Government of India Act, 1919. The role of public

administration became much more embracing. What is really significant is not the magnitude of the move but the fact that all this was taking place under the colonial rule in India though primary goal lay in maintenance of law and order in the country.

The functions of government began expanding in all directions in all countries leading to ever-growing public employment. The total number of persons employed in the federal, state and the local governments in the USA was over 10 millions in the 1980s. The Central government in India has 4 million public functionaries. Great Britain, a much smaller country, has 7 lakh government servants.

Public Administration is defined as the organization and management of human and material resources to fulfil the objectives laid down by the government. But government, as we all know, consists of three branches—legislature, executive, and judiciary. Is Public Administration to study all these three branches that make up the government? Views on this question are also divided. To some, Public Administration is identified with the entire range of government activities covered under the three branches : whereas others restrict it (*i.e.*, Public Administration) to the operations of the executive branch only. It may be appropriate here to quote W.F. Willoughby : "The term 'administration' may be employed in political science in two senses. In its broadest sense, it denotes the work involved with actual conduct of governmental affairs. It is, thus, quite proper to speak of the administration of legislative branch of government, the administration of justice or judicial affairs, or the administration of the executive power as well as the administration of affairs of the administrative branch of government, or the conduct of the affairs of the government generally.

5.3. THE POSDCORB VIEW OF PUBLIC ADMINISTRATION

This is a narrow view of public administration and takes into account only the executive branch of the government. In other words, this view corresponds with the managerial view. Henri Fayol, L. Urwick, Percy M. Queen and Luther Gulick are supporters of this view.

According to Henri Fayol the main categories of administration are: Planning, Organization, Command, Coordination and Control. L. Urwick, fully supports Fayol's views. P.M. Queen says that the study of administration deals with 'Men, Materials and Methods'. Views of L. Gulick regarding the scope of Public Administration are not only known but he has dealt with them in detail. He sums up these techniques in the word 'POSDCORB', each letter of which describes one technique. These letters stand for :

P = Planning

O = Organising

S = Staffing

D = Directing

Co = Co-ordinating

R = Reporting

B = Budgeting

Let us see what do they mean ?

Planning means working out in broad outline the things that need to be done, the method to be adopted to accomplish the purpose set for the enterprise.

Organising means the establishment of the formal structure of authority through which the work is sub-divided, arranged, defined and coordinated for the defined objective.

Staffing means the whole personnel, bringing in and training the staff, and maintenance of favourable conditions of work.

Directing means making decisions and issuing orders and instructions and thus guiding the enterprise.

Co-ordinating means the all important duty of inter-relating the work of various divisions, sections and other parts of the organization.

Reporting means keeping those informed to whom executive is responsible about what is going on.

Budgeting means all the activities that go with budgeting in the form of fiscal planning, accounting and control.

5.4. THE SUBJECT-MATTER VIEW OF PUBLIC ADMINISTRATION

The subject-matter view of Public Administration has come into reckoning in reaction to the POSDCORB view. This view comprises line functions or services meant for the people. They include law and order, defence, social security, public health, etc. These services have specialized techniques of their own, which are not covered by the POSDCORB activities. Moreover, even the techniques of management are modified by the subject-matter of the services in which they have to operate. Consequently, organization and even the techniques of coordination in two different services are different. Therefore emphasis on the subject-matter cannot be neglected. In short, it can be said that there is no need to reject either of these views of the scope of Public Administration. Both represent the whole truth.

Pfiffner has divided the scope of public administration into two heads:

- (A) Principles of Public Administration;
- (B) Sphere of Public Administration.

In the first category, public administration covers the organization, management of personnel; method and procedure; material and supply; public finance and administrative responsibility. In the second category, the sphere of public administration includes the central and state government, its regional and local authorities and also public corporations. Thus, in the words of Prof. Pfiffner, "Public Administration, in sum, includes the totality of government activity, encompassing expertise of endless variety and the techniques of organization and management whereby order and social purpose are given to the efforts of vast numbers."

5.5. APPROACHES TO THE STUDY OF PUBLIC ADMINISTRATION

There are several approaches to the study of Public Administration, and what is more, they can be categorized from many angles. One way may be to divide them into normative approach and empirical approach. The former approach concentrates on what Public Administration *should be*, while the empirical approach sets its eyes on descriptions and analysis of *actual* administrative situations. As is obvious, this is a division from the value-fact standpoint. Another classification of approaches is based upon the objects of study the individual scholar seeks to emphasize. From this angle we get the philosophical approach, the legal approach, the historical approach, the case method approach, the institutional and structural approach, the behavioural approach, etc.

Philosophical Approach

The philosophical approach is perhaps the oldest approach to Public Administration as of **all other** social sciences. An example of this approach is **found in *Shanti Parva* of the Mahabharata**, other well-known examples being **Plato's *Republic***, Hobbes' *Leviathan*, Locke's *Two Treatise of Civil Government* etc. The philosophical approach is wide ranging, taking within its purview all aspects of administrative activities. Its goal is to find out and enunciate the principles, or 'ideals', underlying these activities.

Legal Approach

The legal approach to the study of Public Administration came after the philosophical one, but in a sense is the oldest, systematically formulated approach and traces its ancestry to the European tradition of rooting Public Administration in law. "Those who have adopted this approach to the study of Public Administration as part of law and concentrate on the legally prescribed structure and organization of public authorities. This approach was formulated at a period when the functions of the State were narrowly limited and simple in nature.

Historical Approach

The historical approach to the study of Public Administration seeks to recreate a segment of history; it studies the public administration of the past within particular time spans,

organizing and interpreting the information in a chronological order. The historical approach naturally commands a powerful attraction in a society having a rich past and can be very valuable in identifying the uniqueness of the administrative system. Indeed, many administrative institutions can be best understood in the light of their past, which is possible by adopting the historical approach. We, for instance, cannot understand the Indian National Congress, founded as early as 1885, without studying its historical development.

The Case Method Approach

The case method approach to the study of Public Administration began to be popularized in the 'thirties. A case is a narration of what has actually taken place in administration, keeping intact the context and all relevant dimensions. Ably handled, the case method approach is a sensitive one seeking as it does to reconstruct the alternative, and give to students flavour of the administrative process. As Dwight Waldo says, "The case approach has been motivated by a commitment to the objectives and methods of the social sciences, to be sure, but it has been shaped also by a considerable sensitivity to traditional concerns of the humanities and by a practical interest in pedagogy as against research."¹ The case method has conic to stay in Public Administration, but it cannot perhaps become the dominant approach. Since this method of study is becoming a bit too popular in India, it is necessary to be aware of its limitations. In the first place, reliving another person's life through case study never succeeds. Secondly, the most significant part of a decision is the agony of it; one cannot relive the agony and anxiety, and put himself in another individual's position.

Institutional and Structural Approach

While scholars trained in law have adopted the legal approach to the study of Public Administration, others were content to describe the organization and functions of public organizations. It must be emphasized here that the description of organizations was formal, *i.e.*, in terms of what they were designed to be like. The greatest limitation of this approach is that one cannot get a true picture of how an organization functions in practice.

Behavioural Approach

The growing discontentment against the institutional-structural approach crystallized into what has come to be called the behavioural approach to the study of Public Administration. This approach, which dates back to the 'forties, focuses on the actual behaviour of persons and groups in organizations. Herbert A. Simon and Robert A. Dahl have been among the pioneers of this approach to the study of Public Administration.

5.6. HUMAN FACTOR IN ADMINISTRATION

As Public Administration is manned by and meant for human beings, the human factor becomes of central concern to it. This factor has two aspects. It is, firstly, involved in the relation between administration and its employees—called the staff—and, secondly, between administration and what may be termed the 'administered'.

Public Administration implies a large organization, particularly in the modern age, when, partly by accident and partly by design, state is assuming new responsibilities and entering into hitherto forbidden fields. A large organization inevitably functions through standardized systems and methods. While formal procedures are necessary and even desirable, excessive concern for them should, however, be discouraged. The problem, therefore, is to strike a balance between these formal procedures and the human approach to problems of management and operation. But this reconciliation is not always easy. Administration has been aptly described by Ordway Tead as "the central power house of the motivational impulsion and spirit which makes the institution drive to fulfil its purpose."¹ The human factor is exposed to the risk of being forgotten or neglected and two reasons may, in particular, be cited to support this fear. Firstly, a large organization inevitably results in depersonalization, loss of individuality for the member, and his virtual treatment as a cog in the machine. This danger can be warded off by recognizing individuals, and channeling individual drives into team work, cooperation and creativeness. The second reason for the neglect of the human factor is the growing trend of insulating work of management and supervision from the operational levels. To an extent, this separation is necessary for the maintenance of line of

command and discipline. A rigid command relationship, nevertheless, makes employees feel sore and lose complete identification with the organization and its purposes. To prevent this, therefore, it is essential to maintain effective communications and relationship with employees within the general framework of organization, command and discipline requirements. In this context, it is necessary to emphasize the role of the first-line supervisor as well as the general need for a programme of supervisory training.

The second aspect of the human factor is made manifest in the relationships between the administration—that is, the 'administrators' and the 'administered'. The English word 'administer' is derived from the Latin word *administrare*, meaning 'to serve'. The meaning is suggestive enough, as it insists on the administrator to regard himself a servant, not the master. The people, not the administrators, are the centre of things, and they should always be approached on terms of friendly equality. One cannot do better than quote Jawaharlal Nehru, according to whom, "Administration like most things is, in the final analysis, a human problem—to deal with human beings, not with some statistical data....The administrator may think in abstract of the people he deals with, come to conclusions which are justifiable apparently, but which miss the human element. After all whatever department you deal with, it is ultimately a problem of human beings, and the moment we are driven away from reality....Administration is meant to achieve something, and not to exist in some kind of an ivory tower, following certain rules of procedure and Narcissus-like, looking on itself with complete satisfaction. The test after all is the human beings and their welfare."¹

Since eighties governments in all countries are showing growing concern for the citizens. Public administration must be responsive, must be citizen-friendly. Citizens' charters are becoming increasingly common in Great Britain. They improve responsiveness and performance in the public services. They establish minimum standards of public service, reflecting the six principles of good rights — fair treatment, entitlement, participation, openness, public accountability and cooperation. In India, the New Delhi Municipal Council and the Delhi Development Authority have announced Citizens' Charters promising time-bound delivery systems.

5.7. ADMINISTRATION AND FINANCE

IMPORTANCE OF FISCAL MANAGEMENT

Administration and finance are as inseparable as a body and its shadow. All administrative acts involve expenditure of money, at least, for hiring the necessary personnel to carry out the tasks. Finance fuels the administrative engine. Without it the latter cannot operate. Rightly, therefore, did Kautilya remind : "All undertakings depend upon finance. Hence, foremost attention shall be paid to the treasury."

Sound fiscal management is, therefore, of vital importance to government. As revenue is derived even from the humblest citizen, it is morally incumbent upon the government to spend money efficiently and economically. Imprudent financial management alienates the people from the government, ultimately endangering the latter's existence. In democracy, there should be an unmistakable urge to evolve sound financial management, for people tend to identify extravagance and other ill practices with democracy, which consequently, stands discredited in their eyes. Unsound financial administration, thus, may blast the prospects of democracy itself.

Financial administration involves operations designed to raise, spend, and account for funds needed to be expended on public services. These operations, which act in a continuous chain, are performed by the following agencies :

- (1) The Executive, which needs funds ;
- (2) The Legislature, which alone can grant funds ;
- (3) The Finance Ministry (or, the Treasury in Britain), which controls the expenditure of funds sanctioned by the Legislature; and
- (4) The Audit Department.

To safeguard the rights and interests of the tax payer in the field of financial administration, the Constitution makes three fundamental provisions, namely :

(1) No tax can be levied or collected except by authority of law. This is the well-known principle of 'no taxation without representation' ;

(2) No expenditure can be incurred from public funds except in the manner provided in the Constitution, and in accordance with law, *i.e.*, unless it has been sanctioned by Parliament ; and

(3) The executive is bound to spend money in the manner as sanctioned by Parliament. This control is exercised through the Comptroller and Auditor General.

Ministry of Finance

The Finance Ministry administers the finance of the government; indeed, the entire structure of financial administration is woven round this Ministry. It is responsibility of the Finance Ministry to formulate the 'Annual Financial Statement' in consultation with other administrative Ministries ; after parliamentary approval of the budget it controls the entire expenditure of the government, the objective being the realization of economy in the spending of public money by the administrative Ministries.

Audit Department

After the money has been spent, the entire expenditure is subjected to the 'searchlight' of an independent audit, in order to make sure the legality and propriety of the expenditure. Parliamentary approval of taxation and expenditure has little meaning and less sense if effective arrangements are not devised to know whether parliamentary behests have been complied with or not. Independent Audit is the device to know this. After Parliament votes grants to the Government, the Comptroller and Auditor General sees that the money expended conforms to the purpose for which grants were made in the Appropriation Act, and, secondly, the amount of expenditure does not exceed what has been sanctioned. It is the duty of this official, who acts independently of the executive and is accountable only to Parliament, to report to that representative body on expenditure not in conformity with the declared intentions of Parliament, or which reflects faulty administration of a grant which does not conform to the authority which governs it.

Historically speaking, the emergence of the Auditor as an institution independent of the executive, and reporting direct to Parliament was first conceded in Britain in 1866, with the enactment of the Exchequer and Audit Departments Act. In India, the question of the independence of audit first arose in 1912. Sir Guy Fleetwood Wilson, who was in charge of the Indian Finances, pleaded for keeping the Auditor General independent of the Executive. He asserted : "Honest and sound finance has become essential to our very existence and the only way to insure honest and sound finance is to subject the expenditure to the searchlight of independent audit." This view, which was contrary to that put forward by the Government of India, prevailed upon the Secretary of State for India. Since 1913, therefore, the independence of audit has come to be generally recognized in India. Articles 148 to 151 of the Indian Constitution explain the position and function of the Comptroller and Auditor General, and make him solely responsible to Parliament.

The Comptroller and Auditor General submits his reports to the President who "shall cause them to be laid before each House of Parliament."¹ Primarily, because of paucity of time, Parliament is unable to look into the complexities of all the accounts of the Central Government and the Auditor General's comments on them, and to give adequate consideration to the economy and efficiency practised by the Government while implementing its policies. Consequently, it has constituted two Committees—the Public Accounts Committee, and the Estimates Committee. The former's role is more direct in the structure of financial administration ; it examines the public accounts of the Central Government in the light of the Auditor General's reports on them, with a view to satisfying itself that—

(i) the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged ; and

(ii) the expenditure conforms to the authority which governs it.

The Estimates Committee is 'a continuous Economy Committee', it suggests economy in expenditure within the given framework of policy and objectives of government. These two

Committees would be discussed at a later stage.

5.8. BUDGET

Meaning

The budget is one of the principal tools of financial administration in addition to being the most powerful instrument of legislative control and of executive management. Conceived thus, it is at the core of democratic government. Admittedly, one of the aspects of financial administration, budgeting involves the largest number of policy questions in the course of making fiscal decisions.

Etymologically speaking, the word 'budget', is derived from the old French word '*bougette*', means a sack or pouch of leather from which the Chancellor of the Exchequer used to take out his papers for laying before the Parliament the government's financial scheme for the ensuing year. The term was used in its present sense for the first time in the year 1733 in a satire entitled 'Opened the Budget' pointed against the British Finance Minister, Sir Robert Walpole's financial plan for that year. Since then, the term 'budget' began to be used for a financial statement. Now, the term 'budget' refers to the financial papers, certainly not to the sack.

The budget system is the basis of efficient fiscal management. As W. F. Willoughby observes in the *Encyclopaedia of Social Sciences*, "The real significance of the budget system lies in providing for the orderly administration of the financial affairs of a government." Fiscal management involves a continuous chain of operations, such as, estimates of revenue and expenditure, revenue and appropriation acts, accounts, audit, and report. How these several operations are conducted is described by him in this way: "An estimate is first made of the expenditures that will be required, for the proper conduct of Governmental affairs during a fixed period, usually one year, together with proposals for raising the money to meet these expenditures. On the basis of this estimate, revenue and appropriation Acts are passed giving legal authority for the action determined upon. Following this, the operating services open revenue and appropriation accounts corresponding to the items of the revenue and appropriation Acts, and proceed to expend the money so voted. The data recorded in these accounts are examined by the auditing and accounting department to insure their accuracy, to see that they correspond to the real facts and represent a full compliance with all provisions of law. The information furnished by these accounts is then summarized and given publicity in the form of the reports. Finally, on the basis of these data new estimates for the next year are made and the circuit is begun again.

To make budgeting an effective tool of administrative management certain principles should be followed.

1. *Executive Programming.* Budget, being the programme of the Chief Executive, goes hand in hand with programming, and consequently, must be under the direct supervision of the **Chief Executive.**

2. *Executive Responsibility.* Appropriation is not a mandate to spend. The Chief Executive must see that the department programmes fulfil the intent of the legislature and the economy is observed in the execution of the programme.

3. *Reporting.* Budgetary processes like preparation of estimates, legislative action and the budget execution must be based on full financial and operating reports coming from all levels of administration. "Budgeting without such reporting is blind and arbitrary".

4. *Adequate Tools.* Budgetary responsibilities of the Chief Executive require him to be endowed with certain administrative tools. For instance, he must have an adequately equipped budget office attached to him, and an authority to earmark monthly or quarterly allotment of approximations.

5. *Multiple Procedures.* Through all governmental operations are reflected in the budget, the methods of budgeting may vary according to the nature of operations. Thus, the budgeting of quasi-commercial activities may be different from that of purely administrative activities.

6. *Executive Direction.* Appropriation should be made for broadly defined functions of the department, allowing, thereby, sufficient discretion to the executive to choose means of operations to realize the main purpose.

7. *Flexibility in Timing :* Budget should have provisions to accommodate necessary changes in the light of changing economic situation.

8. *Two-way Budget Organization.* It is of paramount importance to remember that efficient budgeting depends upon the active cooperation of all departments and their subdivisions. "There must be in each agency a budget office with functions for that agency similar to those of the government wide budget office. The budgeting and programming work of the agency must be interrelated under the direct responsibility of the agency head. The established budget officer assists his superior in the administrative control of the subdivisions of the particular agency; he also transmits the agency's views and proposals to the central budget bureau. Budgeting is not only a central functional, but also a process that should permeate the entire administrative structure. Traffic between the central office and the agency officer responsible for budgeting and programming should move on a two-way rather than a one-way street.

Budget : Its Economic and Social Implications

The Budget is also an instrument of economic and social policies. As Gladstone observed in the nineteenth century; "Budgets are not merely matters of arithmetic but in a thousand ways go to the root of prosperity of individuals and relations of clauses and strength of kingdoms." By imposing heavy taxation upon articles of consumption, it can encourage investment, and thus, promote the economic growth of the country. By taxing the rich, it can mitigate economic inequality. The signs of the welfare state are reflected in the budget with its heavy outlay on social services and the like. As the *Plowden Report on Control of Expenditure* remarks, "The Budget is seen, not as a simple balancing of tax receipts against expenditure, but as a sophisticated process in which the instruments of taxation and expenditure are used to influence the course of the economy."² A budget is, above all, a political document ; it provides a glimpse of the entire philosophy of the government. To sum up, the budget is many things—an economist views it as a device of influencing the country's economy ; the politician employs it for defending or criticizing the Government programme ; the administrator uses it as a framework for communication and coordination as well as for exercising administrative discipline throughout the administrative structure.

5.9. ADMINISTRATIVE LAWS AND DELEGATED LEGISLATION

With fast growing complexity of administrative tasks the administrative technique to achieve them also is becoming more and more exacting. No doubt, achievement of some objectives is possible through persuasion or constant watch and periodical inspections. Yet some of the objectives can be achieved only through the control of human behaviour by applicability of set rules and orders. These administrative rules and orders are described by different names, viz., Administrative Law, Law or rule making, Administrative Legislation, Delegated Legislation.

Sources

Administrative Laws comprise a large number of statutes, charters, rules, regulations and procedures, orders, etc., which are meant for running smooth administration. The main sources of Administrative Law are :

(a) The constitution of the country, (b) The statutes and the resolutions passed by the legislature of a country, (c) Charters, Local Body Acts granted and enacted by the legislature, (d) rules, ordinances, regulations, orders, decisions, etc., issued by the administrative authorities, (e) Customs and conventions and (f) Judicial decisions of the courts.

Scope

An American Committee on Public Administration of the Social Research Council (1938) stated the following outlines of the scope of administrative law.

(i) Problems of Public personnel, (ii) problems of Financial Administration, (iii) Legal Conditions in Administrative discretion, (iv) Administrative law and administrative courts; (v) Administrative regulation, (vi) Government contracts, (vii) Administrative examination, (viii) Claims against Government, (ix) Remedies against administrative action, (x) Law relating to the status and recognition of professional association, (xi) Legal rules applicable to the action of plural-headed administrative bodies.

James Hart divides the field of administrative laws into the laws of internal and external administration. The law of internal administration elucidates the nature of public office or what Good now calls official relation. The law of external administration comprises of four parts : first, powers and duties of administrative authorities; second, the scope and limits of such powers; third sanctions attached to official decisions, and fourth, the remedies against official action.

The growth of the administrative laws in the advanced industrialised countries has been *phenomenal and peculiar*. In the words of Prof. Robson its 'a new development'. Following are the reasons for its growth :

(i) Impact of Urbanization and Industrialization, (ii) Flexibility of standards was need of the hour, (iii) Discretion to public officials found helpful, (iv) Suitable standards to deal with technical matters necessitated, (v) Exploration of new undiscovered fields of public administration. It is dealing with new problems, calling for new social inventions.

DELEGATED LEGISLATION

Delegated Legislation is one of the best known topics in the realm of Administrative Law, and has close bearings on parliamentary government and power of the executive in general. The same holds true in the case of Administrative Tribunals. Delegated Legislation was, in the past, the buttend of heated controversies and invectives.

Meaning

'Delegated Legislation' refers to the law-making power conferred by Parliament on the executive. This term is, therefore, also known as *Executive Legislation*. As the exercise of this law-making power is the derivative power, not the original one, it is called subordinate legislation—it is subordinate in terms of the Act under which it is exercised. It is void if it violates the parent Act, or transgresses the power granted under the Act. The Committee on Ministers' Power (also known as the Donoughmore Committee, after the name of its Chairman, the Earl of Donoughmore), thus defined delegated legislation : "The word 'legislation' has grammatically two meanings—the operation or function of legislating ; and the laws which result therefrom. So, too, 'delegated legislation' may mean either exercise by a subordinate authority, such as a Minister, of the legislative power delegated to him by Parliament ; or the subsidiary laws themselves, passed by Ministers in the shape of departmental regulations and other statutory rules and orders."

Governmental outlook has undergone a complete change as a result of changes in social, economic and political ideas, and changes in human lives brought about by successive advances in the fields of science and technology. State is no longer content with 'sitting on the fence'. Its role is now positive and includes the management of the entire life of the people from 'womb to tomb', the overall aim being the conscious promotion of welfare of the people. This profound change in the conception of the function of government has had a far-reaching effect on the Statute Book. Obviously, this positive role calls for a spate of legislation. The Parliament has not the time (and competence) to pass immense number of detailed enactments to implement schemes of public administration. Delegated legislation is the inevitable outcome of increasing burden on the legislature. It is directly related to Acts of Parliament, "related as child to parent, a growing child called upon to relieve the parents of the strain of overwork, and capable of attending to minor matters while parents manage the main business."

Need for Delegation

The inevitability of delegated legislation, particularly in a welfare state, is beyond dispute. This development owes itself to the following factors :

(1) *Pressure upon the Parliamentary Time*. A welfare state postulates extensive legislative activity. The enormous volume of legislative business renders it imperative that

Parliament should enact laws, embodying broad principles, leaving details to be supplied by the executive departments.

In India, Parliament sits nearly seven months in a year ; this marks a great increase from the period 1921-1930 when the number of days the Indian legislature sits in a year did not exceed 68. Despite the increase in the number of days that the Parliament sits, it has not the time to enact minutely detailed statutes. "No one who looks at a collection of the annual output of delegated legislation can seriously propose that Parliament should now cancel the concession of legislative power and should undertake for the future, under its own direct authority, all the legislative activities, which at present are left to His Majesty in Council or the various public Departments."¹

(2) *Scientific and Technical Character of the Subject matter.* Parliament is, generally speaking, a body of laymen ; its members are the representatives of the people, certainly not of the various fields of knowledge and learning. There are, therefore, limitations on the ability of Parliament to tackle scientific and technical matters. And yet, such matters are parts of the regular run of legislative subject. Parliament, being not an apt body to deal with details which are technical, delegates them to the executive, which is thereby enabled to consult the experts and those concerned before finalizing them.

(3) *Need to Secure Flexibility.* Need to secure flexibility in legislation, allowing for rapid adjustments to meet the local conditions results in delegating legislative power to the executive. As the Donoughmore Committee puts it, "Many of the laws affect people's lives so closely that elasticity is essential. It is impossible to pass an Act of Parliament to control an epidemic of measles, or an outbreak of foot-and-mouth disease, as and when it occurs, and such measures as the Public Health Acts must be differently applied in different parts of the country."² The manner in which the necessary elasticity is secured may be explained by referring to the Factories Act, 1948. Under Section 50 of this Act the delegate (*i.e.*, the State Government) may make rules exempting a factor or class or description of factory from complying with certain provisions of the Act.

(4) *Need to provide for Unforeseen Contingencies.* To cope with emergencies like war, pestilence, economic crisis, the Government must take quick action. Delay in such matters is fatal. To wait until Parliament passes a law authorizing necessary action to cope with the emergency is neither practicable nor sensible. Consequently, Parliament grants legislative power to the executive to meet such unforeseen situations. War, the greatest of the emergencies, gives rise to a mass of delegated legislation. Carr rightly remarks, "It is during global wars that governmental regulation becomes most intrusive. This is natural enough. To secure survival from these uncomfortable experiences, legislative power must be delegated in the widest terms to meet unforeseeable, as well as patent dangers..... Statistics of the annual totals of rules, regulations and orders of a public character will make this clear. The peak figure of 1,204 in the year 1918 dropped to 366 in 1923, the figure of 1,901 for the year 1942 came down to 637 in 1955."³ It is significant to note that, when emergency disappears, a considerable part of the emergency regulations remains, however.

The cumulative effect of all these factors is an increased and continuously increasing volume of delegated legislation. "The truth is," the Donoughmore Committee remarks, "that if Parliament were not willing to delegate law-making power, Parliament would be unable to pass the kind and quantity of legislation which modern public opinion requires."¹ *The Encyclopaedia of the Social Sciences*, thus, explains the rising tide of delegated legislation : "Probably increased legislative delegation should be considered a phenomenon of the modern positive state. Changing concepts of the function of Government in our complex economic world have placed an ever-increasing burden upon modern legislatures. The increased volume of business makes delegation necessary. The spread of democracy, which has done away with the ruling class, increased the size of legislative bodies and altered the role of individual members, has made it more difficult for legislature to deal effectively with their business. The importance of technology in the modern world renders mere intelligence inadequate in solving governmental problems. A rapidly changing economic and social order demands that any scheme of governmental control and regulation be flexible. Administrative agencies offer the services of the expert and are better equipped for experimentation than legislatures.

SUMMARY

- Public Administration is defined as the organization and management of human and material resources to fulfil the objectives laid down by the government

- The POSDCORB View of Public Administration signifies: planning, organizing, staffing, directing, coordinating, reporting, budgeting.
- Various approaches to the study of public administration are:
 - Philosophical
 - Legal
 - Historical
 - Case method
 - Institutional and structural
 - Behavioural
- Human beings are of central concern for public administration. It involves the relationship between the administration and its employees and the administration and the people being administered.
- Since all administrative acts involve expenditure of money so all financial management is very important for administration.
- Budget is an important tool which involves systematic layout of all the probable expenses which are to be met in the stipulated period of time.

TEST YOURSELF

1. Write a short note on the evolution of Indian administration to its present form.

2. Discuss in brief the term budget

True or false

1. Legislative control is a technique of internal control in administrative machinery.
2. POSDCORB means personal organizing staffing Directing Co-ordinating Reporting Budgeting
3. An administrative machinery can function smoothly even without administrative control and accountability.
4. Preparation of budget is the responsibility of commerce ministry in India.
5. POSDOCRB view of public administration is the broader view and covers all the aspects of administration.

ANSWERS

1. F 2. F 3. F 4. F 5. F

Long answer questions

1. Describe in detail the various approaches to study public administration.
2. What do you understand by budget? Why is it important for any organization?
3. Why is there a need Budget ?
4. Describe POSDCORB view for Public administration.
5. Why is human factor so important for any administration?

UNIT

6

PRINCIPLE OF GOOD GOVERNANCE AND ADDRESSAL OF CITIZENS' GRIEVANCES

STRUCTURE

- Good Governance: Introduction and meaning
- The Lokpal
- Lokayuktas in States
- Consumer Protection Act : Removal of Public Grievances
- Solution of the Problem
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

After going through this unit you will be able to learn:

- Meaning of Good Governance
- Lokpal and Lokayuktas

6.1. GOOD GOVERNANCE: INTRODUCTION AND MEANING

The society has always searched for good governance and that search is an endless one. It has been an eternal challenge to rulers since the very dawn of civilization or the state, irrespective of its nature structure and form. In the beginning 'state' and 'good governance' may have been synonymous terms for Hobbes, Locke, Rousseau, Paine, Mill, Marx, Gandhi, and many other thinkers held that after all, men in society conceded coercive power to state only in the hope for realising good governance, and the final judgment was left to the subjects themselves.

The search for good governance, however, is not a finished product. It is a dynamic and endless concept. It encompasses fast changing political, social and economic milieu, along with international environment and conditions of operational governance. Hence there is always a need for periodical rethinking on and even remodeling of the concept and institutions of governance. The search for good governance has to be a continuing exercise.

Meaning

Traditionally, governance refers to forms of political system and the manner in which power is exercised in utilising country's economic and social resources for development. If good governance is associated with efficient and effective administration in a democratic framework, it is equivalent to purposive and development-oriented administration which is committed for improvement of inequality of life of the people. It implies high level of organisational effectiveness.

The term 'Governance' has wider meaning and implications than those of 'government'. Government refers to the machinery and institutional arrangements of exercising the sovereign power for serving the internal and external interests of the political community, whereas governance means the process as well as the result of making authoritative decisions for the benefit of the society. In its simple literal meaning, the term 'good governance' commands itself to all well – meaning people.

Good governance being an adjective, connotes certain value assumptions, whereas governance as a process denotes a value-free dispensations. *Concise Oxford Dictionary* defines, "it is the act or manner of governing or the way of control. Good Governance is, therefore, that system which is accepted as good." *Pai Panandiker* defines, "good governance as unambiguously identifying the basic values of society and pursuing these."

Minocha quotes World Bank guidelines and more operationally defines its criteria as "political accountability, availability of freedom, law, abiding, bureaucratic accountability, information available transparently, being effective and efficient, and cooperation between government and society."⁴

From above definitions one may see that good governance has been defined sometimes in terms of goals, sometimes in terms of means, sometimes left entirely to democratic choice of goals and sometimes with pre-ordained goals.

INDICATORS OF GOOD GOVERNANCE

L. N. Sharma and Susmita Sharma have discussed ten indicators identified by Kautilya which contribute to attaining good governance. According to them, the indicators of good governance, have not changed much, at least in India. The authors have chosen ten indicators of good governance from Kautilya's *Arthashastra* which are useful in India, even today.

These indicators are as follows :

1. King (government) must merge his individuality with duties;
2. Properly guided administrator;
3. Avoiding extremes without missing the goal;
4. Fixed salaries and allowances to the king and public servants.
5. To maintain law and order is chief duty of the king.
6. Carrying out preventive punitive measures against corrupt officials;
7. Replacement of ministers by good ones by the king.
8. Disciplined life with a code of conduct for king and ministers;
9. Lays great stress on appointment of *Amatyas* who were the highest in status. They were selected on merit with great care.
10. Emulation of administrative qualities like uniformity in administrative practice; competent ministers; and the king possessing qualities of leadership, intellect, good moral conduct and physical power.

The end of good governance is happiness and welfare of the people. The means for good governance are promotion of rational will and moral power of people. Elites have to be austere and they must throw their consumer goods out of window as they did in case of western clothes and wine under Swadeshi movement. Only when elites will do so and only when elites will learn to keep away from unbridled materialism, legitimised under globalisation, then and only then a moral man and a moral democracy will emerge to propel good governance.¹ The end of good governance is not "greatest happiness of greatest number" but tolerance and respect for minorities, consensus on social and constitutional goods and, above all *Antyodaya*.

Box 1 : Five Principles of Good Governance

The Five Good Governance Principles	The UNDP Principles and related UNDP text on which they are based
1. Legitimacy and Voice	<p>Participation – all men and women should have a voice in decision making, either directly or through legitimate intermediate institutions that represent their intention. Such broad participation is built on freedom of association and speech, as well as capacities.</p> <p>Consensus orientation – good governance mediates differing interests to reach a broad consensus on what is in the best interest of the group and where possible on policies and procedures.</p>
2. Direction	<p>Strategic vision – Leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical cultural and social complexities in which that perspective is grounded.</p>

3. Performance	<p>Responsiveness – institutions and processes try to serve all stakeholders.</p> <p>Effectiveness and efficiency – processes and institutions produce results that meet needs while making the best use of resources.</p>
4. Accountability	<p>Accountability – decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organizations and whether the decision is internal or external.</p> <p>Transparency – transparency is built on the free flow of information. Processes institutions and information are directly accessible to those concerned with them and enough information is provide to understand and monitor them.</p>
5. Fairness	<p>Equality – all male and female folk have opportunities to improve or maintain their well being.</p> <p>Rule of Law – legal frameworks should be fair and enforced impartially particularly the laws on human rights.</p>

Box 2 : Human Rights Principles and Good Governance

Good Governance Principles	UNDP Principles	United Nations Universal Declaration of Human Rights
Legitimacy & Voice	Participation	<ul style="list-style-type: none"> • “Everyone has the right to freedom of opinion and expression...” • “Everyone has the right to freedom of peaceful assembly and association” (Article 20) • Everyone has the right to take part in the government of his country, directly or through freely chosen representatives” (Article 21)
	Consensus Orientation	<ul style="list-style-type: none"> • “The will of the people shall be the basis of the authority of government : this shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage ...” (Article 21) • “In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as determined by law solely for the purpose of securiting due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality public order and the general welfare in a democratic society” (Article 29)

Fairness	Equity	<ul style="list-style-type: none"> • "All human beings are born free and equal in dignity and rights ..." (Article 1). • "everyone is entitled to all the rights and freedom set forth in this Declaration, without distinction of any kind such as race, colour, sex, language, religion, political or other opinion national or social origin property, birth or other status". (Article 2) • "Whereas the recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom justice and peace in the world" (Preamble)
	Rule of Law	<ul style="list-style-type: none"> • "Whereas it is essential ... the human rights should be protected by the rule of law" (Preamble). • "All are equal before the law" (Article 7). • "Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal ..." (Article 10). • "No one shall be subjected to arbitrary arrest, detention or exile" (Article 5) • "No one shall be arbitrarily deprived of his property" (Article 17)

6.2. THE LOKPAL

The Lokpal was constituted to deal with complaints against the administrative acts of Ministers or Secretaries to Government at the Centre and in the States. The Government of India accepted the recommendations of ARC in general terms and a bill titled 'The Lokpal and Lokayuktas Bill, 1968' was introduced in the Lok Sabha in May of that year. After consideration of the bill by a joint committee of the two houses, it was passed by the Lok Sabha on 20th August, 1968 and was sent to the Rajya Sabha for consideration. The bill, however, lapsed due to the early dissolution of the fourth Lok Sabha in December 1970. A fresh bill on the subject was introduced in the Lok Sabha on August 11, 1971. But for some reason or the other its passage was stalled and then came the Emergency in 1975 putting an end to the introduction of any such democratic institution. The Janata Party, as an important item on its platform, had promised to set up these institutions as a major move in the direction of eliminating corruption. On coming to power, the Janata Government introduced in July 1977 the new Lokpal bill which, however, could not be passed. Some important features of the bill were : (i) the Prime Minister, other central ministers, members of parliament, chief ministers and other ministers of states and state legislators fell within the jurisdiction of the Lokpal : (ii) public servants, as against public men, were excluded from such purview as a separate vigilance organization was already in existence to deal with misconduct by them ; and (iii) the Lokpal was given his own administrative machinery to carry out investigations and was vested with the powers of a civil court for the purpose. The bill endeavoured to make the Lokpal as independent, impartial and prestigious as possible. He was to be appointed by the President after consultation with the chief justice of India, the chairman of the Rajya Sabha and the speaker of the Lok Sabha. His term was fixed at five years and he was to get a salary of Rs. 5,000 a month (it should be remembered that the highest salary of an ICS civil servant at that time was Rs. 4,000 a month).

Nearly four decades have elapsed since the Lokpal bill was first introduced in the Lok Sabha in May 1968, yet the bill has not been enacted so far. Obviously, both the Congress and Janata governments were faced with some basic hurdles in the way of passing such legislation.

The fundamental issue lies in the incompatibility of an extraneous institution like the Ombudsman with the principle of ministerial responsibility which is the bedrock of a parliamentary system of government. The two principal bases of this form of government are challenged by the new institution. In the *first* place, the Prime Minister and other central ministers are political appointees and can be held accountable only to a political body like the parliament consisting of their 'elected masters'. That is to say, ministers can reasonably be expected to accept only political punishment for their official acts of commission and omission, which means readiness to step out of the glare of political office into the oblivion of political wilderness. Any investigation of their official conduct by any other body, however high-powered, will be the negation of the principle of ministerial responsibility. No person, not even a minister can reasonably accept responsibility to two different bodies for his official conduct at the same time. The *second* cornerstone of a parliamentary system of government is the acceptance of the principle of civil service anonymity and neutrality, which means that it is the minister who is held responsible for the misdeeds of his subordinate, the permanent official, and it is he who faces the attack in the parliament and even takes the punishment if called for as in Crichton Down case in Britain. The official is, thus, shielded from public fury and attack. He is, of course, subject to departmental investigation and punishment. Under the proposed Ombudsman setup, high officials will also be subject to investigation, condemnation and punishment if found guilty by the Ombudsman. This will again be a breach of civil service neutrality. This question was raised by the British Foreign Secretary, George Brown, in the famous Sachsenhausen case when the minister asked in Commons whether the investigation of the Parliamentary Commissioner was compatible with the responsibility of a minister for the actions of his officers. Lastly, the proposed setup will only create an additional institution to probe into cases of corruption-in public life. The equally important task of redressing citizens' grievances in respect of injustice caused by maladministration of officials does not fall within the ambit of the Lokpal.

The matter was revived during the rule of Rajiv Gandhi and on 26th August, 1985 was introduced the Lokpal bill in the Lok Sabha and it was referred to a Joint Select Committee of Parliament on the 30th August where it died due to the dissolution of the Lok Sabha. It is noteworthy that in the 1985 bill, President, Vice-President, Prime Minister, Speaker of the Lok Sabha and Chief Ministers were kept outside the purview of the Lokpal. The matter was revived during the prime ministership of V.P. Singh and the bill, known as the Lokpal bill, 1990, was passed in the Lok Sabha. This bill brought all officers including the Prime Minister within the ambit of the law. However, the fall of the National Front Government in November 1990 set at naught the whole matter. The Chandra Shekhar Government was too shortlived to take up the matter and the present Congress Government of P.V. Narsimha Rao has not shown any special interest in the matter. A Lokpal bills were also presented in 1996 by United Front Government and in 1998 by Atal Bihari Vajpai Government respectively but due to dissolution of Lok Sabha, none of these could pass. Last Lokpal Bill was presented in the Parliament on 14 August, 2001 but no result.

The Lokpal bill of 1990 had five main features : (i) The institution of the Lokpal will be a plural body consisting of a Chairman and two other members selected from among the existing or retired judges of the Supreme Court. The Chairman will enjoy the status and emoluments of the Chief Justice of India ; (ii) the Lokpal will have his own independent secretariat, officials and administrative setup and will not be dependent on the existing administration ; (iii) section 8 (3) of the 1990 bill provides that the Government cannot take away any matter under the consideration of the Lokpal from his jurisdiction and hand it over to another investigating agency under the Commission of Inquiry Act without the consent of the Lokpal ; (iv) the Lokpal has full authority to investigate any matter concerning the misconduct and corruption of all public officials including the Prime Minister ; and (v) the Lokpal will send a consolidated report of its actions during the year to the President who will place it with his comments before both the Houses within 90 days of the submission of such annual report. The 1990 bill excluded certain matters from the jurisdiction of the Lokpal like (a) matters concerning foreign policy and international relations ; (b) actions taken under the 1964 Act concerning foreigners and the Extradition Act of 1962 ; (c) matters concerning the acceptance or rejection of awards and prizes given by the government ; (d) actions taken

concerning matters of national defence and the issuance of passports ; (e) decisions concerning filing a case before a court of law ; and (f) matters concerning the appointment, salary, demotion and other conditions of service of public servants.

6.3. LOKAYUKTAS IN STATES

Lokayukta was constituted to deal with the complaints of the officials other than the ministers and the secretaries. A separate setup on the above lines has been created in the states where there will be Lokayuktas in place of the Lokpal. Many states have adopted this system. Maharashtra was the first state to establish this setup. Similarly, Rajasthan followed suit and enacted an Act in 1973 to that effect. In 1981 Madhya Pradesh too passed the Lokayukt and Up-Lokayukt Act. In the case of M.P., the M.P. Administrative Reforms Commission (1970-72) had recommended the setting up of the M.P. Prashasan Prahari Mandal. The Commission had before it a set of three models—a single office, more than one office, or a multi-member body. Each of these models had their own strong and weak points. A single-member body has the obvious advantages of uniformity of approach, speed in disposal and economy in cost. On the other side, a single individual is more prone to arbitrary and discretionary action than a plural body. In brief, three substantial points in favour of a multi-member authority are that : (i) 'two heads are better than one' ; (ii) a plural body is in a much stronger position to resist undue pressures and influences than a single individual ; and (iii) a plural body can represent different kinds of capacities, talent and viewpoints. Moreover, "an incidental advantage in having a multi-member body is that any casual vacancy in its membership does not make the authority moribund, as had happened with the Vigilance Commission of the State."¹ The Commission also rejected the Central model of having more than one high-power authority, namely, the Lokpal and the Lokayukt. Instead, it recommended that at the State level there need be only one high-power agency to deal with complaints against all classes of public servants. The particular recommendation about the setting up of a Prashasan Prahari Mandal was not even publicised or debated in public, nothing to say of implementing it. However, as a follow-up of the advice of the Central Government, the State Government enacted in 1981 the M. P. Lokayukta and Up-Lokayuktas Vidheyak, which was a weaker edition of the earlier 1975 Act. Many persons of authority like the Speaker, the Deputy Speaker, members of the State High Court, the Chief Minister and Ministers and even the legislators have been kept out of the purview of the Act.

6.4. CONSUMER PROTECTION ACT : REMOVAL OF PUBLIC GRIEVANCES

Under the Consumer Protection Act, 1986, (1) Central Consumer Protection Council, (2) the State Consumer Protection Councils and (3) the District Forums have been set up for redressal of public grievances.

Central Consumer Protection Council

The central government has made the Consumer Protection Rules, 1987 which came into being on April 5th, 1987. It consists of 150 members which have wide base and multi-sectional representation. The Chairman of the central council shall be the Minister-in-charge of consumer affairs in the central government and the Secretary in the department shall be the member-secretary of the central council.

The term of the central council shall be 3 years. There is no provision either under the Act or the Consumer Protection Rules 1987 as to the renewal of term of the council. Thus, for its continuous existence it is necessary that the government must reconstitute the council before the expiry of the term of the existing council.

The central council meets as and when necessary but at least once in every year.

The objectives of the council are as follows :

- (i) The right to be protected against marketing of goods which are hazardous to life and property.
- (ii) The right to be informed about the quality, quantity, potency, purity, standard and price of goods so as to protect the consumer against unfair trade practices.

(iii) The right to be assured wherever possible, access to a variety of goods at competitive prices.

(iv) The right to be heard and to be assured that consumer interests will receive due consideration at appropriate forums.

(v) The right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers.

(vi) The right to consumer education.

State Consumer Protection Councils

The state governments have been authorised to establish their respective state consumer protection councils. The state governments have been given a free hand to have such members of the councils as they deem necessary. Many State Governments have constituted such councils in their states.

Section 7 (2) of the Act of 1987, provides that the state councils shall consist of following members:

(a) Minister-in-charge of consumer affairs in the state government who shall be its Chairman, (b) Such member or other officials or non-official members representing such interests as may be prescribed by the state government.

The State Councils have to play a vital role in creating consumer awareness and in the development of consumer movement in their states. The objective of every council shall be to promote and protect within the state the rights of the consumer as laid down in the main Act.

District Forum

Each district of the state shall have a Consumer Disputes Redressal Forum known as District Forum. Each District Forum is to be established by State Government. Such Forum shall be located at the headquarter of the district.

Each District Forum shall consist of (a) a person who is, or has been, or is qualified to be a District Judge, who shall be its President, (b) Two other members, who shall be persons of ability, integrity and standing and have adequate knowledge, experience, or have shown capacity in dealing with problems relating to economics, administration and one of whom shall be a woman.

The members are appointed by the state government on the recommendation of a selection committee consisting of the following : (a) The President of the State Commission—Chairman, (b) Secretary, Law Department of the State— Member, (c) Secretary-in-charge of the Department dealing with consumer affairs in the state—Member.

Every member of the District Forum shall hold office for a term of five years or up to the age of 65 years, whichever is earlier.

Jurisdiction of the District Forum—The jurisdictions of the district forum are as follows:

(i) Subject to the other provisions of the Act, the District Forum shall have jurisdiction to entertain complaints where the value of the goods or services and the compensation, if any, claimed does not exceed rupees five lakhs.

(ii) A complaint shall be instituted in a District Forum within the local limits.

District Forums are doing good work and are nearer to the people and provide cheap justice at the doorsteps.

6.5. SOLUTION OF THE PROBLEM

The problem of redressal of public grievances, however, cannot be solved by the institution of such high-powered bodies. As can be easily seen, the citizen's grievances concern mostly the 'cutting edge' of administration, that is, the points of contact between the citizen and the government. This calls for a change both in the character of the people and the civil servant. The public officials in India work within a particular social or cultural milieu and he can hardly be expected to depart too radically from it. The matter has been discussed at some length under the heading of Professional Ethics and Self-Regulation in the Chapter of

Accountability. What is needed is a change of attitude both on the part of the citizen and the civil servant. The only other remedy can be decentralization of administration. The only way to make administration accountable to the public is to decentralise administration. (Democratic Decentralisation will form a separate issue to be discussed later in the book.) A third remedy is the organization of various lobbies of consumers to look after their own particular interests. The farmers' lobby, the labour lobby and the newly created consumers' lobbies are good examples of such organizations. In the meanwhile, agitations have been started by various bodies like the students, teachers, government servants, etc. to compel the government to agree to their demands. Organising 'bunds' has become almost a daily concurrence in cities. In consequence, the average citizen suffers. How can the legitimate grievances of the citizens be redressed is a point that is yet unsolved.

SUMMARY

- Governance actually involves the strategic aspects of steering and implementing. It is concerned with the bigger decisions of directions and roles.
- The end objective of good governance is happiness and welfare of the people.
- The ultimate goal of government in a civilised society, and more particularly in a democracy is the happiness, contentment and welfare of the people over whom it governs.
- The Lokpal was constituted to deal with complaints against the administrative acts of Ministers of Secretaries to Government at the Centre and in the States.
- Lokayukta was constituted to deal with the complaints of the officials other than the ministers and the secretaries.
- Consumer protection councils or forums have been set up at the central, state and district level to deal with the public grievances.

TEST YOURSELF

1. Find out the demands put forth by team Anna Hazare for improvements in Lokpal and why is the government so reluctant to accept those?
.....
.....
.....

2. Why is good governance necessary for good administration. Discuss?
.....
.....
.....

Complete the following sentences:

1. The term central council was introduced before years.
2. Every member of district forum can hold office for a term of years upto the age of years.
3. Lokpal was constituted to.....
4. Lokayukta was constituted to.....

ANSWERS

1. 3 2. 5, 65

Long Answer Questions

1. What do you understand by good governance? Why is it necessary?
2. Explain the five principles of good governance in detail.
3. How does Consumer Protection Act help as a measure to handle public grievance?
4. Why was lokpal and lokayukta constituted. What is the difference between the two?
5. What are the indicators of good governance.

UNIT

7

ADMINISTRATIVE REFORMS AND POLICY FORMULATION IN INDIA

STRUCTURE

- Administrative reforms: Introduction & Meaning
- Administrative Reforms in Practice
- Policy Formulation in India
- Legislature
- Executive
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

After going through this unit you will be able to learn:

- Administrative reforms in detail including their meaning and need.
- Policy formulation in India and various stages involved in it.

7.1. ADMINISTRATIVE REFORMS: INTRODUCTION & MEANING

Introduction

The term 'administrative reform' applies to improvements in government administrative machinery. It is essentially related to the idea of change in administration. Firstly, the nature of administrative reforms is to be clarified. Secondly, reform efforts have to be related to the surrounding conditions that generate demands for reform. Thirdly, reform strategies differ from situation to situation and aim at solving different kinds of administrative problems. Fourthly, implementation poses problems more serious than recommendation.

Meaning

Administrative Reform is a dynamic process and it cannot afford to remain static. Reform, innovation and reorganisation are inherent in any administrative process. Four principal goals of reorganisation identified by Mosher are : "changing policy and programmes, improving administrative effectiveness, solving personnel problems and countering pressures and threats from outside organisation. Of these improving organisational effectiveness seems a more generic objective."

The term 'Administrative Reform' is used in common parlance interchangeably with 'Administrative Change;' and 'Administrative Reorganisation', but there is slight difference between all these words. 'Reform' means eradication of abuses in the existing system. 'Reorganisation' means reconstructing the existing system in the light of needs, and new demands. 'Change' stands for any type of renovation to suit the ideological or socio-economic environment. Similarly, administrative development needs to be distinguished from administrative reforms.

As defined above, the administrative reform applies to improvements in executive machinery ranging all the way from fundamental realignment in the structure of the government, to relatively minor changes in the methods of carrying on work within a department or ministry. It must promote cleanness for openness—accountability, decentralisation, public ethics, citizen satisfaction in public administration, recognised administrative ideas. Administrative reform itself is an evaluative concept and not all sorts of changes are administrative reforms.

Need for Change

The need for improving administrative machinery of government in any political system is universally admitted. Due to the incredible rate of technological progress, the rapid advances in industrialization, the change in the status of countries previously subject in whole or in part of the control of other governments, associated growth in the number and complexity of governmental activities, change in the spheres of life, social, economic and political of the state in the developing society have imposed extraordinary strains on the traditional machinery of government in every part of the world. The result has been a rising concern with ways and means of modernising public administration and raising its effectiveness to a level capable of meeting current and prospective demands.

7.2. ADMINISTRATIVE REFORMS IN PRACTICE

During the last four decades there has been afoot a determined, systematic and organised move to devise ways and means of improving the efficiency of administration in many countries of the world. This management-improvement consciousness had assumed increasing significance since the end of Second World War. Enlightened personnel administration, improved methods and procedures, streamlined organisation, increasing use of automation, incentives and awards to employees, training of schemes for employees and executive development programmes are some of the devices used to bring about the desired results.

These modern attempts at administrative improvement in a systematic way can be traced back to the 18th century, Administrative Reform is practical. In fact the origin of the discipline called Public Administration can be traced back to the 19th century Wilsonian exhortation for building up a science of administration for reforming administration.

Cameralists were perhaps the first group of persons—scholars and administrators who evinced interest in systematic administration. Taylor's 'Methods of Scientific Management' is another landmark in the improvement of public administration. The best known technique of Scientific Management is Time and Motion Study. The criticism of Taylor (attempt to reduce the human factor) was made good later by the famous Hawthorne studies which opened out the field of human relations in administration. Hawthorne experiments have clearly demonstrated that if this civilisation is to survive, we must obtain a new understanding of human motivations and behaviour in an organisation.

India after independence had embarked upon a wide-ranging and fairly massive administrative reforms enterprise. The main guiding idea was to modernise public administrative machinery and procedures and to make a close fit between public administration and the development needs of the country. China alongwith other nations both developed and developing have in recent times been engaged in wide ranging administrative reforms efforts.

According to M. Bhattacharya "administrative reforms is an important issue in public administration. Its need is widely felt and its modalities are currently receiving considerable attention. Reforms serve a number of purposes and are of various types.....Reforms depend for their success on able leadership, correct diagnosis and grasp of the situation, proper sense of timing, wider support base, careful planning and phasing of proposals, command over resources and above all a sound understanding of politics.

7.3. POLICY FORMULATION IN INDIA

Public Policy has five stages. The first stage is the policy formulation is to identify a problem which should become the subject of the policy. The second stage is to develop alternatives to deal with the problem. The third stage is to choose a specific and more suitable alternative and convert it into a resolution, order, rule and law. The fourth stage is its execution or implementation. The last stage is the evaluation of the policy to see its success or failure or impact.

Michael Hewlett and M. Ramesh describe these as the five stages of the policy cycle. The terminology used by them is :

1. Agenda-setting

2. Policy Formulation
3. Decision-making
4. Policy Implementation
5. Policy Evaluation

Like any other country, the policy-making in India, is influenced by its environment which means its constitutional framework, political, social and economic institutions and others. Therefore, policy making in India is shaped within the framework of the constitutional system of which four features stand out most prominently, viz., the democratic and sovereign republic, the parliamentary system, the federal character of the constitution and a broad kind of socio-economic philosophy, there are other institutional factors that govern policy-making in India. Policy-making is a collective effort in which many institutions participate. In India, some of the important institutions are as follows:

7.4. LEGISLATURE

Parliament in India is the supreme public policy-making body. It enacts laws which bring the policies into effect. It also legitimizes the policy decisions of the government.

7.5. EXECUTIVE

In fact, it is the constitutional task to decide the policies. The executive in India consists of the President, the Prime Minister and the Council of Ministers and the machinery of government. The main bodies engaged in policy formulation in the executive are :

(a) *Cabinet*—The Cabinet is the highest policy-making body in the parliamentary system. The formulation of public policy rests primarily here. It is the overall directing and controlling body, and all important problems of policy are, as a rule, considered by the Cabinet. The policies of each ministry are initiated and formulated by the Minister in Charge. Within the Cabinet, the Prime Minister is the focus of policy-making. Cabinet may take the decision itself or may refer the matter to one of its sub-committees. These committees are : Political Affairs Committee, Economic Affairs Committee and Committee on Public Appointments.

(b) *The Prime Minister and his Office*. In our system of government the real authority lies in the hands of the Prime Minister who is in fact the real executive and the head of the government. He is the source and the final authority as far as policy-making in the government is concerned. In this context it is, correct to say that cabinet decisions are taken by the Prime Minister together with the responsible minister.

(c) *The Central Secretariat*. The secretariat is an administrative organisation to assist the government in the discharge of its functions and its parliamentary responsibilities. It consists of various departments and ministers whose administrative head is secretary and whose political heads are ministers. Secretary assists the ministers in the formulation of public policies. It also frames rules, legislations and regulations.

(d) *The Cabinet Secretariat*. It is a co-ordinating agency and its role in policy making is not clear. It works under the direction of the Prime Minister. It plays a co-ordinating role in decision-making at the highest level. Its functions include submission of cases to cabinet and its committees, preparation of records of decisions taken and follow-up on their implementation.

(e) *Established Institutions*. In addition to these normal institutional arrangements, certain functional institutions have been established, and have specific and related advisory roles. These are : Reserve Bank of India, Finance Commission, University Grants Commission, etc.

Apart from these there are a large number of institutions and bodies which have an important role to play in policy making. These are : Indian Institute of Public Administration, Indian Statistical Institute, the National Council of Applied Research, the Indian Council of Medical Research, etc.

The Planning Commission, with the Prime Minister as the Chairman, has emerged as a powerful and effective Staff agency in India. The functions of the Commission are as follows :

1. To make an assessment of the material, capital and human resources of the country, including technical personnel, and to investigate the possibilities of augmenting such of those resources as are found to be deficient in relation to the nation's requirements ;
2. To formulate a Plan for the most effective and balanced utilization of the country's resources ;
3. To determine priorities as between projects and programmes accepted in the Plan;
4. To indicate the factors that retard economic development, and to determine conditions which should be established for the success of the Plan ;
5. To determine the nature of the machinery to secure the successful implementation of the Plan ;
6. To appraise from time to time the progress of the Plan and to recommend the necessary adjustments of policy and measures ; and
7. To make recommendations either for facilitating the discharge of its duties or for a consideration of the prevailing economic conditions, current policies, measures and development programmes ; or for an examination of problems referred to it for advice by Central or State Governments.

At present, Planning Commission has the following functions :

1. Assessment of the material, capital and human resources of the country including technical personnel and formulation of proposals for augmenting such of these resources as are found to be deficient.
2. Formulation of plan.
3. Definition of stages in which the plan should be carried out on a determination of priorities.
4. Determination of the nature of the machinery necessary for the implementation of the Plan.
5. Appraisal from time to time of the progress achieved in the execution of the plan.
6. Public Cooperation in National Development.
7. Hill Areas Development Programme.
8. Perspective Planning.
9. Directorate of Manpower.

One must note that National Informatics Centre has now been transferred to the Ministry of Information Technology.

SUMMARY

- Administrative reform is a dynamic process and is essentially related to the idea of change in administration or administrative policies.
- Policy formulation in India involves 5 stages. These are:
 - Agenda-setting
 - Policy Formulation
 - Decision-making
 - Policy Implementation
 - Policy Evaluation
- Parliament in India is the supreme public policy-making body.
- The main bodies engaged in the policy formulation are:
 - Cabinet
 - The Prime Minister and his Office

- The Central Secretariat
- The Cabinet Secretariat.
- Established Institutions
- The prime minister is the chairman of the council of ministers in the country. The functions of the council are:
 - To review the working of the National Plans from time to time;
 - To consider important questions of social and economic policy affecting national development ; and
 - To recommend measures for the achievement of the aims and targets set out in the National Plan

TEST YOURSELF

1. What differences do you find in administrative reforms of a developing and developed nation? Find out.

2. Why does policy formulation in a country like India takes so much of time? Suggest some measures to improve upon the present scenario.

True or False

1. Policy formulation has 4 stages.
2. Administrative reforms are always aimed at improvement in the present administrative machinery.
3. Nations can survive political and economic disturbances without introducing any reforms and only by power and suppression.
4. Before introducing any reforms an understanding of human behavior and motivations is necessary.
5. The prime minister in India is the chairman of the council of ministers responsible for policy formulation.

ANSWERS

1. F 2. T 3. F 4. T

Long Answer Questions

1. What do you mean by administrative reforms ? How are these reforms implemented?
2. Describe the various stages of policy formulation.
3. How does the council of ministers execute the task of policy formulation in a country like India?

RURAL AND URBAN DEVELOPMENT

Table 35.1: IMPLEMENTATION REPORT UNDER NREGA

Year/ State/UT	Cumulative number of households issued job cards	No. of households who have demanded employment	No. of households provided employment	Persondays in Lakhs					Average persondays per Household	Number of Households Availed 100 days of Employment
				Total	SCs	STs	Women	Others		
1	2	3	4	5	6	7	8	9	10	11
2006-07	37850390	21188894	21016099	9050.5	2295.2	3298.7	3679.0	3456.6	..	..
2007-08	64740595	34326563	33909132	14368.0	3942.3	4205.6	6109.1	6220.0	..	..
2008-09	100145950	45518907	45115358	21632.9	6336.2	5501.6	10357.3	9795.1	48.0	6521268
2009-10	112548976	52920154	52585999	28359.6	8644.8	5874.4	13640.5	13840.3	53.9	7083663
2010-11 (P)	119561881	55801571	54474108	25367.9	7763.5	5240.0	12236.3	12364.3	46.6	5433980
2010-11 (P)										
State										
Andhra Pradesh	11991323	6200423	6200423	3351.6	815.0	537.1	1912.1	1999.5	54.1	964713
Arunachal Pradesh	44710	22060	19518	6.3	0.0	6.1	2.7	0.2	32.2	72
Assam	4354569	1803046	1783230	467.5	50.1	127.0	124.6	290.4	26.2	44681
Bihar	13033417	4344268	4330799	1482.1	670.4	30.2	453.3	781.5	34.2	186588
Chhattisgarh	3913723	2470926	2440745	1096.6	158.4	397.1	534.5	541.2	44.9	182113
Goa	21032	16415	16315	3.7	0.2	0.9	2.5	2.7	22.7	413
Gujarat	3955523	1097470	1093289	491.8	71.5	202.5	217.5	217.8	45.0	67651
Haryana	572765	238484	238385	87.8	41.8	0.0	29.2	46.0	36.8	8858

Himachal Pradesh	1050602	447064	444247	219.5	71.5	18.0	105.9	130.0	49.4	22052
Jammu & Kashmir	988090	461076	453616	197.4	14.4	46.9	15.3	136.1	43.5	51854
Jharkhand	3921134	1989045	1987322	830.8	111.7	349.6	278.0	369.5	41.8	131077
Karnataka	5303795	2416176	2364507	1098.9	177.6	102.8	507.1	818.5	46.5	132189
Kerala	2903290	1152800	1143552	443.6	72.3	13.8	401.4	357.6	38.8	52509
Madhya Pradesh	11384810	4425219	4387081	2209.1	424.9	934.7	983.1	849.5	50.4	465559
Maharashtra	5816313	592128	440998	195.1	43.6	47.1	89.4	104.4	44.2	27005
Manipur	444886	437228	433856	261.0	5.2	196.3	129.3	59.5	60.2	132206
Meghalaya	397427	346273	345494	174.1	0.7	164.2	77.1	9.2	50.4	11999
Mizoram	173614	159459	159459	153.3	0.0	153.0	56.5	0.3	96.1	131970
Nagaland	350815	850815	350815	334.3	0.0	334.3	117.1	0.0	95.3	190261
Orissa	6001755	2011333	1983664	959.5	173.8	342.4	378.5	443.2	48.4	197353
Punjab	820571	278423	277988	75.1	58.8	0.0	25.4	16.3	27.0	5187
Rajasthan	9274312	6156667	5859667	3026.2	771.6	704.6	2068.1	1550.1	51.6	495609
Sikkim	73575	56401	56401	48.1	5.8	19.2	22.5	23.1	85.4	25695
Tamil Nadu	7345455	5089835	5089273	2622.2	1497.1	59.0	2177.3	1066.0	51.5	1095101
Tripura	585902	557434	556316	383.7	82.7	163.2	185.9	137.8	69.0	76614
Uttar Pradesh	13063877	6572167	6422211	3352.1	1807.6	70.5	716.9	1474.0	52.2	604025
Uttarakhand	974529	542391	542391	230.2	60.7	9.8	92.8	159.8	42.4	25412
West Bengal	10731538	5011657	4998239	1553.1	573.3	208.3	523.2	771.5	31.1	104967
Union Territory										
Andaman &	2073	16619	16278	3.3	0.0	0.0	1.6	3.3	20.2	77

Nicobar										
Chandigarh	0	NR	NR	NR	NR	NR	NR	NR	NR	NR
Dadra & Nagar Haveli	0	NR	NR	NR	NR	NR	NR	NR	NR	NR
Daman & Diu	0	NR	NR	NR	NR	NR	NR	NR	NR	NR
Lakshadweep	7787	4507	4507	1.3	0.0	1.3	0.5	0.0	29.7	71
Puducherry	58669	33762	33522	8.8	3.1	0.0	7.0	5.8	26.3	99

Source: Ministry of Rural Development

**POLITICAL SCIENCE & INDIA'S INTERNATIONAL
RELATION****STRUCTURE**

- Indian political system
- Political Parties, Groups and Public Opinion
- International Relations
- Relation of Political Science with Other Sciences in a Nutshell
- Essential Elements of the State
- India's Foreign Relations
- India-China Bilateral Relations
- India and Pakistan
- India Bangladesh Relation
- India-Nepal Relations
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

After going through this unit you will be able to learn:

- Fundamental concepts of political science
- A brief account political system of India
- India's foreign relations with emphasis on relations with neighbours

8.1. INDIAN POLITICAL SYSTEM

Indian Political System goes back to about five thousand years or more. India is a land that has been shaping civilizations through settlement patterns. Thus, history of India becomes enriched with the description of the Indus Valley civilisation. This civilisation had municipal cities and a centralized administration prevailed for each city in Harrappa and Mohenjo-daro. The people formed urban societies with agriculture as an occupation. However, the invasion by the Aryans had changed the whole scenario. Indian civilisation was again predominated by the nomadic culture.

In Ancient Indian Political System, the king as well as his subjects were bound by 'Dharma' or rule of law which were code of conduct. The king was required to take oath and loyalty of the people was necessary. During the medieval period, King-in-Ministry became the usual form of government. In addition to that there were no republican states. Furthermore the concept of central government evolved during the period of the Sultanate. Village administration was also a significant part of the Ancient Indian Political System. During the Vedic age, the Aryans had built up small villages and the administration of the area was looked after by the village councils. A system of giving taxes also prevailed in the ancient society. Panchayat system evolved and became one of the essential democratic institutions which developed in India. This system is an institution of the Local Self Government found at the village level.

Ancient Indian Political System underwent a change with the coming of the British. The scenario of administration changed in the subcontinent. The British took over the whole administration into their own hands. The establishment of East India Company made India a colony. The regions of India included areas directly administered by the United Kingdom. The princely states ruled by individual rulers came under the dominion of the British Crown. British Raj prevailed in the Indian subcontinent, the local self governing bodies were taken over and Panchayati Raj began. The political union after 1876 was officially called the Indian

Empire. In the late 19th century, self-government underwent a change in British India with the appointment of Indian counselors to advise the British viceroy. The Indian Councils Act of 1892 was passed and Municipal Corporations and District Boards were created for local administration. The Government of India Act of 1909 known as the Morley-Minto Reforms provided limited roles to the Indians in the central and provincial legislatures, known as legislative councils. Through this Morley-Minto Reforms, the elective principle was introduced for membership in Indian legislative councils. These elected members gradually were given the criteria of Opposition to the Official government". The Government of India Act of 1935 was approved by the British Parliament for the establishment of independent legislative assemblies in all provinces of British India. This text has further influenced the development of Constitution of independent India. According to the act bicameral national parliament and an executive branch under the purview of the British government came into force.

The attainment of independence from the British colonial rule made India a sovereign nation. The constitution came into force on 26th January 1950 and India become a sovereign, socialist, democratic, republic, with a representative parliamentary system of government. It can be rightly identified that the present Indian political system has grown out of a long evolutionary process.

8.2. POLITICAL PARTIES, GROUPS AND PUBLIC OPINION

(a) *Political Parties.* In every state, especially in democratic states, political parties play an important role in the conduct of government. In the words of R. G. Gettell, "A political party consists of a group of citizens, more or less organized, who act as political unit and who, by the use of their voting power, aim to control the government and carry out their general policies." The study of political parties is important for understanding the nature and working of the political institutions of a country.

(b) *Groups and Associations.* Besides political parties there are in every state organized groups or associations which try to influence directly or indirectly the politics and administration for the protection and promotion of their special group or class interests. The study of these groups is also important.

(c) *Citizen Participation in Government and Administration.* Do the citizens of a state, take interest in its political affairs? Do they assert to take active part in politics? Do they get adequate opportunities to participate? How far do they influence the decisions of their government? The study of these and similar problems also constitutes an essential part of Political Science.

(d) *Public Opinion.* Public opinion is the 'mind' of the public. It is the opinion which the people in general hold on questions of common interest at a certain time. How do the opinions, attitudes and beliefs of citizens affect the policy-making of political elites? What accounts for changes in public opinion on salient issues over time? To what extent are changes in public opinion on major issues reflected in the decisions of political elites? The study of these and similar questions is an essential part of the subject-matter of Political Science.

8.3. INTERNATIONAL RELATIONS

(a) *International Politics.* The study of international politics has been one of the long-standing concerns of political scientists. Science and technology have converted the world into a big village. No state, howsoever powerful, can survive in isolation. The policies and activities of one state affect those of all others directly or indirectly. The focus in this subdiscipline is on the resources that help to explain differences in the distribution of international power, the circumstances that contribute to a balance of power between competing states or to a breakdown in the balance of power, the characteristics of the communication process between foreign states, the interests represented by alliances between states, the efforts toward arms control and disarmament, etc.

(b) *International Law.* International law is another important subdiscipline of Political Science. During the present century an extensive body of laws, known as international law, has developed. This law governs the relations between states. Its study constitutes an

important part of Political Science.

(c) *International Organizations*. International relations today are deeply influenced by international organizations. From the middle of the nineteenth century, a series of international organizations have been established. They reflect a developed stage of international relations and exercise decisive influence upon external behaviour of member states. These days the United Nations Organization and its specialized agencies play a very useful role in promoting harmony among states and integrating their functional and welfare activities. The study of these and similar organizations is an important part of Political Science.

Scholars divide the growth of political science into four phases:

1. The Classical Period, upto 1850. The thinkers of this period looked upon politics as a part of moral philosophy. They were concerned with the ultimate nature of the political institutions and sought to construct an ideal state.

2. The Institutional Period, 1850-1900. The thinkers of this period studied political institutions and analysed concepts like law, sovereignty etc. Their method was historical-analytical or legal-institutional.

3. The Transitional Period, 1900-1923. During this period, scholars started investigating into the actual working of political institutions and using the techniques of the scientific method.

4. The Behavioural Period, 1923 to the Present. During this period the individual became the basic unit of political analysis; the techniques of the scientific method were adopted and attempts were made to make political science value-free.

The post-behaviouralists attach more importance to substance than techniques and emphasise that research in political science should be relevant to the current social problems.

8.4. RELATION OF POLITICAL SCIENCE WITH OTHER SCIENCES IN A NUTSHELL

1. Political Science is closely related to *Sociology*. It assumes the facts and laws of human association, which facts and laws it is the duty of Sociology to determine.

2. *Economics* is the science of wealth. Economics touches on politics on more than one point, because the production and distribution of wealth are largely influenced by government. Similarly, economic classes of society influence the policies of the state, and economic condition exercises a large influence on political ideas and institutions.

3. *Ethics* deals with the fundamental problems of morality. Fundamental questions of politics can be answered only on the basis of ethical considerations.

4. *History* is a study of human civilization. It is the biography of mankind. It is closely related to Political Science. Historical facts are the raw material of Political Science. History reveals the laws of social and political development.

5. *Psychology* studies the nature, functions and phenomena of the human mind. It is closely related to Political Science. Political behaviour of man cannot be properly understood unless its psychological roots are discovered.

6. *Jurisprudence* is the philosophy of law. It is closely related to Political Science because law and legal machinery are inseparable from the state.

7. *Geography* studies the physical environment of man. In the past geographical conditions exercised far-reaching influence on political life and institutions. But now owing to technological advancement politics is gradually becoming independent of geographical factors. However, a new discipline named 'Geo-politics' has recently come into existence.

8.5. THE STATE AND ITS ELEMENTS

State : Definitions :

There is no universally accepted definition of the state. Every scholar defines the state according to his own view of its origin and purpose. Aristotle defined the state as "a union of families and villages having for its end a perfect and self-sufficing life, by which we mean a

happy and honourable life." A Roman thinker named Cicero defined the state as "a numerous societies united by a common sense of right and a mutual participation in advantages." According to the French writer **Jean Bodin**, the state is "an association of families and their common possessions governed by a supreme power and by reason."

These definitions suffer from serious defects. First, no state can be self-sufficing; secondly, perfect life cannot be the end of a state; thirdly, it is impossible that all the citizens of a state may be united by a common sense of right.

Modern Definitions. Holland defines the state as "a numerous assemblage of human beings, generally occupying a certain territory among whom the will of a majority or of an ascertainable class of persons is, by the strength of such a majority or class, made to prevail against any of their number who oppose it."

Phillimore defines the state as "a people permanently occupying a fixed territory, bound together by common laws, habits and customs, into one body politic; exercising, through the medium of an organized government, independent sovereignty and control over all persons and things within its boundaries; capable of making war and peace and of entering into international relations with the communities of the globe."

According to **Bluntschli**, "the state is the politically organized people of a definite territory." Wilson defines the state as "a people organized for law within a definite territory." These definitions also are defective. These writers forget that every political organized people, even if it occupies a well-defined territory, cannot constitute a state. Sovereignty, which is an essential element of the state, has been ignored by these writers.

The definitions of Garner, Gettell and Laski are most satisfactory. According to Garner, the state "is a community of persons more or less numerous, permanently occupying a definite portion of territory independent, or nearly so, of external control, and possessing an organized government to which the great body of inhabitants renders habitual obedience."

Gettell states : "A state, therefore, may be defined as a community of persons, permanently occupying a definite territory, legally independent of external control and possessing an organized government, which creates and administers laws over all persons and groups within its jurisdiction."

According to Laski, the state "is a territorial society divided into government and subjects claiming within its allotted physical area supremacy over all other institutions."

8.6. ESSENTIAL ELEMENTS OF THE STATE

The above definitions show that there are some essential elements of the state. They are:

1. People,
2. Territory,
3. Government, and
4. Sovereignty.

1. People or Population

People are the most essential element of the state. The state is made up of the people. As **Leacock** points out, "It goes without saying that an uninhabited portion of the earth, taken in itself, cannot form the state," A question naturally arises "How many people are- needed to make the state?" It is difficult to answer this question. The ancient Greek philosopher- suggested a limit to the population of the state. Their ideal was the city states of Greece. A large state of the size of modern India or China was beyond their imagination. They wanted the state to be self-sufficient and well administered.

Plato suggested that an ideal state should have 5040 citizens. His disciple Aristotle did not suggest an ideal number. However, he held that the state should be neither too small nor too big. It must be big enough to be self-sufficient and small enough to be well governed. But the days of Plato and Aristotle are gone. Today there are large states like the United States, the Soviet Union, China and India.

It may, however, be pointed out that a state with a very small population may find it

difficult or impossible to maintain its independence against states with greater man-powers. If small states have survived in the apparently hostile presence of one or more of the greater powers, it is because the greater powers have usually found it economically and diplomatically useful to perpetuate the smaller states' independent status. Similarly, it may be emphasized that a large population does not necessarily add to the strength and prosperity of the state. The overpopulated states are confronted with the problem of poverty; their natural or technological resources are too meagre for their rapidly expanding populations.

2. Territory

Territory is another essential element of the state. No people can constitute a state, if they are not permanently settled on a fixed territory. A nomadic tribe does not form a state even though it may not lack political organization. The Jews had a deep sense of unity, but were not a state, because they were scattered all over the world. But they acquired statehood as soon as they settled permanently on the territory of Israel. In fact this is the important difference between the state and other associations. Other associations need not be permanently settled on a fixed territory. Moreover, more than one state cannot be located on the same territory, whereas several associations can exist side by side on the same land area.

The territory of a state includes land, water and air space. The territorial limits of coastal states also extend over the sea up to a prescribed distance. The state authority also extends to ships on the high seas under the flag of the state and also to its legation on foreign lands, the territorial limits. The state also extends to the air space above the territory of the state.

3. Government

Government is another essential element of the state. It is the important machinery or agency by means of which the state maintains its existence, carries on its functions and formulates, expresses and realizes its policies and objectives. Government has three organs: the legislature, the executive, and the judiciary. The legislature makes laws, the executive enforces them and the judiciary interprets them and decides upon their application in individual cases. Government is regarded as indispensable because without it the state cannot exist.

But government is not identical with the state, because the latter is the entire community of persons, whereas government includes only a small proportion of the population. Moreover, the state is a permanent entity, while a particular government may be completely changed without endangering the existence of the state. The state may, however, be destroyed by conquest.

4. Sovereignty

Sovereignty is the fourth essential element of the state. It distinguishes the state from other human groups or associations. The word 'sovereignty' denotes supreme and final legal authority. Bodin defined it as "the supreme power over citizens and subjects, unrestrained by law." It is legal authority above and beyond which no further legal power exists. Sovereignty has two dimensions—internal and external. Internally, it means the power by which the state claims to make and enforce law upon individuals and associations within the area of its jurisdiction. Externally, it means independence from direct political control by any other state or political authority. In theory the sovereignty of the state is absolute. But actually there is no such thing as absolute sovereignty, whether in domestic or international affairs. Many so-called sovereign states are actually dependent in economic or military matters on one or more of the great powers.

Some scholars are of the opinion that international recognition should also be included in the list of essential elements of the state. International recognition implies two things—recognition by individual states and recognition by the United Nations Organization. International recognition is, no doubt, important but it cannot be considered to be an element of the state—Recognition is a political act and depends upon numerous subjective factors. There is no objective criterion to judge whether a state deserves international recognition or not. Moreover, international recognition can be withdrawn. In that case the existence of the state would depend upon the sweet will of other states. Obviously it would conflict with the sovereignty of the state, which is one of its most important elements.

8.7. INDIA'S FOREIGN RELATIONS

Introduction

India has formal diplomatic relations with most nations; it is the world's second most populous country, the world's most-populous democracy and one of the fastest growing major economies in the world. With the world's ninth largest military expenditure, ninth largest economy by nominal rates and fourth largest by purchasing power parity, India is a regional power, a nascent great power and an emerging superpower. India's growing international influence gives it a prominent voice in global affairs.

India is a newly formed industrialized country, it has a long history of collaboration with several countries and is considered a leader of the developing world. India was one of the founding members of several international organizations, most notably the United Nations, the Asian Development Bank, G20 industrial nations and the founder of the Non-aligned movement. India has also played an important and influential role in other international organizations like East Asia Summit, World Trade Organization, International Monetary Fund (IMF), G8+5 and IBSA Dialogue Forum. Regionally, India is a part of SAARC and BIMSTEC. India has taken part in several UN peacekeeping missions and in 2007, it was the second-largest troop contributor to the United Nations. India is currently seeking a permanent seat in the UN Security Council, along with the G4 nations.

India-Sri Lanka Bilateral Relations

India is Sri Lanka's closest neighbour. The relationship between the two countries is more than 2,500 years old and both sides have built upon a legacy of intellectual, cultural, religious and linguistic intercourse. In recent years, the relationship has been marked by close contacts at the highest political level, growing trade and investment, cooperation in the fields of development, education, culture and defence, as well as a broad understanding on major issues of international interest.

The nearly three-decade long armed conflict between Sri Lankan forces and the LTTE came to an end in May 2009. During the course of the conflict, India supported the right of the Government of Sri Lanka to act against terrorist forces. At the same time, it conveyed at the highest levels its deep concern at the plight of the Tamil civilian population, emphasizing that their rights and welfare should not get enmeshed in hostilities against the LTTE. The conclusion of the armed conflict saw the emergence of a major humanitarian challenge, with nearly 300,000 Tamil civilians housed in camps for Internally Displaced Persons (IDPs). The Government of India put in place a robust programme of assistance to help these IDPs return to normal life as quickly as possible. Besides providing medical and shelter aid India also fully financed seven Indian de-mining teams, engaged in various sectors in northern Sri Lanka to help expedite resettlement. Continuing with the relief package an announcement was made by Prime Minister Singh that India would support a programme to reconstruct 50,000 houses in Sri Lanka.

To revamp the state of agriculture in Sri Lanka India also made supply of tractors and other machinery to farmer organizations in northern Sri Lanka. 500 tractors with four implements each (rotovator, tiller, cage-wheel and disk plough) were supplied to the farmers. Besides this India has been providing Sri Lanka with huge credits to boost their economy by investing in infrastructure and tsunami hit areas. A line of credit of \$167.4 million for repair and upgradation of the tsunami-damaged Colombo-Matara rail link is already fully operational. Another agreement for a credit line of US \$ 382.37 million for track laying on the Pallai-Kankesanthurai railway line, setting up of signaling and telecommunications systems for the Northern railway line and other projects as may be mutually agreed by the Governments of India and Sri Lanka was signed during the visit of Minister Krishna in January 2012.

India and Sri Lanka enjoy a robust trade and investment relationship, with bilateral trade growing rapidly in the last decade and a number of leading Indian private sector companies investing in Sri Lanka and establishing their presence in this country. Sri Lanka is India's largest trade partner in South Asia. India in turn is Sri Lanka's largest trade partner globally. Trade between the two countries grew particularly rapidly after the coming into force of the

India-Sri Lanka Free Trade Agreement in March 2000. Over the next eight years, bilateral trade multiplied nearly five-fold. India has also emerged as the No. 1 source country as far as Foreign Direct Investment and tourist arrival are concerned.

Following a downturn in 2009 on account of the global economic recession, trade rebounded in 2010. According to Sri Lankan statistics, bilateral trade in first eleven months (January-November) of 2011 amounted to US \$ 4.46 billion, which is about 72 % higher than the corresponding period last year (Jan-Nov of 2010 - US \$ 2.59 billion). India's exports to Sri Lanka amounted to US \$ 3.97 billion, which is an increase of about 83 % compared to corresponding period last year. Sri Lanka's exports to India amounted to US \$ 481.85 million, which is an increase of about 14 % compared to corresponding period last year.

In recent months, the two countries have also resumed discussions on a Comprehensive Economic Partnership Agreement and steps to finalize the Agreement are expected to be taken in the near future.

Sri Lanka has long been a priority destination for direct investment from India. India is among the four largest overall investors in Sri Lanka with cumulative investments over US\$ 600 million. Our main investments are in the areas of petroleum retail, hospitals, telecom, vanaspati, copper and other metal industries, real estate, telecommunication, hospitality & tourism, banking and financial services, IT and food processing (tea & fruit juices). India was the top investor in Sri Lanka in 2010. Out of the total FDI of US\$ 516.30 million, India's investment was US\$ 110.24 million constituting about 21% of the total investment. Known Indian names such as IOC, Tatas, Bharti Airtel, Piramal Glass, LIC, Ashok Leyland, L&T and Taj Hotels are present in Sri Lanka.

The last few years have also witnessed an increasing trend of Sri Lankan investments into India. Significant examples include Ceylon Biscuits (Munchee brand), Carsons Cumberbatch (Carlsberg), Brandix (about US\$ 1 billion to set up a garment city in Vishakapatnam), MAS holdings, John Keels, Hayleys, and Aitken Spence (Hotels), apart from other investments in the freight servicing and logistics sector.

Cultural cooperation is a very important aspect of the bilateral relationship and the Cultural Cooperation Agreement signed by the Government of India and the Government of Sri Lanka on 29 November, 1977 at New Delhi forms the basis on which the periodic Cultural Exchange Programmes (CEPs) between the two countries are signed and implemented. A Programme of Cultural Cooperation (PCC) for 2010-2013 was signed during the June 2010 State visit of President Rajapaksa. The PCC seeks to enhance the level of cooperation in a wide variety of fields such as performing arts, visual arts, libraries, museums, archives & cultural documentation, archaeology, handicrafts, sports and youth affairs, publications and professional exchanges and mass media. The Indian Cultural Centre in Colombo actively promotes awareness of Indian culture by offering classes in Indian music, dance, Hindi and Yoga. Every year, cultural troupes from both countries exchange visits. India is also committed to the restoration of important icons of cultural heritage of Sri Lanka and is setting up an Indian Gallery at the International Buddhist Museum in Kandy and working on the restoration of the Thiruketheeswaram Temple in Mannar.

Education is a core area of cooperation between India and Sri Lanka. Both countries agreed to launch an India Sri Lanka Knowledge Initiative during the visit of President Rajapaksa to India in June 2010. During the visit of Minister of External Affairs Mr. S.M. Krishna in January 2012, a nearly three-fold increase in scholarship support to deserving Sri Lankan students was announced. The expanded scholarship programme would benefit not only regular undergraduate studies but would also provide opportunities for higher research. In addition, under the Indian Technical and Economic Cooperation Scheme and the Colombo Plan, India offers nearly 200 slots annually to Sri Lankan nationals for short and medium term training courses in a wide variety of technical and professional disciplines.

Tourism also forms an important link between India and Sri Lanka and India is the largest source market for Sri Lankan tourism. India is the largest contributor with every fifth tourist being from India. In 2010, out of the total 654,976 tourists, 126,882 were from India constituting about 20%. In the period from January to November 2011, the tourist inflow to Sri Lanka increased to 758,458 from 570,349 in the corresponding period of 2010 showing an

increase of about 33%. Out of this number of 758,458, 153,919 tourists were from India giving a share of about 20%. Sri Lankan tourists too are among the top ten sources for the Indian tourism market. In 2011, nearly 200,000 visas were issued by the High Commission in Colombo to facilitate travel between Indian and Sri Lanka.

Given the proximity of the territorial waters of both countries, especially in the Palk Strait and the Gulf of Mannar, incidents of straying of fishermen are common. Both countries have agreed on certain practical arrangements to deal with the issue of bonafide fishermen of either side crossing the IMBL. Through these arrangements, it has been possible to deal with the issue of detention of fishermen in a humane manner.

India and Sri Lanka also enjoy a growing defence relationship built on extensive training and Service-to-Service linkages. The commonality of concerns of both countries, including with respect to the safety and security of their sea lanes of communication, informs their bilateral exchanges in this field.

Today, the India-Sri Lanka relationship is strong and poised for a quantum jump by building on the rich legacy of historical linkages and strong economic and development partnerships that have been forged in recent years.

8.8. INDIA-CHINA BILATERAL RELATIONS

Political Relations

The People's Republic of China (PRC) was established on October 1, 1949, and India was the first non-communist country to establish an Embassy in PRC. On April 1, 1950, India and China established diplomatic relations. The two countries also jointly expounded the Panchsheel (Five Principles of Peaceful Co-existence) in 1954. The India-China conflict in 1962 led to a serious setback in bilateral relations. India and China restored ambassadorial relations in August 1976.

The Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control (LAC) in the India - China Border Area was signed during Prime Minister Narasimha Rao's visit to China in September 1993, providing for both sides to respect the status quo on the border.

After the nuclear tests in May 1998, the relations faced a minor setback. External Affairs Minister Jaswant Singh visited China in June 1999 and both sides reiterated that neither country is a threat to the other. President K.R. Narayanan's visit to China in May - June 2000 marked a return to high level exchanges.

President of the Indian National Congress and Chairperson of the United Progressive Alliance Smt. Sonia Gandhi visited China at the invitation of the General Secretary of the Communist Party of China (CPC) President Hu Jintao on 25-29 October 2007. She met with President Hu Jintao and Premier Wen Jiabao besides other leaders of the CPC. She paid another visit to China in August 2008 at the invitation of the Communist Party of China to witness the opening ceremony of the Beijing Olympic Games and met, among others, PRC Vice President Xi Jinping. Prime Minister Dr. Manmohan Singh visited China on 13-15 January 2008.

Chinese Premier Wen Jiabao paid a three day official visit to India from 15-17 December 2010. During his visit, Six agreements on cultural exchange, green technologies, media exchanges, hydrological data, and banking were signed and a Joint Communiqué was released. During the visit, a bilateral trade target of 100 billion USD was set to be reached by 2015. A Strategic Economic Dialogue and a CEO Forum were established; and 2011 was declared as 'Year of India-China exchange'. One of the highlight of the "Year of Exchanges" was the visit of a youth delegation to China, which was increased from 100 to 500.

Joint Economic Group: India-China Joint Economic Group on Economic Relations and Trade, Science and Technology (JEG) is a ministerial-level dialogue mechanism established in 1988 during the visit of former Prime Minister Rajiv Gandhi to China. JEG has so far met eight times.

Trade & Commercial Relations

India and China officially resumed trade in 1978. In 1984, the two sides signed the Most Favoured Nation Agreement. India-China bilateral trade which was as low as US\$ 2.92 billion in 2000 reached US\$ 61.7 billion in 2010, making China India's largest goods trading partner. In 2008, bilateral trade stood at US\$ 51.8 billion and China became India's largest goods trading partner, replacing the United States of America. By the end of 2009, as a result of the world economic downturn, bilateral trade dropped to US\$ 43.27 billion (a decline of 16.54%). However, in 2010 bilateral trade reached US\$ 61.74 billion, a growth of 43% compared to the same period last year. India exported goods worth US\$ 20.86 billion (+52%) to China and imported goods worth US\$ 40.88 billion (+38%) from China, resulting in an adverse balance of trade of US\$ 20 billion. In the first 8 months of 2011, India-China bilateral trade reached US\$ 48.17 billion (+19.47% over the same period last year). India's total exports to China for this period were US\$ 15.68 billion (+7.37%) and China's exports to India reached US\$ 32.49 billion (+26.33%). The trade deficit for the first 8 months has already reached US\$ 16.8 billion.

8.9. INDIA AND PAKISTAN

Relations between India and Pakistan have been strained by a number of historical and political issues, and are defined by the violent partition of British India in 1947, the Kashmir dispute and the numerous military conflicts fought between the two nations. Consequently, even though the two South Asian nations share historic, cultural, geographic, and economic links, their relationship has been plagued by hostility and suspicion.

After the dissolution of the British Raj in 1947, two new sovereign nations were formed—the Union of India and the Dominion of Pakistan. The subsequent partition of the former British India displaced up to 12.5 million people, with estimates of loss of life varying from several hundred thousand to a million.^[1] India emerged as a secular nation with a Hindu majority population and a large Muslim minority while Pakistan was established as an Islamic republic with an overwhelming Muslim majority population.

Soon after their independence, India and Pakistan established diplomatic relations but the violent partition and numerous territorial disputes would overshadow their relationship. Since their independence, the two countries have fought three major wars, one undeclared war and have been involved in numerous armed skirmishes and military standoffs. The Kashmir dispute is the main center-point of all of these conflicts with the exception of the Indo-Pakistan War of 1971, which resulted in the creation of East Pakistan (now Bangladesh).

There have been numerous attempts to improve the relationship—notably, the Shimla summit, the Agra summit and the Lahore summit. Since the early 1980s, relations between the two nations soured particularly after the Siachen conflict, the intensification of Kashmir insurgency in 1989, Indian and Pakistani nuclear tests in 1998 and the 1999 Kargil war. Certain confidence-building measures — such as the 2003 ceasefire agreement and the Delhi-Lahore Bus service — were successful in deescalating tensions. However, these efforts have been impeded by periodic terrorist attacks. The 2001 Indian Parliament attack almost brought the two nations on the brink of a nuclear war. The 2007 Samjhauta Express bombings, which killed 68 civilians (most of whom were Pakistani), was also a crucial point in relations. Additionally, the 2008 Mumbai attacks carried out by Pakistani militants resulted in a severe blow to the ongoing India-Pakistan peace talks.

Trade Relations:

The trade relations between India and Pakistan have been at the low level and have not been matching with existing potential and opportunities of trade between the two nations. Pakistan has a restricted approved list of commodities in respect of which it has bilateral trade. The real momentum was started in 2004. Between 2004 and 2008, Indo-Pakistan trade went up substantially by a huge margin of 550 per cent and touched an all time high figure of US 2,239 million. However in 2008-09 bilateral trade declined considerably by more than 19 per cent and amounted to US \$ 1,810. The total value of Indo-Pakistan trade amounted to US \$ 1,810 million during 2008-09 which is considered below the level of expected trade. India's exports to Pakistan declined by 26.2 per cent over the figures of 2007-08 and touched a level

of US \$ 1,440 million, while India's imports from Pakistan went up by 27.6 per cent and amounted to US \$ 362.1 million.

This is because; India and Pakistan have failed in capitalizing the existing enormous potential and opportunities to offer each other. The existing level of business relations has not commensurations with the potential and opportunities.

A status paper on Indo-Pakistan business Relations opines that, with a proper trade environment both micro and macro, Indian trade with Pakistan can be enhanced between a total value of \$3 billion and \$4 billion. This also incorporates the legalization of \$2 billion of unofficial trade. This is now a myth but could be converted into a reality, if hostility between two countries is removed and the desired level of conducive and congenial environment is created by both the nations. The major sectors wherein there is high degree of potential and opportunities for increasing the bilateral trade include engineering industry, transport equipment, tea, pharmacy, textile machinery, tyre, chemicals, plastics, textiles, coffee and agriculture, the paper etc.

No FDI and ODA:

India and Pakistan have trade relations, but India and Pakistan have no economic relations in terms of investment, joint ventures, and official development assistance and tiny projects which are the vital segments of economic cooperation between two countries. There has been hardly any flow of FDI and ODA between the two countries. It is often claimed that unless economic cooperation between India and Pakistan is normalized and expanded, especially in terms of investment and official assistance, South Asian economic cooperation will not see the light of the day. The normalization of trade and investment relations between the two countries is indeed crucial for the success of SAARC.

8.10. INDIA BANGLADESH RELATIONS

India's links with Bangladesh are civilisational, cultural, social and economic. There is much that unites the two countries – a shared history and common heritage, linguistic and cultural ties, passion for music, literature and the arts. With Bangladesh, India shares not only a common history of struggle for freedom and liberation but also enduring feelings of both fraternal as well as familial ties. This commonality is reflected in multi-dimensional relations with Bangladesh at several levels of interaction. High-level exchanges, visits and meetings take place regularly alongside the wide ranging people-to-people interaction. India's Missions in Bangladesh issue about half a million visas every year and thousands of

Bangladeshi students study in India on self-financing basis and over 100 annual GOI scholarships.

There have been numerous high level contacts with visits taking place from both the sides. The highlight of such visit being, the prime minister of Bangladesh being bestowed by a D.litt degree from Tripura university in January 2012.

Parliamentary Cooperation

A 24-member Parliamentary Friendship Group with Bangladesh has been constituted in the Indian Parliament with Shri Sameer Magan Bhujbal, MP(NCP-LS) as its President in June 2011. A 12-member Bangladesh-India Parliamentary Friendship Group has been constituted within the Bangladesh parliament. Further, Speaker and Deputy Speaker of the Jatiya Sangsad are Chief Patronizer and Patronizer of the Friendship Group respectively. An eight member parliamentary delegation led by Jatiya Sangsad Speaker Mr. Abdul Hamid visited India for attending the Fifth SAARC Speakers and Parliamentarians Conference on July 9-12, 2011 at the invitation of Lok Sabha Speaker Smt. Meira Kumar.

Sharing of River Waters

India and Bangladesh share 54 common rivers. The Ganga Waters Treaty was signed on December 12, 1996 for water sharing of river Ganga during lean season (January 1-May 31). The 37th Joint Rivers Commission (JRC) meeting was held in New Delhi from March 17-20, 2010. Water Resources Secretary-level meeting took place in Dhaka on January 10, 2011 which discussed interim water sharing arrangements in respect of Teesta and Feni rivers and

water sharing of six other common rivers. A three member delegation led by BD Water Resources Secretary visited India on June 5-6, 2011 to hold further discussions on water related issues.

Bilateral Trade

Bangladesh is an important trading partner for India . The two-way trade in FY 2010-2011 was US\$5.099 billion with India's exports to Bangladesh accounting for US\$ 4.586 billion and imports US \$ 0.512 million. The trade between the two countries in the last 5 years is as follows:

	08-09	09-10	10-11	05-06	06-07	07-08
India's exports	1864.70	2268.00	3364.00	2841.06	3202	4586.8
India's imports	241.96	289.42	358.08	276.58	305	512.5
Total trade	2106.70	2557.40	3722.08	3117.64	3507	5099.3

(Figures in US\$ million)

8.11. INDIA-NEPAL RELATIONS

Indo-Nepal relationship is shaped by the centuries old social-cultural, historical and geographic linkages. Extensive people-to-people contacts permeate all aspects of the lives of the people of India and Nepal and transcend borders and governments. Welfare of the people of the two countries is interlinked and developments in one country invariably have an impact on the other. Few other sovereign states in the world can take pride in a relationship as wide-ranging and multi-faceted as that shared between India and Nepal.

Beginning with the 12-Point Understanding reached between the Seven Party Alliance (SPA) and the Maoists in Delhi in November 2005. Government of India welcomed the roadmap laid down by the historic Comprehensive Peace Agreement of November 2006 towards political stabilization in Nepal through peaceful reconciliation and inclusive democratic processes, India has consistently responded with a sense of urgency to the needs of the people and Government of Nepal in ensuring the success of the peace process and institutionalization of multi-party democracy through the framing of a new Constitution by a duly elected Constituent Assembly.

India was the first country to welcome the restoration of democracy in Nepal. India has also provided material assistance to strengthen the government machinery in Nepal and for successful CA elections. Overall, over Rs.170 crores of assistance in the form of supply and equipment has been extended as part of India's support to the peace process in Nepal in response to requests from the Government of Nepal.

The visit of Prime Minister Hon'ble Mr. G.P. Koirala to India one month after the restoration of multi-party democracy in Nepal saw India extend a comprehensive package of assistance to help Nepal tide over immediate financial needs and support peace, democracy and stability. GOI has also permitted export of 10,000 tonnes of wheat and 15,000 tonnes of rice to Nepal, along with lifting of ban on other food items.

To facilitate Nepalese foreign trade, India has also agreed to utilization of Vishakhapatnam port for movement of transit traffic to and from Nepal. Besides all this both the nations have shown strong inclination to cooperate bilaterally in areas such as culture, science and technology, tourism and sports and to facilitate contact and cooperation among the parliamentarians of the two countries.

Summary

- Politics makes use of political science besides it also deals with the activities of political parties and pressure and interest groups, their manipulation to capture political power, to retain political power.
- Essential elements of the state are:
 - People,
 - Territory,

- Government, and
- Sovereignty.
- A state in simple terms can be defined as a cohesive unit of people permanently occupying a territory and are governed by a form of government.
- India is the second most populous country of the world having diplomatic relations with most of the nations of the world.
- India shares its border line with many countries. Important neighbours of India are:
 - China
 - Pakistan
 - Sri lanka
 - Nepal
 - Bangladesh

TEST YOURSELF

1. Explain Indian political system?

2. Throw some light on elements of the state.

3. Express your view point on the ongoing phase of India- Pakistan relations and suggest what changes do you expect in next 3-5 years?

Answer in one or more words

1. India has most cordial relations with which neighboring country ?
2. Besides people , territory and government what is one of the essential elements of the state.
3. What are the three organs of government ?
4. Name the group of people who try to form the government and aim to carry out their general policies.
5. What is the oldest method of studying political science.

ANSWERS

1. Nepal 2. Sovereignty. 3. The legislature, the executive, and the judiciary 4. Political party
5. Philosophical method

Long answer questions

1. What are the essential elements of state?
2. Give a brief account of India's international relations with special emphasis on developing nations like China.
3. What do you understand by International relations ?
4. Discuss any two :
(a) Groups (b) Public opinion (c) Political parties

UNIT

9

INTERNATIONAL ORGANIZATIONS & INDIAN DIASPORA AND HER NUCLEAR POLICY

STRUCTURE

- India's nuclear policy
- Indian Diaspora
- The international labour organization
- Permanent court of International Justice
- The United Nations organization
- The general Assembly
- The Security Council
- The international court of justice
- The secretariat of the UNO
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

After going through this unit you will be able to learn:

- International organizations, their functions and working
- Indian Diaspora: meaning and impact
- India's nuclear policy

9.1. INDIA'S NUCLEAR POLICY

India first tested its nuclear device in 1974 (code-named "Smiling Buddha"), which it called a "peaceful nuclear explosion." The test used plutonium produced in the Canadian-supplied CIRUS reactor, and raised concerns that nuclear technology supplied for peaceful purposes could be diverted to weapons purposes. This also stimulated the early work of the Nuclear Suppliers Group.^[5] India performed further nuclear tests in 1998 (code-named "Operation Shakti").

India is not a signatory to the 1968 Nuclear Non-Proliferation Treaty (NPT), which India argues entrenches the status quo of the existing nuclear weapon states whilst preventing general nuclear disarmament.

India has a declared nuclear no-first-use policy and is in the process of developing a nuclear doctrine based on "credible minimum deterrence." In August 1999, the Indian government released a draft of the doctrine which asserts that nuclear weapons are solely for deterrence and that India will pursue a policy of "retaliation only". The document also maintains that India "will not be the first to initiate a nuclear first strike, but will respond with punitive retaliation should deterrence fail" and that decisions to authorize the use of nuclear weapons would be made by the Prime Minister or his 'designated successor(s).

According to the NRDC, despite the escalation of tension between India and Pakistan in 2001-2002, India remains committed to its nuclear no-first-use policy.

Indian National Security Advisor Shri Shiv Shankar Menon signaled a significant shift from "No first use" to "no first use against non-nuclear weapon states" in a speech on the occasion of Golden Jubilee celebrations of National Defence College in New Delhi on October 21, 2010, a doctrine, Menon said reflected India's "strategic culture, with its emphasis on minimal deterrence.

9.2 INDIAN DIASPORA

Indian Diaspora is a generic term used for addressing people who have migrated from the territories that are currently within the borders of the Republic of India. It constitutes NRIs (Non-resident Indians) and PIOs (Persons of Indian origins). The Indian Diaspora is estimated to be over 30 million. The Government of India recognises the importance of Indian Diaspora as it has brought economic, financial, and global benefits to India. The Indian Diaspora today constitutes an important, and in some respects unique, force in world culture

In the theatre of development, the competitiveness and growth of an economy...is determined by its capacity to acquire and apply new knowledge. In a rapidly globalizing world, learning new ways of doing things depends in no small measure on the ability to integrate with the larger world outside. We live in a world in which the free movement of goods and capital across borders is seen as a virtue. Arguably, it is seen to reinforce the principle of competitive advantage and help spur savings, investment and demand. What is less recognised is that International migration of human capital: the movement of knowledge, talent and skill across borders is central to learning and development.

The emergence of significant Diasporas has in recent years brought into sharp focus two key facts. First, there is a large expatriate population of skilled people from emerging economies in the developed world. Second, overseas communities can constitute a significant resource for the development of the countries of origin. The movement of the high skilled and low skilled workers from less to more developed economies and back opens several new opportunities for development. To view the Diaspora only through the looking glass of remittances and financial flows is to take a myopic view. Not all expatriates need to be investors and their development impact measured only in terms of financial contributions to the home country.

An overseas community can and does serve as an important 'bridge' to access knowledge, expertise, resources and markets for the development of the country of origin. The success of this bridge is often predicated upon two conditions: the ability of the Diaspora to develop and project a coherent, intrinsically motivated and progressive identity and the capacity of the home country to establish conditions and institutions for sustainable, symbiotic and mutually rewarding engagement. Home countries are now beginning to recognise the need to pursue and promote the dynamics of the Diaspora and development.

India has the second largest Diaspora in the world. The overseas Indian community estimated at over 25 million is spread across every major region in the world. Yet, it is difficult to speak of one great Indian Diaspora. The overseas Indian community is the result of different waves of migration over hundreds of years driven by a variety of reasons-mercantilism, colonialism and globalisation. Its early experiences make up a saga of trials, tribulations and the eventual triumph of determination and hard work. In the last three decades of the 20th century the character of migration began to change and a 'new Diaspora' led by high skilled professionals moving to the western world and semi-skilled contract workers moving to the Gulf, West and South East Asia emerged.

The overseas Indian community thus constitutes a diverse, heterogeneous and eclectic global community representing different regions, languages, cultures and faiths. The common thread that binds them together is the idea of India and its intrinsic values. Overseas Indians comprise People of Indian Origin and Non Resident Indians and today are amongst the best educated and successful communities in the world. In every part of the world the overseas Indian community is recognised and respected for its hard work, discipline, non-interference and for successfully integrating with the local community. Overseas Indians have made significant contributions to the economy of the country of residence and have added in considerable measure to knowledge and innovation.

Overseas Indians share a strong bond with their country of origin. This is reflected in their language, culture and traditions that have been maintained, often over centuries, and continue to be vibrant and unique. It is now being witnessed in the growing popularity of Indian films, dance, music, arts and culture on foreign shores, the strong surge in remittances back home, the return of many to live and work in India and in their increasing engagement

with India's development. The relationship between India and its overseas community is growing, new partnerships evolving and newer multi-faceted dimensions being explored.

India's engagement with its Diaspora is symbiotic, the strands of both sides of the relationship equally important to create a resilient and robust bond. To engage with the Diaspora in a sustainable and mutually rewarding manner across the economic, social and cultural space is at the heart of the policy of the Ministry. To create conditions, partnerships and institutions that will best enable India to connect with its Diaspora comprehensively is central to all our programmes and activities. As a new India seeks to become a global player of significance, the time has come for a strong and sustained engagement between India and overseas Indians.

9.3. THE INTERNATIONAL LABOUR ORGANIZATION

This international body was set up at Geneva under Article 23(a) of the League Covenant and Articles 387—427 of the treaty of Versailles. It comprised all League members and had four constituent bodies : the General Conference, the Governing Body, the Auxiliary Organs and the International Labour Office. The Conference, known as the International Labour Conference, met at least once a year in order to discuss labour questions, to establish international conventions, and to examine measures taken to give effect to conventions. Each state sent four delegates, two for the Government, one for the employers and one for the workers. A two-thirds majority was required for the adoption of recommendations or a draft convention, otherwise a simple majority was sufficient for the resolutions.

Members had to bring recommendations or conventions before their legislatures within 18 months. Government, employers and workers, delegates formed international groups among themselves and frequently voted together. The Governing Body controlled the International Labour Office and appointed its Director. Auxiliary Organs comprised a number of committees on labour questions. The International Labour Office collected and distributed international information on labour questions, made investigations and published a periodical paper. In 1939 its staff numbered 400 drawn from 37 nationalities. ILO comprised 60 states while Germany, Italy and Japan had withdrawn. It had produced 63 conventions upto 1939, relating to hours of work, unemployment, pensions etc.

9.4. PERMANENT COURT OF INTERNATIONAL JUSTICE

It was an international court set up at The Hague, Holland, in 1921, in accordance with Article 14 of the League Covenant. Its statute was a League document, but, owing to ratifications obtained, it was also an international treaty binding on 46 states. The Court decided contested cases for members of the League and certain non-member states. It also rendered advisory opinions to the League. Cases were brought up on request of one state by Court, or by special agreements between two states to bring the case into the Court. International treaties provided for the Court's jurisdiction, including the peace treaties, the Locarno Pact etc. An "Optional Clause" to which a number of states adhered made the court's jurisdiction compulsory for Signatories (on terms of reciprocity) regarding (a) interpretation of treaties, (b) questions of international law, (c) breaches of international obligations and (d) reparations therefore. Judges were elected by the League for nine years and were re-eligible. Expenses were borne by the League, There were 15 Judges. A session was held every year, and special sessions might be called at any time.

9.5. THE UNITED NATIONS ORGANIZATION

Preamble of the United Nations

The United Nations Organization (UNO) was formed after the Second World War and was founded on the experience of the League of Nations. Its aims are set forth in its Preamble. The following is the text of the Preamble of the United Nations:

"We the people of the United Nations determined to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind; and to reaffirm faith in the fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and nations large and small; and to establish conditions

under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained; and to promote social progress and better standards of life in larger freedom and for these ends to practise tolerance and live together in peace with one another as good neighbours; and to unite our strength to maintain international peace and security; and to ensure by acceptance of principles and the institution of methods, that armed forces shall not be used, save in the common interest; and to employ international machinery for the promotion of the economic and social development of all people.

Accordingly our respective Governments, through their representatives assembled in the city of San Francisco, who have exhibited their full powers found to be in good and due form have agreed to the present charter of the United Nations and do hereby establish an international organization to be known as the United Nations."

9.6. THE GENERAL ASSEMBLY

Composition

The General Assembly is the deliberative organ of the United Nations. It is composed of all the members of the UN. Each member may send up to five representatives, but has only one vote. The Assembly meets regularly in annual sessions and in such special sessions as occasion may require. Special sessions are convoked by the Secretary General at the request of the Security Council or of a majority of the members of the UNO. The Assembly adopts its own rules of procedure. It elects its president for each session.

Functions

The following are the functions of the General Assembly:

- (1) To discuss any questions or matters within the scope of the Charter.
- (2) To consider the general principles of co-operation in the maintenance of international peace and security, including disarmament and the regulation of armaments, and to make recommendations with regard to such principles to the members of the Security Council.
- (3) To discuss any questions related to the maintenance of international peace and security brought before it by any member of the UNO or by the Security Council or by any state which is not a member of the UNO. The Assembly may make recommendations with regard to any such question to the state or states concerned or to the Security Council.
- (4) To call attention of the Security Council to situations which are likely to endanger international peace and security.
- (5) To initiate studies and make recommendations for the purpose of promoting co-operation in the political field and encouraging the progressive development of international law.
- (6) To promote international co-operation in the economic, social, cultural, educational and health fields.
- (7) To advance human rights and fundamental freedom for all persons without distinction as to race, sex, language or religion.
- (8) To discuss the powers and functions of other organs and consider reports received from them.
- (9) To elect the non-permanent members of the Security Council.
- (10) To elect the members of the Economic and Social Council.
- (11) To elect the members of the Trusteeship Council.
- (12) To appoint the Secretary-General on the recommendation of the Security Council.
- (13) To elect the Judges of the International Court of Justice.
- (14) To consider and approve the budget of the United Nations.
- (15) To approve the financial and budgetary arrangements of the Specialized Agencies and examine their budgets.

Uniting for Peace Resolution

The UN Charter is based on the principle of Big Power unanimity. It means that the permanent members of the Security Council have the right of veto. The UN enforcement force, on which depends the capacity of the organization to take military action against any aggressor state, was under the control of the Security Council. If the five permanent members did not agree to put down aggression, there was the danger of the UN enforcement machinery breaking down. With a view to remove this hurdle a resolution called Uniting for Peace Resolution was introduced in the General Assembly by the USA and was adopted by it on November 3, 1950. The resolution states that where it is found that this power of veto is abused to hold up important matters relating to international peace and security, steps may be taken to remove such matters from the agenda of the Security Council by a procedural vote which is not subject to veto and bring it before the General Assembly.

The Uniting for Peace Resolution has altered the basic relationship between the General Assembly and the Security Council in regard to the maintenance of world peace. It enables the Assembly to step in when the Security Council is unable to act owing to Big Power differences and to make recommendations, including those to use armed force.

9.7. THE SECURITY COUNCIL

Composition

The Security Council is the most important organ of the United Nations. It is an instrument for preserving international peace and security. It consists of fifteen members. The People's Republic of China, France, the UK, the USSR and the USA are permanent members named in the Charter itself. The ten non-permanent members are elected by the General Assembly for a term of two years. The meetings of the Council are presided over by one of its members. The presidency is alternated on a monthly basis by its member states (in English alphabetical order).

The Security Council is a permanently functioning body. The voting procedure in the Council depends on whether the matter under consideration is substantial or procedural. If it is a substantial matter, the votes of all the five permanent members are required for the passage of the resolution. A negative vote called 'veto' exercised by any of the five permanent members, defeats the motion. However, veto is not applicable in regard to procedural matters. It may be noted that the veto has been subjected to severe criticism. Moreover, the distinction between substantial and procedural matters is not always clear.

The Charter provides that any member-state of the United Nations may participate, without vote, in the discussion of any question before the Council whenever it considers that its interests are involved in the matter under discussion. Similarly, any member of the United Nations which is not a member of the Security Council or any state which is not a member of the UN, if it is a party to a dispute under consideration by the Security Council, shall be invited to participate without vote, in the discussion relating to the dispute.

Powers and Functions of the Security Council

The powers and functions of the Security Council are as follows :

- (1) To consider and take such measures as may be necessary to facilitate the pacific settlement of international disputes.
- (2) To take preventive and enforcement measures with respect to threats to peace, breaches of peace and acts of aggression.
- (3) To enter into regional arrangements or constitute regional agencies.
- (4) To control and supervise the trust territories classified as strategic areas.
- (5) To make recommendations with regard to the admission, suspension and expulsion of members.
- (6) To elect, in conjunction with the General Assembly, fifteen Judges of the International Court of Justice.
- (7) To make recommendations with regard to the appointment of the Secretary-General by the General Assembly.

(8) To take part in the decision whether a conference for revising the Charter should be held.

Pacific and Coercive Settlement of Internal Disputes

The Security Council calls on the parties to a dispute to seek a solution by negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement; resort to regional arrangements or other peaceful means of their own choice.

Where the parties fail to settle their disputes by peaceful methods, the Security Council decides whether to recommend appropriate procedures or methods of settlement or, if all the parties so request, the Security Council may itself recommend the actual terms of settlement to the parties.

The Security Council may investigate any dispute or any situation which may lead to international friction or give rise to a dispute, either on its own motion or on reference being made by any member of the UN, or by a non-member who is a party to the dispute.

The Security Council determines the existence of any threat to peace, breach of peace or acts of aggression, and makes recommendations or decides what enforcement measures are to be taken to maintain or restore international peace and security.

In order to prevent an aggravation of the situation, the Security Council, before deciding on the kind of enforcement action to be taken, may call upon the parties concerned to comply with such provisional measures as it deems necessary or desirable, such as calling for a ceasefire or cessation of hostilities.

There are two kinds of actual enforcement action. The first consists of measures not involving the use of armed forces, e.g., interruption of economic relations and of rail, sea, air, postal, telegraph, radio and other means of communication and the severance of diplomatic relations.

The second kind of enforcement action consists of the use of force. When the measures already taken prove inadequate, the Security Council may take such action by air, sea, or land forces, including demonstration, blockade or other operations as may be necessary to maintain or restore international peace and security.

In order to contribute to the maintenance of international peace and security, all members of the United Nations undertake to make available to the Security Council on its call in accordance with specific agreement, armed forces, assistance and facilities.

The Security Council is assisted by a Military Staff Committee consisting of the chiefs of staff of the five permanent members of the Security Council,

Relation between the General Assembly and the Security Council

The functions of the General Assembly and those of the Security Council are clearly demarcated. The former is a deliberative body with rights of discussion and review of matters coming within the whole gamut of the United Nations. The main function of the latter is to preserve and maintain international peace and security.

The Charter does not place the Security Council in a subordinate position with reference to the General Assembly.

Article 12 prohibits the General Assembly from making recommendations in regard to disputes with respect to which the Security Council is exercising the functions assigned to it, unless the latter so requires.

The prohibition in Article 12, however, does not prevent the General Assembly from taking cognizance of a dispute over which the Security Council has not taken any action.

9.8. THE INTERNATIONAL COURT OF JUSTICE

Organization of the Court

This Court is the principal judicial organ of the United Nations. The League of Nations had established the Permanent Court of International Justice, But that Court was legally not an organ of the League of Nations, as its Statutes constituted a separate international agreement

different from the League. The Statutes of the International Court of Justice form an integral part of the Charter of the United Nations, and therefore this Court becomes the principal judicial organ of the UNO.

Though from the legal point of view the new Court is not a successor of the old one, in reality it is a continuation thereof, especially in the matter of jurisdiction.

The international court of justice consists of fifteen judges, no two of whom may be nationals of the same state. The judges are elected for a nine-year term by the Security Council and the General Assembly; five judges retire every three years. Cases are decided by a majority of the judges present.

Jurisdiction of the Court

The jurisdiction of the Court falls under three heads : (i) Voluntary; (ii) Optional Compulsory; (iii) Advisory Article 36 (1) of the Statutes of the Court provides that its jurisdiction comprises all cases which the parties refer to the Court by agreement or one party may refer the matter to the Court and the other party may signify its assent to the reference.

Article 36 (2) of the Statute of the Court provides that the states which are parties to the present Statute, may at any time declare that they recognize as compulsory the jurisdiction of the Court in all or any four classes of legal disputes concerning (i) the interpretation of a treaty, (ii) any question of international law, (iii) the existence of any fact which, if established, would constitute a breach of international obligations and (iv) the nature of extent of the reparation to be made for the breach of international obligations.

This is compulsory jurisdiction of the Court, but the Court can exercise jurisdiction only when both parties to the dispute make a declaration by agreement. Therefore people call it optional compulsory jurisdiction.

The Court also has advisory jurisdiction. Advisory opinion may be sought by the General Assembly or the Security Council. The other bodies of the United Nations and the Specialized Agencies may ask for advisory opinion, if empowered to do so by the General Assembly.

Laws Applied by the Court

Under Article 38 (1) of the Statute, the Court, whose function is to decide in accordance with International Law such disputes as are submitted to it, shall apply :

- (a) international conventions, whether general or particular, establishing rules expressly recognized by the contesting parties;
- (b) international customs, as evidence of a general practice accepted as law;
- (c) the general principles of law recognized by civilized nations;
- (d) judicial decisions and the teachings of the most highly qualified publicists of the various nations, as subsidiary means for the determination of rules of law.

Procedure of the Court

The Court sits at Hague in Holland. Unlike municipal courts, the International Court of Justice may adopt such procedure as it deems fit, unless prevented by the Statute to do so. A judgment has to be approved by a majority of the judges present. Where the votes are equal the President has a casting vote. Judgments are either mandatory or declaratory. A mandatory judgment permits or prohibits the performance of an act, whereas a declaratory one declares the rights of parties. Judgments are final and without appeal, except in so far as the rules permit interpretation and revision of decisions. Revision is allowed upon the discovery of a new fact, which has a decisive effect upon the award, which could not be known at the time of the judgment.

Execution of the Decisions of the Court

The Statute of the Court makes no provision for the enforcement of its judicial decisions. It only provides that if any party fails to carry out the obligations imposed upon it by a judgment of the Court, the aggrieved party may have recourse to the Security Council, but it does not make it obligatory on the part of the Security Council to enforce the judgment of the

Court on recalcitrant parties. Kelson observes that "in view of the fact that the Charter, in the non-compliance with a judgment of the Court, institutes a procedure of appeal, it is hardly possible to consider such non-compliance as a threat to or breach of the peace." Further, execution under this provision is invariably subject to the overriding influence of power politics.

9.9. THE SECRETARIAT OF THE UNO

The Secretary-General is the head of the Secretariat of the United Nations. He is appointed by the General Assembly on the recommendation of the Security Council with the concurring vote of all the permanent members of the Council. His duties are three fold : (i) to carry on the administrative duties of the Secretariat; (ii) to bring to the attention of the Security Council any matter which, in his opinion, is likely to threaten the international peace and Security; (iii) he also fulfils certain representative functions. As the Chief Administrative Officer of the Organization, the Secretary-General acts in that capacity in all the meetings of the General Assembly of the Security Council, of the Economic and Social Council and the Trusteeship Council. He makes an annual report to the General Assembly on the work of the Organization. He is responsible for the registration and publication of treaties, the control of expenditure, the drawing of the agenda of the General Assembly and other organs. He co-ordinates the work of many committees and commissions in the United Nations.

Subject to the approval of the General Assembly, the Secretary-General exercises treaty-making powers on behalf of the UNO. He represents the United Nations in legal proceedings before national courts,, arbitral tribunals, the United Nations Administrative Tribunal, and in requests for advisory opinions of the International Court of Justice.

The Secretary-General appoints the staff of the Secretariat under the regulations laid down by the General Assembly. In the matter of appointment, promotion, transfer and termination he exercises vast discretionary power.

The Secretary-General and Assistant Secretaries-General enjoy full diplomatic immunity.

The length of the Secretary-General's term of office is not specified in the Charter. As a rule he is appointed for a term of five years,

The Secretariat is sub-divided into eight departments, each of which is headed by an Under-Secretary. They are : (1) Political and Security Council Affairs, (2) Economic Affairs; (3) Social Affairs; (4) Trusteeship and Non Self-Governing Territories; (5) Public Information; (6) Legal matters; (7) Administrative and Functional Services; and (8) Conferences and General Services.

Achievements of UNO

There are several achievements to the credit of the United Nations. They may be summarized as follows:

(1) The UNO mediated in Palestine and consequently the state of Israel was brought into existence in 1949.

(2) It mediated in Indonesia, resulting in the withdrawal of the Dutch forces and the establishment of the Republic of Indonesia.

(3) It was due to the intervention of the UNO that a cease-fire was brought about between India and Pakistan in 1947.

(4) In 1950 the UNO intervened actively in the war between North Korea and South Korea, on the side of the latter. It was the first war in history to be fought in the name of the UNO. Ultimately the war came to an end, but the problem still remains unsolved.

(5) In 1956 the Anglo-French and Israeli forces attacked Egypt. It was due to the intervention of the UNO that those forces were ultimately withdrawn from Egypt.

(6) The UNO played an important role in Congo. It employed military force to set up a unified Central Government in that country and it was mainly due to its efforts that the situation was stabilized.

(7) In 1960 the West Iran issue was successfully solved and its peaceful transfer to Indonesia was brought about.

(8) In 1962 the Cuban crisis was resolved by the intervention of the UN Secretary-General, U. Thant.

(9) In 1963 the dispute between Malaysia and Indonesia on the question of North Borneo and Sarawak was successfully resolved by the UNO.

(10) A great achievement of UNO is the Universal Declaration of Human Rights. The Declaration was adopted on December 10, 1948. It lays down the basic rights and fundamental freedoms which every man and woman everywhere is entitled to, without distinction as to race, colour, sex, language, religion, political or other opinion, nationality, birth or other status.

(11) In 1963 the USA, Britain and the USSR signed the Partial Test Ban (Nuclear) Treaty. The treaty bans all nuclear tests on the ground, in the atmosphere and underneath the sea. But no ban has been imposed on underground tests.

(12) The achievements of the Specialized Agencies in the economic, social, educational and health fields are very significant. In this connection the United Nations Educational, Scientific and Cultural Organization (UNESCO), Food and Agriculture Organization (FAO), World Health Organization (WHO) and the International Monetary Fund (IMF) deserve special mention.

(13) Recently the United Nations has been able to play a constructive role in resolving some of the major regional conflicts of this decade. The Iran-Iraq war went on for eight years, and the UN watched it helplessly. However, the UN Secretary-General has recently succeeded in bringing about a cease-fire in the once seemingly endless conflict.

Similarly, the UN watched the Soviet intervention in Afghanistan for about nine years. But the UN-sponsored Geneva Agreements have set in motion a process which may ultimately lead to a solution of the Afghan problem.

The UN also failed to bring about the liberation of Namibia from the domination of South Africa. But recently some progress towards Namibian independence has been made, and it may be expected that Namibia would soon become an independent nation.

SUMMARY

- India conducted its first nuclear tests in 1974 code named "smiling Buddha"
- India did not sign 1968 NPT.
- Significant change was signaled by Shiv Shankar Menon to the "no first use" nuclear policy of India in the form of no first use against non-nuclear weapon states"
- Indian Diaspora is a generic term used for addressing people who have migrated from India and have settled elsewhere.
- The League of Nations came into existence in January 1920.
- The primary function of the league was to maintain peace among its members and then the world at large.
- The main organs of the League were the Assembly, the Council and the Secretariat.
- The mandate system was formed so as to safeguard the interests of the defeated nations in the first world war from the enemy countries.
- The international labour organization (ILO) had four constituent bodies : the General Conference, the Governing Body, the Auxiliary Organs and the International Labour Office.
- The United nations organization (UNO) was set up after the second world war.
- Main organs of UNO are: the general assembly, the security council, the economic and social council and the international court of justice.

TEST YOURSELF

1. What do you understand by the term India Diaspora? How has it affected the Indian economy?

2. Find out about NPT and cite out the reasons why India is not a signatory to it?

3. Who are the present permanent members of the security council of UNO. Why are they not allowing new permanent members?

True or False

1. India's first nuclear tests took place under the prime ministership of Sh. Atal Bihari Vajpayee.
2. A change in India's *no first use nuclear policy* was proposed by Defense minister A.K. Antony.
3. The UNO was formed after the second world war.
4. The economic and social council consists of 54 members of which 1/3rd are elected every year.
5. The international court of justice can take up any matter in hand even if not referred to by a party.

ANSWERS

1. F 2. F 3. T 4. T 5. F

Long answer questions

1. Why was the league of nations formed and what are were reasons of its failure?
2. How has UNO overcome the problems of the league of nations?
3. What do you understand by mandate system. Why was it formed?
4. What are the functions of the security council and how does it implement them?
5. Explain in brief India's nuclear policy?

UNIT

10

*Fundamental Concepts in
Economics & Theories Related
to Demand, Supply and
Production*

FUNDAMENTAL CONCEPTS IN ECONOMICS & THEORIES RELATED TO DEMAND, SUPPLY AND PRODUCTION

STRUCTURE

- Introduction to Economics
- Definitions of economics
- Limitations of Economics
- Is Economics a Science of Wealth?
- Nature of Economics : Economics as a Science and as an Art
- Modern View : Micro and Macro Economics .
- Economic Problems
- Central Problems of an Economy
- Demand
- Demand Curve and its Nature
- Law of Demand
- Supply
- Factors Affecting Supply
- The Law of Supply
- Production : An Introduction
- Labour
- Efficiency of Labour and Mobility of Labour
- Obstacles in Mobility of Labour or Factors Hampering Mobility of Labour in India
- Land
- Capital
- Enterprise
- Entrepreneur
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

After going through this unit you will be able to learn:

- Fundamental concepts in economics including various definitions and its modern view.
- Demand and supply and their laws.
- Production possibility curve and various factors of production
- Obstacles for mobility of labour in India.

10.1. INTRODUCTION TO ECONOMICS

The term 'Economics' has been derived from two Greek words '*OIKOU*' and '*NOMOS*' which, taken together, mean the rule or law of households. At the initial stage of development of human civilisation, economics was confined to the efficient financial management of households. It dealt with the way in which a household could make the best and most efficient use of its limited resources (income) to satisfy its unlimited wants.

Later, with the growth and advancement of human civilisation, the concept of efficient financial management of households was carried over to the society and nation as a whole. Wants and needs of every society are unlimited while the resources available with society to satisfy these wants are limited and that too have alternative uses. Therefore, the society has to decide the goods and services to be produced and also the quantity in which these goods and services should be produced so that maximum possible wants of society may be satisfied. In other words, the society has to decide how to make the best and most efficient use of available resources.

Modern view of economics is not confined only to the allocation of resources but is also concerned with the development of these resources. Economics has to explore and exploit the available resources and to employ them for the economic growth of country. It also has to ensure that available resources are efficiently utilised for the economic growth and welfare of country.

10.2. DEFINITIONS OF ECONOMICS

Definitions of Economics have been divided under four heads :

1. Definitions of Classical Economists—Adam Smith.
2. Definition of Marshall.
3. Definition of Robbins.
4. Definition of Prof. J.K. Mehta, J.M. Keynes & others.

Earlier Definitions :

Among the ancient writers **Adam Smith** is very eminent. Adam Smith is normally called the father of modern economic theory. In 1776 he had written in his famous book "An Enquiry into the Nature and Causes of Wealth of Nations," that "Economics is the subject which was concerned with *An Enquiry into the Nature and Causes of the Wealth of Nations*"

(2) According to **J.B. Say** : "Economics is the Science which treats of wealth".

(3) According to **Walker** : "Economics is that body of knowledge which relates to wealth".

(4) According to **J.S. Mill** : "Economics is a Science of Wealth related to man".

From the definitions of Adam Smith and his followers following conclusions can be drawn

(a) **More importance of Wealth** : Ancient economists have given more emphasis on wealth and that has been given top position.

(b) **Imagination of economic man** : Adam Smith has thought of such man whose sole aim is to earn wealth.

(c) **Position of man has been considered as secondary** : Ancient economists have laid more weight on Wealth and the position of man is Secondary.

These definitions gave rise to serious misconceptions especially at the hands of Carlyle, Ruskin and other economists of the 19th century. The popular meaning of wealth is riches or an abundance of money. So it was thought that economics was concerned only with the acquisition of riches " or money.

Definition of Marshall— Science of Material Welfare

Alfred Marshall first of all tried to remove the main short-coming of the ancient definitions. That economics is not the study of Science of Wealth, but it is the study of the causes of material welfare. In the year 1890 Marshall in his book "Principles of Economics" had given the definition of economics which is as follows :

"Economics is a study of mankind in the ordinary business of life, it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being."

Chief Features of Marshallian Definition

I After analysing the various features of Marshall's definitions following important facts can be stated

(1) *Man is the main subject of the study of economics and not 'Wealth'* — Marshall made the important subject of the study of economics. 'Man' and he has given secondary place to 'Wealth'.

(2) *Economics studies the man's action in the ordinary business of life* — Marshall has said that economics studies the man's activities which he performs to-day by living in the ordinary business of life and in society.

(3) *Economics studies only the economic activities of man* — Marshall has divided the activities of a man into two parts — (a) Economic activities and (b) Non-economic activities. Economic activities are directly related to earn material goods and to use the same in day-to-day life.

(4) *Economics studies the economic activities of ordinary social and real man* — It never studies the activities of saints, Sadhus and people living in forests. It never studies people like Robinson Crusoe.

(5) *In Economics wealth is means and not an end*—Ancient economists have called wealth as means and end both, but Marshall calls 'Wealth is for Man' and not 'Man for Wealth'. Wealth is earned for human welfare only.

Definition of Robbins-Economics as the Science of Scarce Means

Prof. Robbins has studied economics from different angle. He has stated the definitions of Marshall and other economists of his time as unscientific, narrow and descriptive. In the year 1932 Robbins in his famous book "*An Essay on the Nature and Significance of Economic Science*" has written that —

"Economic is the Science which studies human behaviour as relationship between ends and scarce means which have alternate uses".

Main Elements of Robbin's Definition

The definition of Robbins is based on the following fundamental propositions—

(1) **Human wants or ends are unlimited and multiplying** — When we satisfy one want, another want arises. When that too is satisfied the next one immediately appears. There is thus a chain of wants one chasing the other.

(2) **The means to satisfy those wants are limited**— Robbins stresses that the means are scarce. That is, means and resource are limited in relation to unlimited wants of the people in an economic society. The term scarcity implies that wants exceed the availability of resources to satisfy them. Resources are considered, scarce in relation to demand.

(3) **All wants are not equally intense and important** — Some are more important and more urgent than the others. It means that wants can be graded as the most urgent and the less urgent. Thus, consumers make a scale of preference to satisfy their wants according to their intensity.

(4) **Means are Capable of Alternate Uses** — Our means are not only limited but also have many uses. They can be used for satisfying any one of our many wants. That is to say our means are capable of alternate uses.

Comparison between Marshallian and Robbinsian Definitions

S. No.	Basis of difference	Definition of Marshall	Definition of Robbin's
1.	Science & Art	Marshall considers economics as both art and science. It is positive & normative science. It is light bearing and fruit bearing.	Robbins has said— "Economics is a real science. No relationship with normative science".
2.	Social Science	Marshall has considered economics as a social science	Robbin's has considered it as a National and human science
3.	Material Welfare	Marshall says — "Economics is the study of material welfare".	According to Robbins — it studies material as well as non-material services <i>i.e.</i> , both.

4.	Increase human welfare	Marshall has emphasized on the human welfare in the study of economics.	Whereas Robbin's has emphasised on satisfaction of human wants which is more important.
5.	Classificatory and Analytical	Marshall's definition is classificatory as based on economic and non-economic classification of human activities.	Robbins' definition is analytical which covers all human activities.
6.	Scope of Economics narrow	Marshall's definition is narrow because it studies social real and ordinary man's economic activities.	Robbins' view is — Scope of economics is wide and studies scarce means of man.
7.	More Practical	Marshall's definition is more practical because it is related to day-to-day life.	Robbin's definition not so practical as it talks more of Principle.

N.B.— Taking these view points it has been considered that Robbin's definition of economics is superior to the definition of economics given by Marshall.

Definition of Prof. J.K. Mehta

Prof. J. K. Mehta was an eminent economist of India. He was Professor of Economics in Allahabad University. His view was that the main aim of human being is to achieve maximum satisfaction in life. One can achieve maximum satisfaction if he is in a position to satisfy his maximum needs or he should be in a position to reduce maximum necessities of life. If he can reduce maximum necessities of life he will be more happy. Prof. Mehta has given the definition of economics which is as follows —

"Economics is a science that studies human behaviour as an attempt to reach the state of wantlessness".

In other words we can say that the object of economics is to reduce necessities or to finish it. There are two important elements in the definition of Prof. Mehta.

(a) necessities are the root of problems

(b) to reduce necessities or to satisfy necessities is real pleasure and satisfaction.

Western economists are of this view that fulfilment of maximum satisfaction is the real pleasure and happiness of life, "the problem of getting freedom from wants has been regarded as economic problem."

Therefore, it has been said that the definition of Prof. Mehta is not practical. It includes philosophical touch. It seems he is preaching "Nirvana." In life.

Keynesian Approach

Keynes has been considered as a very important modern economist for bringing about a revolution in economic thinking. In the words of Keynes — "Economics is the study of the administration of scarce resources and of the determinants of complement and income." In this approach besides studying the theory of value or of resource allocation. Economics studies how the levels of income and employment in any economy are determined. Further, it also studies the causes of economic fluctuations to see how economic stability could be promoted.

Benham in the year 1960 has also mentioned that — "Economics is a study of the factors affecting the size, distribution and stability of a country's national income."

Recently the "Theory of Economic Growth" has also come to occupy an important place in the study of economics, practically related to under-developed economies. Therefore, it can be said that satisfactory definition of economics must include the theory of income, employment and growth besides theory of value or resource allocation and distribution.

In the end, we can say — "Economics can be defined as a social science concerned with proper use and allocation of resources with a view to achieve and maintain growth with stability.

Which Definition is best of All ?

We have seen three popular and important definitions of Economics given by Adam Smith, Marshall and Robbins. Now the question arises, out of these three which definitions is best. The definition of Adam Smith has been considered as old and out of date and his definition has not been accepted by modern economists nor by Marshall or by Robbins because in Adam Smith's definition more emphasis has been given to wealth and Man has been considered as secondary. At present Robbins' definition of economics is modern definition and it is very popular. It has widened the scope of economics and considered economics as human science. But here also certain deficiency has been observed.

The definition of Robbins has widened the scope of economics to such an extent that all human activities are included in the scope of economics. In this definition no importance is given to economics as a social science. The emphasis is on the point that economics is a natural human science. In this Robbins has stated that economics is neutral between the ends. However, it is difficult to decide on this issue. There can not be normative approach to study economics all the time. The definition has used the term 'scarce means and alternate uses of means'. But this can happen only in case of national consumers. However, the behaviour of consumers may not always be national. Although Robbins' definition has been criticized on various grounds, this definition is considered superior to Marshallian definition.

In this way we find that there is an acute difference amongst economists taking the subject matter of economics." But after examining all Pros and Cons of economic activities it can be said with confidence that the subject matter of economics is the economic activities of human being and it includes consumption, production, exchange, distribution and public finance.

(i) Consumption : In economics "Consumption is the beginning and end to all economic activities." Our needs, desires and wants are multifarious but we can satisfy those needs through goods and services. Under consumption, we study mostly the nature of human wants as well as the principles governing their satisfaction.

(ii) Production : Production is the creation of utility. Under production we study how man makes efforts to satisfy his wants by producing wealth. Here we see how the various factors of production like land, labour, capital and organisation help, co-operate and combine in the work of production.

(iii) Exchange : The activities related to transfer of goods and services for money is called "Exchange". Exchange is an important aspect of study of Economics in modern times. The goods and services are transferred from producers to consumers through the process of exchange. In this aspect study is made about market conditions, demand, supply and laws relating to its price-determination in different market conditions is an important aspect.

(iv) Distribution : The aggregate income which is received from the various factors like land, labour, capital and organisation is distributed as rent, wage, interest and profit to various factors of production. Here laws of distribution of rent, wages, interest and profit are studied within the scope of Economics. Accordingly the share of each factor of production and the system of distribution is adopted.

(v) Public finance : According to Findlay Shirras — In modern times the government is directly participating in the economic life of a country. Thus, the economy of the government such as taxation, public debts, public expenditure, public income etc. are also within the scope of the study of economics. Besides the study of employment, trade cycles, international trade, foreign exchanges, banking activities etc. all are within the scope of study of Economics.

10.3. LIMITATIONS OF ECONOMICS

To know the scope and area of economics it is essential to have the knowledge of its limitations. With this study we will have a clear picture of the facts that what is to be studied and what not to be studied. According to Prof. Marshall — "Economics is the study of

mankind in the ordinary business of life. It studies the social, real and actual life of a man. Marshall was never in favour of the study of Sadhu's, Sanyasis or unsocial, unreal and of exceptional people of society.

According to **Prof. Robbins** — "Economics is a "Human Science". Therefore, economics studies the economic activities of every type of man whether the man is social or un-social. Economics is a mere science and so it has no relationship with moral and in-moral, proper and improper, beneficial or non-beneficial. It is the view of Robbins that the work of economics is to present only the ideology of the subject.

10.4. IS ECONOMICS A SCIENCE OF WEALTH?

Ancient Economists have defined economics as "Science of Wealth". Adam Smith, the father of modern economics has also said that, "Economics is an enquiry into the nature and causes of wealth of nations." He has further said that, "Economics is a subject concerned with an enquiry upto the nature and causes of wealth of nations."

French Economist J.B. Say has said that, "Economics is the science which treats of wealth." American economist Walker has stated that, "Political economy or Economics is the name of that part of knowledge which relates to wealth." Even Senior J. S. Mill and Cairness etc. have put more weight on wealth."

After studying all the above definitions it can safely be said that, "Economics is the science of wealth."

Ancient economists have put more pressure and weight on the study of wealth. Therefore, various economists like Carlyle, Ruskin, Morris, Charles Dickens etc. have vehemently criticised this definition and theory and have called this as "Gospel of Mammon;" "Dismal Science" and science of "Bread and Butter". They have further said that in the absence of human welfare economics can be treated as "Dry and barren science."

Adam Smith imagined an "Economic Man". He is of this view that what an Economic man does it is because he derives incentive to earn wealth. But Marshall has written that — "The modern economists is concerned with man as he is not with an abstract or economic man but a man of flesh and blood".

The most important and the last object of man is human welfare and as such it is "an engine of social betterment."

10.5. NATURE OF ECONOMICS : ECONOMICS AS A SCIENCE AND AS AN ART

Meaning of Science

Science is that part of systematic knowledge which establishes relationship between causes and effects. It is a systematic collection, classification and analysis of facts. In the words of Prof. Poincare, "*Science is built up of facts as a house is built up of stones, but an accumulation of facts is no more a science than a heap of stones in a house.*" Thus, following are the essentials of science : (i) A systematic study of facts, (ii) Certain rules and principles, (iii) Based on causes and effects, and (iv) Rules and principles of science are universally applicable.

Is Economics a Science : Arguments In Favour

1. **Systematic Study of Facts.** Economics involves the systematic collection, classification and analysis of facts. Economic results are measured in terms of money. Therefore, economics can be treated as a science.

2. **Use of Economic Laws and Principles.** Study of economics involves the use of a number of economic laws and principles. Economic facts are analysed on the basis of these laws and principles.

3. **It Establishes Relationship between Cause and Effect.** Economics establishes relationship between the causes and effects of economic events. Such relationship facilitates economic forecasting. :

4. **Universality of Laws and Principles.** Laws and principles of economics are universal. They hold true in almost all the countries at all times and in all circumstances.

Is Economics a Science : Arguments Against

1. **Difference in the Opinion of Economists.** There is vast difference in the opinion of economists. It is said that where six economists are gathered, there are seven opinions. In view of these differences, economics cannot be a science.

2. **Lack of Universal Laws and Principles.** Laws and principles of economics are not universal. They change on a change in circumstances. Due to this reason also, economics can not be a science.

3. **Lack of Ability to Forecast.** Reliable predictions are not possible in economics. Therefore, it cannot be a science.

4. **Lack of Reliable Economic Facts and Data.** Facts and data used in economics are not complete and reliable. Therefore, it cannot be a science.

Meaning of Art

Art means the systematic knowledge which teaches how to do a particular work in the best manner. Art is the practical application of scientific principles. Science lays down certain principles while art puts these principles into practical use. According to **Dr, Mac Coll**, "Art is just the way of doing or making anything in such a fashion as to bring rhythm in it." According to J. N. Keynes, "An Art is a system of rules for the attainment of a given end."

Is Economics an Art : Arguments In Favour

1. **Helpful in the Solution of Economic Problems.** Economics suggests the ways in which economic problems of a country can be solved in the best manner.

2. **Increasing Importance of Applied Economics.** Economics emphasises upon the adoption of practical policies in place of theoretical laws and principles. It highlights artistic view of economics.

3. **Economic Aspect of Problems.** Almost all the problems arising in the world of today are economic problems in one sense or another. These problems must be analysed from economic point of view also. It also highlights the artistic view of economics.

4. **Economics as an Art does not Weaken its Scientific Aspect.** Some critics are of the view that as economics is a science, it cannot be an art. But it is not true. The fact is that every science has its art, so the science of economics has an art of economics as well. Science lays down certain principles while art puts these principles into practical use.

Is Economics an Art : Arguments Against

1. **Difference in the Nature of Economics and Art.** Nature of both the economics and art are quite different. Economics is of scientific nature, therefore, it cannot be an art.

2. **Economics is to Draw only the Conclusions and not to Formulate the Policies.** Economics is helpful in drawing the conclusions only, it does not help in formulating policies. In this form, economics is only a science and not an art.

3. **Lack of Pure Economic Problems.** No Problem of economics is a pure economic problem. It has some social, political and religious aspects also. Therefore, no problem can be solved on pure economic grounds.

Conclusion. Above discussion makes it clear that economics is both a science and an art. Subject matter of economics is the study of human behaviour. Economics is studied as a science and practised as an art. An economist works as a scientist when he studies economics and as an artist when he practises it. In the words of Cossa, "Science requires art, art requires science, each being complementary to the other."

10.6. MODERN VIEW : MICRO AND MACROECONOMICS

Modern economists have divided economics into two parts –

- (i) Macro-economics or Income theory

(ii) Micro-economics or Price Theory.

(i) **Macro-Economics or Income Theory** : This theory is also called the "aggregate approach". In this we study the working of the economic system as a whole. Its study helps in the determination of the level of income of a country; its total expenditure total employment and the general price level of the goods and services and not the individual commodities or services. Further, it helps in the study of the system how the economy of a country grows or develops.

(ii) **Micro-Economics or Price Theory** : This theory is the study of small individual parts of the economy. It helps in the study of consumer's behaviour or that of individual firm or what happens in any particular industry. It is the study of price analysis which helps in the determination of the price of an individual commodity or of a particular system and factor of production and its reward. In the demand and supply case also its study helps in the demand and supply of an individual commodity; the income of an individual firm and not the national-income. Till recently Economics involved itself mainly with the theory of value and distribution and it ignored the study of the economic system as a whole.

But Lord Keynes' attention has been of great importance in the analysis of the economic system as a whole. Macro-economics studies aggregates or average of the entire economy, for example-national income; output and employment, total consumption, total savings and investment; aggregate demand and aggregate supply. Keynes in his two books — "The General Theory of Employment" and "The Interest and Money" has emphasised upon how the fullest possible employment can be attained. The problem of the aggregate is not merely a matter of adding or multiplying but is connected in respect of the various individual parts of the economy.

Micro- and Macro-Economics

(As methods' of economic studies)

Introduction—The two approaches to economic problems and analysis namely Micro-economics and Macro-economics was propounded by Ragnar Frisch in the year 1933. Since then it became popular. The Micro-economics relates to the study of individual economic units and the other is a study of the economy as a whole.

MICRO-ECONOMICS

Meaning—Micro-economics is the study of particular firms, particular households, individual prices, wages, income, individual industries and particular commodities. It is related to the analysis of price determination and the allocation of resources of specific use. It is the study of the *economic actions* of individuals and small groups of individuals.

Definition—The important definitions of Micro-economics are as follows :

1. According to **Ackley**—"Micro-economics deals with the division of total output among industries, products and firms and the allocations of resources among competing groups. It considers problems of income distribution. Its interest is in relative prices of particular goods and services."

It is a microscopic study of the economy.

2. According to **Maurice Dobb**—"Micro-economics is like looking at the economy through a microscope to find out the working of markets for individual commodities and the behaviour of individual consumers and producers."

It is the study regarding the relationship of individuals households and individual firms and individual industries to each other. It is the study of aggregates.

MACRO-ECONOMICS

Macro Economics is the study of "**aggregates or averages** covering the entire economy such as total employment, total unemployment, national income, national output, total investment, total consumption, total savings, aggregate supply, aggregate demand and general price-level, wage-level, interest rates and cost structure."

This analysis is also known as the "**theory of income and employment**" or "simply income analysis". It is concerned with the problems of unemployment, economic fluctuations, inflation, deflation, instability and international trade and growth".

Some economists have given the name of "**Aggregative Economics**"—which examines the inter-relations among the various aggregates, their determination and causes of fluctuation in them.

Definition—According to **Ackley**—"Macro-economics deals with economic affairs in the large", it concerns the overall dimensions of economic life. It looks at the total size and shape of the functioning rather than working of dimensions of the individual parts.

Macro Economics is the study of the causes of unemployment and the various determinants of employment.

In the field of business cycle—It is concerned with the effect of investment on total output, total income and aggregate employment.

In the monetary sphere—It studies the effect of total quantity of money on the general price level.

In the international trade—The problem of balance of payments and foreign aid fall within the purview of this analysis.

Therefore, it discusses the problems of determination of the total income of a country and causes of its fluctuations. Finally, it can be said that it studies the factors that retard growth and those which bring the economy on the tune of economic development.

Distinction Between Micro-economics and Macro-economics

Regarding the difference between Micro and Macro-economics **Ackley** has written that "*the difference between micro and macro-economics is a difference of degree and not of kind, but the degree is so great as to approach a difference of kind.*" Other important differences are as follows :

1. The Micro-economics uses aggregates relating to **individual households**, firms and industries, while Macro-economics uses aggregates which relate them to the "economy wide total".

2. Micro- and Macro-economics are the study of aggregates. But the aggregates in Micro-economics are different from those in Macro-economics.

In Micro-economics the inter-relationships of individual households, individual firms and individual industries to each other deal with aggregation. Here, the concept of 'industry' means aggregate of numerous firms or even products.

For example—Consumer demand for shoes is an aggregate of the production of many households and the supply of shoes is an aggregate of the production of many firms. The demand and supply of labour is an aggregate concept and comes under the study of Micro-economics but the expenditure incurred in business investment expenditure is the study of Macro-economics.

3. The objective of Micro-economics on the demand side is to maximise utility whereas on the supply side is to maximise profits at the minimum cost.

On the otherhand the main objectives of Macro Economics are full employment ; price stability, economic growth and favourable balance of payments.

4. The word 'Micro' has been derived from the Greek word 'mikros' which means small. Micro-economics is the study of individuals and small groups of individuals. It includes the study of particular households, particular firms, particular industries, particular commodities and particular prices.

The word 'Macro' has also been derived from the Greek word 'MAKROS' which means large. It deals with aggregates of these quantities and not with individual incomes and individual prices. It is the study of Total Output and National Output.

5. **Basis of difference**—The basis of Micro-economics is the **Price mechanism** which operates with the help of demand and supply forces. These forces help in the determination of equilibrium prices in the market.

On the otherhand, the basis of Macro-economic study is the national income, output, employment and the general price-level which are determined by aggregate demand and aggregate supply.

6. Based on assumptions—Micro-economics is concerned with the rational behaviour of individuals whereas the assumptions of Macro-economics are based on aggregate-volume of the output of an economy and the size of the national income and general price-level.

7. Partial-equilibrium and general equilibrium—Micro-economics is based on the partial equilibrium analysis which explains the equilibrium conditions of an individual, a firm and an industry.

On the other hand Macro-economics is based on the general equilibrium analysis which is an elaborate and extensive study of a number of economic variables, their inter-relations and interdependences and the working of the economic system as a whole.

10.7. ECONOMIC PROBLEMS

Meaning and Definition of Economic Problem

An economy is a system which provides living to its people. For this purpose, various goods and services are produced so that the needs of people may be satisfied. These goods and services are produced with the utilization of the natural, physical and material resources of economy. Available resources of economy are utilized in the manner that maximum satisfaction may be provided to maximum number of people. It gives rise to a number of problems known as economic problems. It has been defined as under.

1. Prof. Erich Roll. "Economic problem is essentially a problem arising from the necessity of choice, of manner in which limited resources with alternate use are disposed off. It is a problem of husbandry of resources."

2. Prof. Milton Friedman. "An economic problem exists wherever scarce means are used to satisfy alternate ends. If means are not scarce, there is no problem at all." Thus, *an economic problem is basically a problem of making a choice and allocation of resources.* Economy must make choices among alternate uses *i.e.*, how limited resources should be used to ensure maximum satisfaction.

Why do Economic Problems Arise ?

Or, Nature of Economic Problems

Economic Problems arise in every economy, developed or developing. Important causes of these problems may be summarised as under :

1. Unlimited Wants. Wants of every economy are unlimited. An economy has to provide living to its people. For this purpose, a number of goods and services are to be produced and a number of facilities are to be provided. These wants never come to an end.

2. Limited Resources. Land, Labour, Capital and Entrepreneurship are the resources required to satisfy economic wants. These resources are available in limited quantity in all economies. As a result, no economy can provide everything for everybody.

3. Alternate Uses of Resources. Problem of unlimited wants and limited resources becomes more serious due to the reason that these resources have alternate uses. It creates the need for economising resources so that maximum social welfare may be provided.

Thus, unlimited wants, limited resources and alternate uses of these resources give rise to economic problems.

10.8. CENTRAL PROBLEMS OF AN ECONOMY

An economic problem is basically a problem of making choice and allocating resources. Economic problems are common to all economies. These problems may be summarised as under :

Central Problems of An Economy

A. Problems of Allocation of Resources

1. What to produce (Problem of choice)
2. How to produce (Problem of choice)
3. For whom to produce (Problem of distribution)

B. Problems of Utilisation of Resources

4. Efficient use of Resources
5. Growth of Resources technique)
6. Economic Growth

These problems may be described as follows :

1. What to Produce. The very first problem faced by an economy is to decide what goods and in what quantity are to be produced. Requirements of every economy are unlimited but the resources to satisfy these requirements are limited, and these resources have alternate uses. Economy has to decide what goods should be produced and what resources should be devoted to the production of these goods. The economy has also to decide the quantity in which these goods should be produced. Thus, the problem of what to produce is the problem of choice. It is of selective nature.

2. How to Produce ? Second important problem faced by an economy is how to produce? This is the problem of choice of technique. There are two important production techniques and the economy has to select one of these : '*Labour-intensive technique*' and '*Capital-intensive technique*'. In labour-intensive technique, most of the work is done by labour while in capital-intensive technique, most of the work is done by machines.

Selection of a particular production technique is related with the first problem of what to produce. If more of capital goods are to be produced, the economy will have to select capital-intensive technique. If more of consumer goods are to be produced, the economy may select either of these two techniques. Selection of capital-intensive technique implies that the economy wants to build up infrastructure for rapid economic growth, Selection of labour-intensive technique implies that the economy wants to make the best use of abundant manpower.

3. For Whom to Produce ? The problem of '*for whom to produce*' is the problem of distribution of national product and national income among various factors of production and various sections of society. Economy has to find out a way in which the national income should be distributed in the manner which may promote maximum social welfare and satisfaction. The economy has to adopt the policies that may check the concentration of economic power and wealth.

An economy has also to make a choice between present and future. If an economy decides to produce more of capital goods, it implies that the economy has decided to work more for future generations. If an economy decides to produce more of consumer goods, it implies that the economy has decided to work more for present generation.

4. Efficient Use of Resources. Resources of every economy are limited and cannot meet all requirements. Therefore, it becomes important for an economy to make full "utilisation of all its available resources. Full utilisation of resources may open the door of success. So, no economy can consciously allow its resources to be idle but for many reasons, many resources of an economy remain under-utilised or unutilised. Therefore, the economy must make best efforts to identify the reasons of under-utilisation or unutilisation of non-sources and to take necessary remedial measures. Thus, the problem of efficient use of resources is the problem of welfare economics.

5. Growth of Resources. Since scarcity of resources is a universal problem, growth of resources is an important problem of an economy. It is inevitable for all economies that they should ensure not only the efficient use of resources but also grow them. Process of economic growth involves expansion of resources and generation of new resources.

6. Economic Growth. Every economy has to work in such a manner that it may ensure maximum social satisfaction at present and rapid economic growth for future. Available resources of an economy cannot be used for current consumption only. Some resources must be diverted for investment also. Some resources must be devoted to the production of capital goods and to the development of research activities. Provision of capital accumulation and technological progress implies some sacrifice of current consumption but it ensures the production of more consumer goods in future. It ensures higher standard of living for people. Therefore, a society has to decide how much savings and investment should be made for future economic progress.

Thus, it may be concluded that an economy has to make a choice from among different alternate uses of its scarce resources. This choice should be made in a manner that maximum satisfaction and social welfare may be provided to the people.

10.9. DEMAND

Meaning:

Ordinarily by the word 'demand' we mean a desire or want for something. In economics, demand means much more than this. Economists give a social meaning of the concept of demand which is as follows :

"Demand means effective desire or want for a commodity, which is backed by the ability (i.e., money or purchasing power) and willingness to pay for it."

Demand in economics, means effective demand for a commodity. It requires three conditions on the part of the consumer : (i) Desire for a commodity (ii) Capacity to buy it i.e., ability to pay, and (iii) Willingness to pay its price.

In Short :

Demand = Desire + Ability to pay (i.e., money or purchasing power) + will to spend.

Definitions:

1. According to Penson—"Demand implies three things—(i) Desire to possess a thing, (ii) Means of purchasing it; and (iii) Willingness to use those means for purchasing it."

2. Benham has said—"Demand means always demand at a price, the term has no significance unless a price is stated."

3. In the words of Prof. J. S. Mill—"We mean by the word demand the quantity demanded and remember, that it is not a fixed quantity but in general varies according to values."

4. According to Prof. Waugh—"The demand for a commodity is the relationship between the price and the quantity that will be purchased at the price."

5. Bober has said—"By demand we mean the various quantities of a given commodity or service which consumers would buy in one market in a given period of time at various prices or at various incomes or at various prices of related goods."

Elements of Demand

There are five elements of demand :

- (i) Desire for a commodity.
- (ii) There must be means or ability to purchase it.
- (iii) There should be willingness to purchase the commodity.
- (iv) The commodity be purchased at a given price.
- (v) And within a given time.

Points to be Kept in Mind while Preparing Demand Schedule

In preparing the demand schedule some points given below must be kept in mind.

- (1) This is an imaginary demand schedule which explains the condition of only one consumer or one market.
- (2) In its preparation imagine the taste and income of a consumer, prices of other complementary and substitution goods are constant. We should suppose a particular demand of a commodity which is affected by changes in its price only.
- (3) Individual demand schedule is unsystematic and odd. Market demand schedule is continuous and smooth. It is because in market demand schedule, differences are often equal and smooth.
- (4) Individual demand schedule and market demand schedule are prepared at a definite time. But change of time brings a change in them also.
- (5) Both individual and market demand schedules depend upon each other and so affect each other.

10.10. DEMAND CURVE AND ITS NATURE

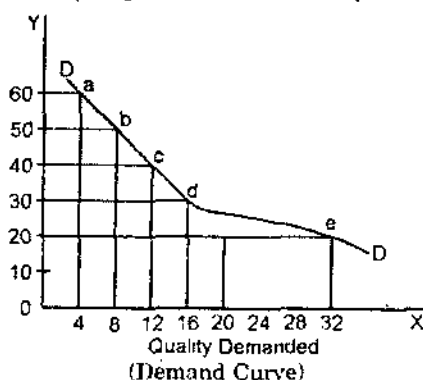
Demand schedule expresses the price/quantity relationship arithmetically and when the same is expressed in the form of a diagram it is called as demand curve. It has been defined as—"a Locus of points each of these points shows the maximum quantity of a commodity that will be purchased per unit of time at a particular price."

According to Prof. Milton Friedman—"Demand curve is a snapshot at a moment in time and represents, the maximum quantity that would be purchased at alternate prices."

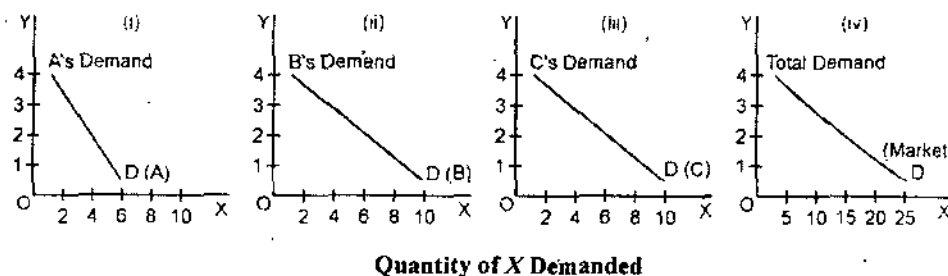
Along the horizontal axis (X-axis) the units of commodity Y demanded are measured, where as the price of a commodity is represented along with vertical axis (y-axis) corresponding to the price quantity relations given in the demand schedule, various points like— a, b, c, d and e are obtained on the graph. These points are joined and a smooth curve DD is drawn, which is called the demand curve.

Individual Demand Curve

DD is the demand curve. It slopes downwards. It shows that variation in demand is inversely related to the variation in price. The demand curve has a negative slope. It slopes downwards from left to right, representing an inverse relationship between price and demand.



Market Demand Curve



Market demand curve is derived by the horizontal summation of individual demand curve for a given commodity.

Market demand curve drawn above as in the panel (iv) is derived by the horizontal summation of individual demand curve in panel (i), (ii) and (iii).

Thus,
$$D(\text{Market}) = D(A) + D(B) + D(C)$$

By seeing the curve we can draw the conclusion that the slope of the market demand curve is an average of the slopes of individual demand curve. Essentially, the market demand curve too has a downward slope indicating an inverse price quantity relationship *i.e.*, demand rises when the price falls and *vice-versa*.

Both the above demand curves show a downward slope from left to right hand side. This negative slope of the demand curve is the outcome of the operation of the law of diminishing marginal utility. Since, the marginal utility diminishes with an increase in the stock of a particular commodity, the consumer will purchase more units of the same commodity only at a lower price.

10.11. LAW OF DEMAND

Introduction—The law of demand explains the functional relationship between the quantity demanded and its price. **Prof. Alfred Marshall**—used the inductive method of study in economics. On the basis of the market analysis he framed this law. According to this law, there exists a negative relationship between the price and quantity demanded. It speaks of the direction of change in the amount demanded and not of its magnitude. The law does not state how much the quantity demanded would have been if the price of the commodity were to change.

Prof. Alfred Marshall has defined it as "*If other things remain the same, the amount demanded increases with a fall in price and diminishes with a rise in price.*"

In this definition, the phrase, "**other things remaining the same**" is very important qualifying phrase of the law. It is because the demand is not a function of price alone. Demand depends upon many things like population, income, taste, habit and distribution of income in the society etc. Apart from these there are certain psychological factors which affect the demand. Therefore, in the study of Law of Demand, we should keep all these factors as constant.

Definition

The Law of Demand has been defined by various economists differently. The essence of all the definitions is same—price and quantity demanded are inversely related. Some of the definitions are as follows :

1. According to **Marshall**—"*The greater the amount to be sold the smaller must be the price at which it is offered in order that it may find purchasers; or in other words, the amount demanded increases with a fall in price and diminishes with a rise in price.*"

2. As **Lipsey** has said—"*A fall in the price of a commodity causes the household to buy more of that commodity and less of the other commodities which compete with it, while rise in prices causes the household to buy less of this commodity and more of competing commodities.*"

3. According to **Thomas**—"*At any given time the demand for a commodity or service at the prevailing price is greater than it would be at a higher price and less than it would be at a lower price.*"

4. According to **Samuelson**—"*When the price of a commodity is raised (at the same time that all other things are held constant) less of it is demanded or if a greater quantity of a commodity is put on the market, then, other things being equal, it can be sold at a lower price.*"

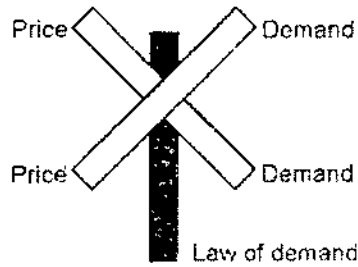
All the above definitions exhibit one thing that there exists a negative association between prices and quantity demanded. More will be purchased at lower prices and less at higher prices. The qualifying clause, "other things remaining the same" or "Ceteris Paribus" implies the assumptions underlying this law.

Explanation of the Law of Demand

It is the view of economists that the Law of Demand is based on Diminishing Marginal Utility. This law simply states that as the price of a commodity increases demand reduces and *vice-versa*. Consumer wants to pay the price of a commodity upto the extent of marginal utility. Therefore, an increase in the quantity of a commodity, its utility diminishes, slowly and consumer likes to pay less price of that commodity.

In other words, it can be said that if the price of a commodity reduces additional units of goods can be purchased.

Eminent economist like **Prof. Marshall** has compared this law with a game of "**See-Saw**" in which he has stated that when one end of a plank of wood goes up the other end goes down which can be seen from the diagram given ahead :



10.12 Supply

Meaning:

In economics, supply during a given period of time means, the quantity of goods which are offered for sale at particular price. The supply of a commodity is the amount of the commodity which the sellers or producers are able and willing to offer sale at a particular price, during a certain period of time.

In other words, we can say that supply is a relative term. It is always referred to in relation of price and time. A statement of supply without reference to price and time conveys no economic sense. **For instance**, a statement such as "the supply of milk is 1,000 litres" is meaningless in economic analysis. One must say, "the supply at such and such price and during a specific period." Hence, the above statement becomes meaningful if it is said—"at the price of Rs. 40 per litre; a dairy farm's daily supply of milk is 1000 litres. Here both price and time are referred with the quantity of milk supplied."

Further, elasticity of supply explains to us the reaction of the sellers due to a particular change in the price of a commodity. If due to a little rise in the price, supply increases considerably we will call it elastic supply. On the other hand, if supply changes a little or negligibly, it is less elastic.

Definition

According to **J. L. Hanson**—"By supply is meant that amount which will come into the market over a range of prices."

In short, supply always means supply at a given price. At different prices, the supply may be different. Normally the higher the price, the greater the supply and *vice-versa*.

According to **Prof. Thomas**—"The supply of a commodity is said to be elastic when as a result of a change in price the supply changes sufficiently as a quick response. Contrary, if there is no change or negligible change in supply or supply pays no response, it is inelastic."

Prof. Thomas's definition tells us proportionate changes in price and quantity supplied is the concept of elasticity of supply. If as a result of small change in price change in supply is more proportionately it will be higher elastic supply.

Supply and Stock Relationship

Supply and stock are related to each other in distinct terms

1. Stock is the Determinant of Supply—Supply is what the seller is able and willing to offer for sale. The ability of a seller to supply a commodity, depends on the stock available with him. Thus, stock is the determinant of supply. Supply is the amount of stock offered for sale at a given price. Therefore, stock is the basis of supply. Without stock supply is not possible.

2. Stock Determines the Actual Supply—Actual supply is the stock or quantity actually offered for sale by the seller at a particular price during a certain period. The limit to maximum supply, at a time, is set by the given stock. Actual supply may be a part of the stock or the entire stock at the most. Thus, the stock can exceed supply but supply cannot exceed the given stock at a time.

3. Stock can be Said as the Outcome of Production—It is very common to understand that by increasing production as well as the potential supply, the stock can be increased. Sometimes, an increase in the actual supply can exceed the increase in current stock, when

along with the fresh stock, old accumulated stock is also released for sale at the prevailing price. In this way, supply can exceed the current stock, but it can never exceed the total stock (old + new stock taken together) during a given period.

Reservation Price or Seller's Reservation Price

It is the minimum or cost price which the seller should get when he is offering a part or whole of his stock of a commodity for sale. The seller will not sell a single unit of his stock below this price.

A seller's willingness to supply a commodity depends on the difference between the reservation price and the prevailing market price or the price which is offered by the buyer for that commodity. If the market price is greater than the seller's reservation price, the seller will be willing to sell more. But at a price below the reservation price the seller refuses to sell. If the price is nearer to the reservation price he will offer a smaller quantity of stock for sale at present, in the hope of an improvement in the market price in future.

10.13. FACTORS AFFECTING SUPPLY

There are a number of factors influencing the supply of a commodity. They are known as the determinants of supply. Important factors are as follows :

1. Price of the Commodity—Price is the most important factor influencing the supply of a commodity. More is supplied at a lower price and less is supplied at a higher price.

2. Seller's Expectations about the Future Price—Seller's expectations about the future price affect the supply. If a seller expects the price to rise in the future, he will withhold his stock at present and so there will be less supply now. Besides change in price, change in the supply may be in the form of increase or decrease in supply.

3. Nature of Goods—The supply of every perishable goods is perfectly inelastic in a market period because the entire stock of such goods must be disposed of within a very short period, whatsoever may be the price. If not, they might get rotten. Further, if the stock of a commodity can be easily stored its supply would be relatively elastic and *vice-versa*.

4. Natural Conditions—The supply of some commodities, such as agricultural products depends on the natural environment or climatic conditions like—rainfall, temperature etc. A change in the natural conditions will cause a change in the supply.

5. Transport Conditions—Difficulties in transport may cause a temporary decrease in supply as goods cannot be brought in time to the market place. So even at the rising prices, quantity supplied cannot be increased.

6. Cost of Production—If there is a rise in the cost of production of a commodity, its supply will tend to decrease. Similarly, with the rise in cost of production the supply curve tends to shift downward. Conversely, a fall in the cost of production tends to increase the supply.

7. The State of Technology—The supply of a commodity depends upon the methods of production. Advance in technology and science are the most powerful forces influencing productivity of the factors of production. Most of the inventions and innovations in chemistry, electronics, atomic energy etc. have greatly contributed to increased supplies of commodities at lower costs.

8. Government's Policy—Government's economic policies like—industrial policy, fiscal policy etc. influence the supply. If the industrial licensing policy of the government is liberal, more firms are encouraged to enter the field of production, so that the supply may increase. Import restrictions and high customs duties may decrease the supply of imported goods but it would encourage the domestic industrial activity, so that the supply of imported products may increase. A tax on a commodity or a factor of production raises its cost of production, consequently production is reduced. A subsidy on the other hand provides an incentive to production and augments supply.

10.14. THE LAW OF SUPPLY.

The law of supply reflects the general tendency of the sellers in offering their stock of a commodity for sale in relation to the varying prices. It describes seller's supply behaviour

under given conditions. It has been observed that usually sellers are willing to supply more with a rise in prices.

The law of supply may be written as follows—"*Other things remaining unchanged, the supply of a commodity rises i.e., expands with a rise in its price and falls i.e., contracts with a fall in its price.*"

In other words, it can be said that—"*Higher the price higher the supply and lower the price lower the supply.*"

The law thus suggests that the supply varies directly with the change in price. So, a larger amount is supplied at a higher price than at a lower price in the market.

10.15 PRODUCTION : AN INTRODUCTION

Meaning and Definition of Production

In common usage, production means the creation of a physical product. According to this concept, production of services is not included in production.

Modern economists do not agree with this concept. According to them, man can neither produce a physical product nor he can destruct it.¹ He can change only the form of a physical product. Thus, production means the creation of utilities. Any activity that makes a product more useful, is called production. Example : A farmer sowing wheat and rice is a producer, a teacher teaching a student is a producer, a driver driving a bus or car is a producer. The term 'production' has been defined as under :

1. "*If consuming means extracting utility form, producing means putting utility into.*"—

Fraser

2. "*Production consists of creation of utility in wealth.*"—**Fairchild**

3. "*Man cannot create material things, in mental and moral world, indeed he may produce new ideas when he is said to produce material things, he really produces utility.*"—

Prof. Marshall

4. "*Production includes any activity and the provision of any service, which satisfies or is expected to satisfy a want.*"—**A. J. Brown**

Thus, it may be concluded that production means the creation of utility. It adds to the utility of goods and services.

Forms of Utility Creation

1. **Form Utility.** Form utility is created when raw material is transformed into finished product. **Example :** A farmer sows seeds and reaps foodgrains, a carpenter makes furniture from raw wood, a flour mill converts wheat into flour. All these are the examples in which form utility is created and so are called the production.

2. **Place Utility.** When a matter is transported from one place to another to make it more useful, it is called creation of place utility. **Example :** Wheat is transported from agricultural farms to market and is sold to consumers at different places, sand available in a river is brought to the town and used as building material.

3. **Time Utility.** Some are the commodities that can be made more useful by storing them for a particular time. **Example :** Wheat is produced once in a year and is consumed round the year. Businessmen make it more useful by storing it and selling it when it is required.

4. **Possession Utility.** Utility can be added by changing possession also. **Example :** This book of economics is of little or no use to a student of Biology but when he gives it to you, it becomes very useful.

5. **Knowledge Utility.** A product becomes more useful when we come to know about its possible uses. **Example :** People generally prefer apple but when a physician recommends that guava contains more vitamins than an apple, the utility of guava increases. **Service Utility.** A car is made more useful by a driver by rendering his services, particularly for the owners who do not know how to drive. Similarly, doctors, lawyers, teachers etc. also create utility by rendering their services.

Characteristics of Production —

Goods and services included in production :

1. Goods and services created by human labour and capital.
2. Goods and services capable of satisfying human wants, directly or indirectly.
3. Goods and services having an economic value.
4. Goods and services having a certain monetary price or cost.

Activities Not Included in Production -

(1) **Domestic Services.** Domestic services are not included in production because these

Services do not have an economic value. **Example :** Nursing of a child by his mother and teaching of a child by his father. If the same lady renders her services in hospital or if the same man is a teacher in a school, these will be the productive activities.

(2) **Voluntary Services.** Services performed by charitable organisations or individuals as a duty towards society, are not included in production, because they do not have an economic value. **Example :** Services of a doctor in a charitable camp do not form a part of production but the services of the same doctor in his clinic form a part of production.

(3) **Production for Self-consumption.** If a part of production is retained by producers for self-consumption, it does not form a part of production. **Example :** Farmers retain a part of foodgrains produced by them for self-consumption, production of vegetables in kitchen-gardens does not go to the market for sale and hence, does not form a part of production.

Factors of Production

All the goods and services, that are helpful in the production of goods and services, are called factors of production. According to **Prof. J. K. Mehta**, "*Anything that assists production is known as a factor of production. A thing that exists is not necessarily a factor of production, it becomes a factor of production only when it actually assists production.*" Production is the result of combined efforts of various factors of production. **Example :** A farmer uses land, seeds, fertilizers, chemicals, water, agricultural implements etc. and puts his labour to produce something. If any of these resources is not available, production is not possible. Factors of production can be explained as follows :

(1) **Land.** Land means all natural resources used in production process. Thus, surface of land, fields, hills, sun, wind, rain, water resources, mines and minerals etc., all are included in land.

(2) **Labour.** Labour means all human efforts undertaken with an expectation of reward. It includes all physical and mental efforts.

(3) **Capital.** Capital is that part of wealth which is used in the production of goods and services. Capital may be in the form of cash, machines, raw materials, minerals, roads and railways, dams and bridges etc.

(4) **Enterprise.** Enterprise is the skill of organising and directing. An entrepreneur organises and collects various factors of production, coordinates their functions, directs and motivates their activities and bears all business risks and uncertainties.

10.16. LABOUR

Meaning:

In simple terms by 'Labour' we mean the work done by hand. Manual labour is mostly work done by unskilled worker. But in Economics, the term labour means not only manual labour. It includes mental work also.

In other words we can say that Labour includes both physical and mental work undertaken for some monetary reward. In this way, workers working in factories, services of doctors, advocates, officers and teachers are all included in labour. Any physical or mental work which is not undertaken for getting income, but simply to attain pleasure or happiness, is not labour. *For example*—The work of a gardener in the garden is called labour because he gets income for it. But if the same work is done by him in his home garden, it will not be

called labour, as he is not paid for that work.

Definition

1. According to **Prof. Marshall**—"*Any exertion of mind or body undergone partly or wholly with a view to earning some good other than the pleasure derived directly from the work.*"

2. According to **Prof. Jevons**—"*Labour is any exertion of mind or body undertaken partly or wholly with a view to some good other than the pleasure derived directly from the work.*"

3. As **S. E. Thomas** has said—"*Labour connotes all human efforts of body or mind which are undertaken in the expectation of reward.*"

4. According to **Waugh**—"*..... we define labour as human efforts used in production.*"

Therefore, important facts regarding Labour are :

- (i) Only the work of man is included under Labour.
- (ii) The physical and mental work undertaken for some monetary reward is included under Labour, (iii) Any work done for entertainment or for self satisfaction is not included in Labour in economics.
- (iv) In Economics Labour has no relation with morality, (v) Any work done by animal or bird is not Labour in Economics.

Characteristics or Peculiarities of Labour

Labour has certain peculiarities or characteristics which have been explained as follows :

1. **Labour is original and indispensable factor of production**—Labour is original and indispensable factor of production without which the work of production is not possible.

2. **Labour is an active factor of production**—Land and capital are considered as the passive factors of production, because they alone cannot start the production process. Production from land and capital starts only when a man makes efforts. Production begins with the active participation of man. Therefore, Labour is an active factor of production.

3. **Labour is more perishable than any other commodity**—Labour is more perishable than other factors of production. It means Labour cannot be stored. The Labour of an unemployed worker is lost forever for that day when he does not work.

4. **Labour cannot be separated from the labourer**—Land and capital can be separated from their owner, but Labour cannot be separated from a labourer. Labour and labourer are indispensable for each other. For *example*—It is not possible to bring the ability of a teacher to teach in the school, leaving the teacher at home.

5. **Labour is less mobile**—As compared to capital and other goods, Labour is less mobile. Capital can be easily transferred from one place to the other, but Labour cannot be transported easily from its present place to other places.

6. **Labour supply is inelastic**—The supply of Labour is often found inelastic in a country at a particular time. It means that their supply can neither be increased nor decreased if the need demands so.

7. **A labourer sells his Labour and not himself**—A labourer sells his Labour for wages and not himself, The worker sells work but he himself remains his own property.

8. **Labour has weak bargaining power**—Labourers have a very weak bargaining power, because their Labour cannot be stored and they are poor, ignorant and less organised.

9. **Labour is both the beginning and the end of production.**

10. **Efficiency of Labour differs**—Labourer differs in efficiency some labourers are more efficient due to their ability, training and skill, where as others are less efficient on account of their illiteracy and ignorance etc.

11. **Labour cannot be engaged continuously in production like machine.**

13. It is difficult to calculate the cost of production of labour.

Kinds of Labour

Labour can be classified under the following heads :

1. Physical and Mental Labour.
2. Skilled and Unskilled Labour.
3. Productive and Unproductive Labour.

10.17. EFFICIENCY OF LABOUR AND MOBILITY OF LABOUR

Meaning of Efficiency of Labour

Efficiency of Labour refers to the productive capacity of labour. This signifies the capacity of the labourer to do more work or better work or both during a given period of time.

Definition

1. According to **Prof. J. K. Mehta**—*"By efficiency of labour, it is meant that ability of labour by virtue of which it is productive."*
2. According to **More Land**—*"By the word efficiency of labour, we mean that the wealth produced by certain amount of labour is larger relatively to the cost of labour spent."*

Elements—There are three important elements of efficiency of labour :

- (i) Efficiency of labour is a comparative term.
- (ii) It has two aspects : (a) Quantitative, (b) Qualitative :
- (iii) Time of work and working conditions must be the same.

Factors Affecting the Efficiency of Labour

According to **Prof. Thomas**—Important factors affecting the efficiency of labour are as follows :

1. Personal qualities of labourers.
2. Working conditions,
3. Conditions of the country.
4. Organisational and Managerial Ability.
5. Other factors.

Measures to Improve the Efficiency of Indian Labourers

Economists are of this firm opinion that Indian labour is not regarded as very efficient. His productive capacity is low as compared with the European, the American and the Japanese Labour. For less efficiency Indian labourers are not very much responsible alone because they are without education and the climatic conditions in which they normally work is unfavourable. Further, the factory conditions are tiring, wages are low and working hours are long. The entrepreneurs are themselves of lower efficiency. The workers mostly live in debt because they waste their money in drinking and gambling. It is really very surprising how under these circumstances the workers are able to do what they are doing.

Therefore, it has been suggested that in order to improve the efficiency of our labour, it will be better if we impart them general and technical education. We should improve the working conditions in and around the factories as well as the living conditions of the workers. We should provide them modern and up-to-date machinery, tools and proper material. Labour should be looked after in a better way. Their remuneration should be proper and lucrative and the working hours should be reduced. Factory must be equipped with heating arrangements in winter season and cooling arrangements in summer season. Further, the workers should be treated as human beings and not as a property or like slaves of the capitalists. If we will adopt all these measures then the efficiency of Indian labour is bound to go up and the production will increase.

Advantages of Efficient Labour

Efficient labour brings benefits to themselves, to the industry and to the nation. We can discuss the advantages of an efficient worker under the following heads :

1. Advantages to Workers—In a country where the labour force is efficient, its productivity is high. The workers are able to produce more and this helps in getting high wages. An efficient worker gets better job and can be appointed at higher salary. More salary means better standard of living.

2. Advantages to Industry—Efficient workers are a great asset to the industry in which they work. They require less supervision. They work hard, are honest, loyal and responsible to the task assigned. They make proper utilisation of resources and do not waste raw material. They produce quality products in sufficient quantity. As a result, cost of production falls and profits increase. Efficient workers also innovate and invent and can develop new techniques of production. This further leads to quality production at cheap rate. The cost of production will be lower and this will bring more profits to industry and thus the trade will flourish.

3. Advantage to the Nation—Remember, efficient workers are an asset to the nation. They help to increase the production of superior products at lower cost. This not only expands trade and industry within the country but also abroad. Further, the activities tend to increase total output, employment and income and brings economic progress.

Mobility of Labour

Meaning—Mobility of labour means the ability and the capacity of labour to move from one place to another or from one occupation to another or from one job to another or from one industry to another. It refers to alternate employment. "

Indian labour is less mobile because of ignorance, conservatism, caste considerations and due to lack of cheap and quick means of transport and communication.

Types of Mobility—Mobility of labour is of the following forms :

1. Geographical Mobility—Geographical mobility is that when a worker moves from one place to another within a country or from one country to another. *For example*—the movement of labour from Bengaluru to Delhi or from India to U.S.A. is geographical mobility.

2. Occupational Mobility—Occupational mobility means the movement of workers from one occupation to another. This mobility has been further divided into the following two types :

(a) **Horizontal Mobility**—Horizontal mobility is that in which there is the movement of labour from one occupation to another in the same grade or level. *For example*—A bank clerk joins as an accounts clerk in a company.

(b) **Vertical Mobility**—When a worker of a lower grade and status in an occupation moves to another occupation in a higher grade and status, it is vertical mobility. *For example*—A mistri becomes an engineer or a teacher in a school becomes a professor in a college. This type of mobility is rather difficult. It requires superior intelligence, financial backing and a social or political push.

3. Mobility between Industries—This mobility is the movement of labour from one industry to another in the same occupation, *for example*—A fitter leaving a steel mill and joining an automobile factory.

Importance or Advantages of Mobility of Labour

Important advantages of mobility are as follows :

1. To worker himself—Workers who leave their village homes and go to industrial centres or foreign lands are able to improve their prospects. They are able to raise themselves economically sound. By trying luck elsewhere, it is just probability that they may meet good luck. It has been said that nothing can be achieved without showing an advantageous spirit of life.

2. Helpful and useful for improving the structure of industry. If labour is mobile they will be withdrawn from decaying industries and can be diverted to expanding industries.

3. Mobility of labour checks unemployment—Labour moves from places where it is not wanted to those where it is wanted. In this way, unemployment is reduced. The mobility of labour is beneficial not only to the worker himself but also to the nation at large.

Factors Determining Mobility of Labour

The mobility of labour depends upon the following factors :

(1) **Education and Training**—The mobility of labour depends on the extent to which Labour is educated and trained. Higher or more a person is educated and skilled, the greater are the chances of his moving from one occupation or place to another. Geographical and vertical mobility is very much dependent on education and training.

(2) **Urge to Rise in Life**—The inner urge of the workers to rise in life determines the mobility. If workers are optimist and broad minded, they will move to other jobs and places. Differences in language, habits, religion, caste etc. will not be hindrances in their mobility.

(3) **Means of Transport and Communication**—Well developed means of transport and communication encourage mobility of labour. The worker knows that in case of emergency at home he can easily communicate with his family on phone or travel back by train within the country or by aeroplane if he is abroad.

(4) **Social Set-up**—The mobility of labour also depends upon the social set-up. A society dominated by caste system and joint family system lacks in mobility of labour. But where the joint family and caste systems do not prevail or have disintegrated family, the mobility of labour increases.

(5) **Agricultural Development**—In a developed agricultural area or where there is agricultural development labour moves from high population to low population areas during busy seasons.

(6) **Advertisement Relating to Jobs in Newspapers**— Advertisement relating to jobs in newspaper also helps and determines the mobility of labour Advertisement helps workers to move between places and occupations.

(7) **Industrial Development Helps Mobility**—The mobility of labour is determined by industrial development. Workers move from different occupations and places to work in factories. Industrialisation also leads to urbanisation and workers move from rural and semi-urban areas to industrial centres and big cities.

(8) **Development of Trade and Business**—The development of trade and business leads to the spread of their offices and institutions related to them in different parts of the country. As a result workers move from one place and occupation to another place or occupation to work in trade and business offices, banks, insurance companies etc.

(9) **Peace and Security in the Country**—The mobility of labour depends to a large extent on law and order situation in the country. If there is no safety of life and property of the people, then the workers will not move from their present place of occupations to other places.

10.18. OBSTACLES IN MOBILITY OF LABOUR OR FACTORS HAMPERING MOBILITY OF LABOUR IN INDIA

Indian labour is comparatively more immobile. India is a vast country and there are vast differences in climate, language, etc. A Punjabi is almost a foreigner in Chennai or at Bengaluru. These differences discourage Indian worker from moving to a different place. Lack of education and information about the conditions in other centres of work also stands in his way. It has been observed that labour is geographically not very mobile. Adam Smith has rightly said that—“*a man is of all sorts of luggage, the most difficult to be transported.*”

Geographical Mobility of Labour is being obstructed by the following factors :

(1) **Social relations and social ties**—In India people mostly prefer to live with their families and friends, so they are reluctant to move elsewhere.

(2) **Geographical environment**—Sometimes, geographical factors like climate may also obstruct mobility of labour. A person from a cold region would not like to move to a tropical region and *vice-versa*.

3. **Accommodation problem in cities is acute**—In industrial cities where accommodation problem is acute, rural folk are reluctant to move there.

4. **Monetary cost of movement**—If movement from one place to another involves a high monetary cost, such as high transport expenses and high cost of settlement, labour

mobility will be reduced in such areas.

5. Political and communal factors—To-day in India and else-where, political and communal weight on employment such as priority to local people has also hindered geographical mobility to some extent. In India, especially provincialism has inhibited further mobility of labour.

Like geographical mobility **occupational mobility of labour is obstructed** by several factors and these are as follows :

1. Age restrictions restrain people from moving—Quite often age factor debars people moving from one occupation to another. *For example*—In banking industry when age limit is fixed for officers, a college lecturer, though otherwise fit for the job cannot continue on the post, if he has attained the retirement age.

2. Difference in ability—All labourers do not have equal natural efficiency and ability and this fact itself restricts the mobility of labour.

3. Job meant for particular sex—The job in which traditional preferences are given to a particular sex, the members of the other sex will tend to be immobile to such jobs.

4. Long period of training and education—There are certain professions such as those of doctors, lawyers, engineers, professors etc. which involve a long training period and high education, as such cross-mobility among such professions is rare.

5. Trade unionism—Strong trade unions succeed in forcing the management to promote workers internally as per seniority, outsiders will have a restricted scope of vertical mobility.

10.19. LAND

Meaning and Definition of Land

In common usage, the term 'land' refers to land surface only but in economics the meaning of land is very wide. It includes all materials, power and resources which are free gifts of nature to men. It includes land surface, fields, mountains and hills, water resources, mines and mineral resources etc. It has been defined as under :

1. "By land we mean not merely land in the strict sense of the word, but the whole of materials and forces which nature gives freely for man's aid, in land and water, air, light and heat."
—**Marshall**

2. "Land consists of all economic goods and wealth supplied by nature, natural resources in their original state."
—**J. Ulmer**

3. "Land applies to all those gifts of nature which man uses in providing the things that satisfy his wants."
—**H. A. Smith**

4. "Under the term (Land), the economists include not only the soil, but also water, sunshine and all the gifts of nature."
—**Richard**

Thus, land means and includes all the natural resources used in production process. Land includes the following :

(1) **On the Surface of Land.** It includes land surface, fertility of land, fields, forests, mountains, rivers, seas, animals, birds, herbs etc.

(2) **Below the Surface of Land.** It includes mineral products such as iron, copper, bronze, silver, gold, marble etc.

(3) **Above the Surface of Land.** It includes natural powers such as air, wind, sun, light, rain, climate, weather etc.

Characteristics of Land

(1) **A Free Gift of Nature.** Land is a free gift of nature to man. Man can neither construct nor destruct the land. It can only be improved.

(2) **Supply of Land is Certain and Fixed.** Supply of land is certain and fixed. It can neither be increased nor decreased. Only the fertility of land can be increased.

(3) **Land is Indestructible.** Land cannot be destructed. Only the form of land can be changed. Example : Earthquake can convert a mountain and a hill into a field or river but it is only the change of form and not destruction.

(4) **Land is Immobile.** Land is not mobile. It cannot be shifted from one place to another. However, it has use-mobility because a piece of land used for producing wheat can also be used to produce sugarcane or pulses.

(5) **Land is a Passive Factor of Production.** Land is an inactive factor of production. It does not produce anything of its own.

(6) **There is Diversity in Land.** Quality of land varies not only geologically but also because of its position and prevailing climate etc.

(7) **Land Possesses Original Properties.** Land possesses original and indestructible powers. The position, climate and fertility of land are indestructible.

10.20. CAPITAL

Meaning and Definition of Capital

In common usage, the term 'capital' means money or wealth. In economics, the term 'capital' is used in a different sense. It refers to that part of man-made wealth which is used in the process of production. Thus, capital is that part of wealth, other than land, which is used in the production of goods and services or which is expected to yield income. It has been defined as under :

1. "Capital is the wealth which yields an income or aids in the production of income or is intended to do so." —Prof. Chapman
2. "Capital forms part of that wealth of individuals and of communities other than land which is used to assist in the production of further wealth." —Prof. Thomas
3. "Every type of wealth (excluding free gifts of nature), which yield income, is called capital." —Prof. Marshall

Thus, it may be concluded that capital is that part of wealth which is used in the process of producing further wealth.

Characteristics of Capital

On the basis of above definitions, following characteristics of capital may be noticed :

1. **Only the wealth may be capital.** If a commodity is not wealth, it cannot be capital. A commodity must possess following three characteristics to be wealth : (i) Utility, (ii) Scarcity, (iii) Transferability.
2. **Only the man-made wealth is capital.** Free gifts of nature such as land, water resources, mineral resources cannot be capital.
3. Only that part of wealth is capital which is **used in production process** or which yields income. If a part of wealth is not utilised in production process, it cannot be capital.
4. All the capital is wealth but all the wealth is not capital.

10.21. ENTERPRISE

Meaning of Enterprise

Enterprise or entrepreneurship is the last but most important factor of production. Enterprise is the factor that mobilises other factors of production (land, labour, capital and organisation), combines them in right proportion, initiates the process of production, and bears the risks involved in it. The person, who shoulders the responsibility of enterprise, is called entrepreneur.

10.22. ENTREPRENEUR

Entrepreneur is the person who establishes a business, organises required factors of production and bears all risks and uncertainties. He has been defined as under —

1. **Prof. Knight** : "An entrepreneur is a person who performs dual function of risk taking and control"
2. **Prof. Whitehead** : "Entrepreneurs are the owners of business who contribute capital and bear the risk of uncertainties in business life."

3. **Prof. Schumpeter** : "Entrepreneur is associated with innovations." Thus, an entrepreneur is the owner of business. He owns, manages and controls the business and bears the risks involved therein.

Functions of Entrepreneur (Enterprise)

1. Initiating Business Enterprise and Decision Making.
2. Risk Bearing and Uncertainty Bearing.
3. Innovation.

SUMMARY

- Adam Smith stated that economics is mainly concerned with the causes of the wealth of the nations.
- Marshall's definition of economics was more concerned with mankind.
- Robbin's definition stated that; *Economics is the Science which studies human behaviour as relationship between ends and scarce means which have alternate uses.*
- Definition of economics by prof. J.K.Mehta stated that; *Economics is a science that studies human behaviour as an attempt to reach the state of wantlessness*
- Modern economists have divided economics into two parts –
 - (i) Macro-economics or Income Theory
 - (ii) Micro-economics or Price Theory.
- Micro-economics is concerned with the study of small individual parts of the economy.
- Under macro-economics economic system is studied as a whole.
- Fundamental causes of economic problems in any economy are:
 - Unlimited wants
 - Limited resources
 - Alternate uses of resources.
- Demand in simple terms means to desire or want something and one's capability of acquiring that thing.
- Law of demand states that " *with other factors remaining same the demand of product increases with the decrease in price and decreases with the increase in price*"
- In economics, supply during a given period of time means, the quantity of goods which is offered for sale at particular prices
- Law of supply states that " *with other factors remaining same supply of a commodity increases with the increase in price and decreases with the decrease in price.*"
- Production is associated with the creation of utility of any type.
- Factors of production are : Land, labour, capital and enterprise. With any of these factors missing production is not possible.
- Labour in simple terms means the hard work done by man. It includes both physical and mental work.
- In economics Land includes all materials, power and resources which are free gifts of nature to man.
- Capital in terms of economics is the wealth which is meant to assist in production and is intended to yield some income.
- An entrepreneur is the person who establishes and runs the business by organizing all the required factors of production.

TEST YOURSELF

1. Give your view point on whether economics is a science or its an art. Give reasons in

support your answer.

2. Considering the present scenario which definition of economics is best of all? Give reasons to support your answer.

3. Economics comes into play in every decision we make in our daily life. Explain how?

Answer the following in one or more words.

1. Wealth definition of economics was given by:
2. The part of economics which deals with the price theory is:
3. The desire or want for a commodity in economic terms is known as:
4. The factors of production are:
5. The factor of production which constitutes organizing and directing is:

ANSWERS

1. Adam Smith
2. Microeconomics
3. Demand
4. Land, Labour, Capital and Enterprise.
5. Enterprise

Long answer questions

1. Explain the laws of demand and supply and their relationship.
2. What are the two parts of modern economics? Differentiate between the two?
3. What do you understand by production? What are the factors responsible for production?
4. How does mobility of labour affect production? Explain.
5. Explain the Keynesian approach to economics in brief.

ROLE OF BANKS AND FINANCIAL INSTITUTIONS & GLOBALIZATION AND PRIVATIZATION

STRUCTURE

- Evolution and Definition of Bank
- Classification of Banks
- Functions of Commercial Banks
- Central Bank – Function and Credit Control
- Reserve Bank of India
- Globalisation of Banks
- Privatisation of Banks
 - Summary
 - Test Yourself

LEARNING OBJECTIVES

After going through this unit you will be able to learn:

- Banking system
- Various types of banks
- Functions of commercial banks and central bank in a country
- Credit creation: need and control
- Reserve bank of India
- Globalisation and privatization

11.1. EVOLUTION AND DEFINITION OF BANK

Banks play a very important role in the economic development of a country. They have acquired so much importance that a country's political, economic and industrial power can very well be judged by the development of its Banking System.

The evolution of the banks and the banking system is the result of a long-term process. The French writer **Revilpoul** has written that there were banks and bank notes in Babylonia 600 B.C. In olden days, Banking System was prevalent in **Babylonia**, Greece, parts of India and Rome. The Kautilya's Arthasastra makes a special reference to big Mahajans who were working as banks.

In India, the bank and banking system as **Crowther** has written consists of three ancestors—(1) Merchants, (2) Money-lenders, and (3) Gold-Smiths. Merchants' goodwill made them to issue papers which were considered as money. The second ancestors work was lending and borrowing and it remained popular for long-time. Modern Banks in India came into existence in the end of 18th century and beginning of the 19th century. By the end of the nineteenth century the cheque system also came into vogue.

Definition—The important definitions of bank as given by some eminent economists are as follows :

1. In **Simple words**—"A Bank is an institution which deals in money and credit."
2. According to **Indian Banking Companies Act, 1949**—"Banking has been defined as the accepting for the purpose of lending or investment of deposits of money from Public repayable on demand or otherwise and withdrawls by cheques, draft, order or otherwise."
3. According to **Sayers**—"A Bank is an institution whose debts are widely accepted in settlement of other people's debt to each other."

From the above definitions, we find that writers have given emphasis on two functions of the bank. These are :

1. Bank accepts deposits from the public.
2. Bank advances loans to the needy businessmen.

Other economists are of this opinion that the definitions written above are not satisfactory. A proper and acceptable definition of a bank should describe all the important functions which are difficult to ascertain.

11.2 KINDS OR CLASSIFICATION OF BANKS

The important kinds of banks are as follows :

1. Commercial Banks—Commercial Banks are those banks whose main work is receiving of deposits, lending of money and financing the trade of a country. They give short-term credit to trade and commerce and they are not in a position to grant long-term loans to industries because their deposits are only for a short-period. In India, majority of the banks are commercial banks.

2. Central Bank—The Central Bank is the organ of government that undertakes the major financial operations of the government and by its conduct of these operations and by other means influences the behaviour of financial institutions, so as to support the economic policy of the Government. The important responsibility of the Central Bank is to control the credit of the country in accordance with the needs of business and with a view to carrying out the broad monetary policy adopted by the state. The Reserve Bank of India (RBI) is such a Bank in our country.

3. Foreign Exchange Banks—Foreign Exchange Banks are that type of banks which normally finance foreign trade. They deal in international business of payments through the purchase and sale of exchange bills. They convert home currency into foreign currency and viva-versa. It is on this account that these banks have to keep in reserve with themselves stock of currencies of various countries. They try to open branches in foreign countries to carry on their business. Majority of the foreign exchange banks working in India are under the control of foreigners.

4. Industrial Banks—Industrial Banks are those banks, which grant long-term loans to industries. There are a few Industrial Banks in India. Industrial Banks mostly have a large capital of their own. They accept deposits for longer periods.

In India, to help industry and to advance long-term loans the Central Government set up *Industrial Finance Corporation of India (IFCI)* in 1948. The States have also set up State Finance Corporations (SFC). The Central Government has also established the Industrial Credit and Investment Corporation of India (ICICI) and the National Industrial Development Corporation for the financing and promotion of industrial enterprises. In 1964, the Industrial Development Bank of India (IDBI) was established as the apex or top term loan lending institutions.

5. Saving Banks—These banks perform the services of mobilising the savings of men of small means. The idea behind opening this type of bank is to encourage thrift and discourage hoarding. In India, Post Offices are also doing this work and they open in their premises the "Savings Bank Account" counter.

6. Agricultural Banks—The main work of the Agricultural Bank is to provide loans and advances to farmers. They work on co-operative basis. These have been divided under two heads—(a) Land Mortgage Banks, and (b) Co-operative Banks. Long-term loan is provided by Land Mortgage Banks while short-term loans are given by Co-operative Banks or cooperative Societies. Long-term loans are given for permanent improvements on land, while short-term loans are given for purchasing implements, fertilizers and seeds etc.

7. The Indigenous Banks—The Indigenous Banks work as an individual or private firm receiving deposits and dealing in Hundies or lending money. They do business operations in different parts of the country under different names. In Punjab and U.P. Sahukars, Mahajans and Khattris, in Madras (Chennai) they are called Chettys, in Mumbai Shroffs and Marwaris and in Bengal Seths and Baniyas.

8. International Banks—International Level Banks are the International Bank for Reconstruction and Development (IBRD) also called World Bank; International Monetary Fund (IMF); International Development Association (IDA) etc. The main aim of the above written institutions is to provide long-term loans to different countries for various projects at minimum possible interest.

9. EXIM Banks (1981)—EXIM Banks popularly known as Export-Import Bank is another type of bank which was set up in India in January 1981. Its Authorised capital was Rs. 200 crore which can be raised to Rs. 500 crore. Its main work is to provide long-term finance

to exporters and importers.

10. Miscellaneous Banks—There are certain other kinds of banks like Investment Banks, Labour Banks and Student's Banks. American Trade Unions started Labour Banks. Some of the colleges in those countries have started Students Banks to receive the deposits of the technical and specialised students. Similarly, in England and America, there are investment banks whose object is to control the distribution of capital advanced in the country.

11.3. FUNCTIONS OF COMMERCIAL BANKS

Commercial Banks perform a number of functions which are given below in brief—(1) Accepting of deposits, (2) Advancing Loans, (3) Credit Creation, (4) Financing Foreign Trade, (5) Agency Services, and (6) Miscellaneous Services to Customers.

1. Accepting of Deposits—Generally, the banks accept four types of deposits from the public which are as follows :

(a) Current Account or Demand Deposit—Under this account the depositor can withdraw the money whenever he requires it. Normally no interest is paid by the bank because the bank cannot utilise this money in earning and the bank must keep itself ready to meet the demand of the customer. The bank must keep cent per cent reserve against the deposit. In this account the depositor has to maintain minimum balance. Occasionally a small interest is paid to the people who keep large balances.

(b) Savings Bank Account—Under this account the depositor is not free to withdraw any amount like current account. He can withdraw only a specified sum of money in a week. Here the depositor gets less interest in comparison to Fixed Deposit Account.

(c) Fixed or Time Deposit Account—Under this account deposits are accepted for a fixed period say one, two, four or five years or above. The money deposited in this account cannot be normally withdrawn before the expiry of the agreed period. The rate of interest on this account is higher than that on other accounts.

(d) Home Safe Account—Under this account a safe is provided by the bank to the customers. Safe is locked and the bank keeps the key. Customers put their small savings in the safe and after two to three months the customers take the safe to the bank where the banker unlocks it before the customer and makes credit in the customers account. A nominal rate of interest is allowed to the customer.

2. Advancing Loans—A bank lends a certain percentage of cash lying in deposits on higher interest rate than it pays to the depositor. This is how it earns profits and carries on its business. The bank advances loan in the following manner :

(a) Cash Credit—This type of loan is granted to businessmen against certain specified securities. To a new customer, a loan account has to be opened from where the money is withdrawn by cheque but he pays interest on the full amount.

(b) Call Loans/Money at Call and at Short Notice—These are very short-term loans and are mostly given to bill brokers for 15 days. They are advanced against first class securities. This can be recalled at a very short-notice.

(c) Overdraft—Overdraft is the facility extended by the bank to draw a sum more than the balance lying in his current account. The businessman is charged interest only on that amount by which his current account is actually debated and not by the full amount of the overdraft sanctioned.

(d) Discounting Bills of Exchange—If a creditor wants money immediately and has a bill of exchange, the bank gives him money by discounting the bill of exchange. The banker deposits the amount of the bill in the current account of bill holder after deducting the rate of interest for the period of the loan which is normally not more than 90 days. When the bill matures the bank gets payment from the banker.

3. Credit Creation—Credit creation is one of the most important functions of commercial banks. In order to earn profit the bank accepts deposits and advances loans by keeping a small cash in reserve to meet the day-to-day needs of the customers. When a bank gives loan, it opens an account in the name of the loantaker and does not pay him in cash but allows him to draw the money according to his requirements. By granting a loan, the bank creates credit or deposit.

4. Financing Foreign Trade—A commercial bank helps in foreign trade by financing his customers and by accepting foreign bills of exchange. The bank encourages the documents like D/A (Documents against acceptance) and D/P (Documents against payments) in foreign

payments. Further, it transacts foreign exchange business and buys and sells foreign currency.

5. Agency Service—A bank discharges agency services on behalf of its customers which are as follows:

- (i) The bank collects payments of bills of exchange, cheques dividends etc. on behalf of its customers,
- (ii) It buys and sells shares, securities, debentures etc. for its customers.
- (iii) The bank remits money to different places by bank drafts on telegraphic transfer (T/T) on behalf of its customers,
- (iv) It discharges the functions of marketing, work as a trustee, administrator or executor for its customers.
- (v) It gives proper advice to the customers in the matter of correspondence and other matters of business.

6. Miscellaneous Services—Besides the above mentioned services the commercial bank performs a number of other services the important of them are as follows :

- (i) It provides lockers facility to the customers where the customers can keep the valuable documents and ornaments etc.
- (ii) It underwrites the company debentures and shares.
- (iii) It provides information about the customers.
- (iv) It issues travelers cheques, letters of credit etc. to the customers and it accepts bills on behalf of the customers.

11.4. ROLE OF COMMERCIAL BANKS IN A DEVELOPING COUNTRY

In developing countries the Commercial Banks play an effective role in their economic development. The majority of people in such countries are poor, unemployed and engaged in *traditional agriculture*. People lack initiative and enterprise. The role of sound system of commercial banking for a developing country are as follows :

1. Mobilising savings for capital formation—People in developing countries have low income but the banks induce them to save by introducing a variety of deposit schemes to suit the needs of individual depositors. To mobilize dormant savings and to make them available to the entrepreneurs for productive purposes, the development of a sound system of commercial banking is essential.

2. Existence of a large non-monetized sector—A developing economy is characterized by the existence of a large non-monetized sector, particularly, in the backward and inaccessible areas of the country. The existence of this non-monetized sector is a hindrance in the economic development of the country. The banks by opening branches in rural and backward areas can promote the process of monetization in the economy.

3. Financing industrial sector—Commercial Banks provide short-term and medium-term loans to the industry. In India, they undertake financing of small scale industries and also provide hire-purchase finance. These banks not only provide finance for industry but also help in developing the capital market which is underdeveloped in such countries.

4. They help in monetary policy—The Commercial Banks help the economic development of a country by following the monetary policy of the Central Bank. The Central Bank is dependent upon these Commercial Banks for the success of the monetary management in keeping with requirements of a developing economy.

5. Commercial Banks help in financing internal and external trade—The banks provide loans to wholesalers and retailers to stock goods in which they deal. They also help in the movement of goods from one place to another by providing all types of facilities such as discounting and accepting bills of exchange, providing overdraft facilities, issuing drafts etc. They help by giving finance both exports and imports of developing countries.

6. Provision for long-term finance for the improvement of agriculture—Normally, commercial banks grant short-term loans to the trade and industries in developed countries. But in developing countries new businesses and improvement in agriculture need long-term loans for proper development. Therefore, the commercial banks should change their policy in favour of granting long-term loans to trade and industries.

7. They help in financing various consumer's activities—People in developing countries do not possess sufficient financial resources to buy costlier goods like house, scooter, refrigerator etc. They help by giving loans to purchase these items which raises the standard of living of the people in developing countries.

8. Need for sound Banking system—For the improvement of the banking system in a developing country the following points need special stress :

(i) In developing countries, there should be proper facility of cheap remittance to enable the movement of funds from one place to another, so as to meet the requirements of trade and industry,

(ii) It should always be remembered that in developing countries loans should be given for productive purposes only and not for consumption and speculative purposes.

(iii) It will be better and encouraging if long-term credit is given to agriculture and small scale industries.

(iv) The use of cheques, drafts etc. is popularised among the people. If the above mentioned facts are taken into consideration commercial banks can play a useful role in promoting the economic development in developing countries.

11.5 CREDIT CREATION BY COMMERCIAL BANKS

Do Banks Create Credit ?—The creation of credit has been considered as one of the most important functions of commercial banks. The banks' main aim is to earn profit. Therefore, for this purpose banks accept cash in demand deposits and advance loans on credit to customers. When a bank gives loan, it does not pay the amount in cash but it opens a current account in his name and gives the right to withdraw the required amount by cheque. In this way the bank creates credit on deposit.

The creation of credit by a modern bank is a controversial issue which should be examined deeply and in a critical way. Well known economists like—**Hatley Whithers, J. M. Keynes, Halm and Sayers** are of the view that the modern banks do create credit in the economy. As Sayers in his book has said—*"Banks are not merely purveyors but also in an important sense manufacturers of money."* On the other hand Sir Walter Leaf and Edwin Cannon have said *"banks do not create credit in the country,"*

Meaning of Credit Creation—To understand credit creation we must know the meaning of "credit creation". From the economists point of view money is said to be created when the banks, through their lending activities make a net addition to the total supply of money in the economy. Similarly, money is said to be destroyed when the loans are repaid by the borrowers to the banks. Thus the giving of loans by the banks in the form of derivative deposits leads to creation of money while the repayment of the loans already taken by the borrowers results in the destruction of money.

11.6. CENTRAL BANKING—FUNCTIONS AND CREDIT CONTROL

Introduction—The Central Bank occupies a pivotal position in the monetary and banking structure of the country. It has been considered as undisputed leader of the money market. It is the highest monetary institution in the country. It supervises controls and regulates the activities of the Commercial Banks affiliated to it.

Definition—Economists have defined Central Bank in the following manner :

1. Central Bank may be defined, *"as the apex banking and monetary institution whose main function is to control, regulate and stabilise the banking and the monetary system of the country in the national interest."*

2. According to **De Cock**—*"The guiding principle of a Central Bank is that it should act only in the public interest and for the welfare of the country without regard to profit as primary consideration."*

3. According to **Prof. Sayers**—*"The Central Bank is the organ of Government that undertakes the major financial operations of the Government and by its conduct of these operations and by other means, influences the behaviour of financial institutions, so as to support the economic policy of the Government."*

4. According to **Prof. R. P. Kent**—*Central Bank may be defined as an institution charged with the responsibility of managing the expansion and contraction of the volume of money in the interest of the general public welfare."*

After going through the above definitions of Central Bank it can be said that neither of the above definitions is satisfactory because each of them emphasizes one or more functions of the Central Bank. Economists are yet in search of a good definition which may cover all the aspects of the Central Bank.

11.7. NEED OF CENTRAL BANK IN A COUNTRY

Due to the following reasons there is the need of a Central Banking Institution in a country :

1. To Control Credit of the Country—Credit creation is the important function of Commercial Banks. Every Commercial Bank creates credit during its daily operations. Therefore, to exercise control on credit creation by Commercial Banks the Central Bank is the only institution that performs this work. Central Bank's work is to observe that the Commercial Banks should create credit within limit,

2. Issue of Paper Currency—The Central Bank is given power to issue paper currency because it satisfies the requirement of elasticity. Therefore, the work of note issue in India has been given to Reserve Bank which is the Central Bank of the country.

3. Economic and Monetary Help to the Commercial Banks—The Central Bank is also required to give financial assistance to the Commercial Banks. That the why a Central Bank is called the lender of the last resort.

4. To Implement Monetary Policies of the Government—The Central Bank is in a position to exercise full control over the banking system of the country, therefore, it can implement the monetary and financial policies of the government successfully.

11.8. FUNCTIONS OF THE CENTRAL BANK

According to **De Kock** the following are the functions of the Central Bank :

1. Monopoly of Note Issue—Central Bank has the monopoly of Note-issue. Notes issued by it circulate as legal tender money. It has its issue department which issues notes and coins to Commercial Banks. Coins are made or manufactured in Government mint but they are put into circulation through the Central Bank.

The monopoly of note issue ensures uniformity in the notes issued which helps in facilitating exchange and trade within the country. It brings stability in the monetary system and creates confidence among the public.

2. Banker and Adviser to the Government—The Central Bank everywhere acts as banker and adviser to the respective governments. As banker to the government the Central Bank keeps deposits of the Central and State Governments and makes payments on behalf of the Government. But it does not pay interest on Government deposits. In times of need Government borrows temporarily from the Central Bank. Further, it remits government funds, purchases foreign currencies as well as manages the public debts. It also acts as the financial adviser to the Government.

3. It Acts as the Custodian of Cash Reserves of Commercial Banks—Under Law every Commercial Bank has to deposit certain percentage (as fixed) of both term and demand deposits with the Central Banks. Here the Central Bank acts as the custodian of the cash reserves of Commercial Banks and helps in facilitating their transactions. This type of deposits enable the Central Bank to provide additional funds on a temporary and short-term basis to Commercial Banks to overcome their financial difficulties in emergency.

4. It Acts as Lender of the Last Resort—The other banks in the country depend very much on the Central Bank for support and help in times of emergency. This help may be in the form of a loan on the security. Bank prefers approved securities or through a re-discount of bills of exchange. The Central Bank is thus the "Lender of the last resort" for other banks in difficult times, because on such occasions, there is no hope of getting help from any competing institution.

5. It Controls the Credit of the Country—The control of credit is the most important function performed by the Central Bank. According to **De Kock**—*"It is the function which embraces the most important question of the Central Banking Policy, and the one through which practically all the other functions are united and made to serve a common purpose."* The credit money policy lays a deep impact on the economy. For this purpose the Central Bank adopts quantitative and qualitative methods. Quantitative methods aim at controlling the cost quantity of credit by adopting bank rat policy, open market operations and by variation in reserve ratio of Commercial Banks. While in qualitative methods controls the use and direction of credit. All these things are done by Central Bank in order to stabilise economic position in the country.

6. Maintenance and Management of Foreign Exchange Rate—Another most important function of a Central Bank is to keep stable the external value of the home currency.

A stable exchange rate is necessary to maintain and promote a country's foreign trade and to encourage the inflow of foreign investments which is necessary and essential for accelerating the pace of economic growth, particularly in the under-developed countries. To maintain the rate of exchange stable. The Central Bank should always be prepared to buy and sell foreign currencies at the rates fixed by it.

7. It should Make Necessary Provisions of Clearing House Facilities—The Central Bank acts as the clearing house for the Commercial Banks. Since it keeps the cash reserves of the Commercial Banks, it becomes easier and more convenient for it to act as the clearing house of the country. All the Commercial Banks have their accounts with the Central Bank. Consequently the Central Bank can settle the claims and counter claims of the Commercial Banks with the minimum use of cash. Only the transfer entries are made on the principle of book-keeping. The system of clearing house is time saving and convenient for the Commercial Banks to settle their claims at one place.

8. It Helps in the Publication of Statistical Data and Other Useful Information—The Central Bank collects and publishes useful statistical data about the various aspects of the functioning of the national economy. This provides valuable information on the basis of which the Government can formulate and implement its economic policies.

9. It Keeps and Manages the Foreign Exchange Reserves of the Country—It is called an official reservoir of gold and foreign currencies. It buys and sells foreign currencies at international prices. It fixes the exchange rates of the domestic currency in terms of foreign currencies. Further, it manages exchange control operations by supplying foreign currencies to importers and persons visiting foreign countries etc. in keeping with the rules laid down by the Government.

10. It Controls Fluctuations in order to curb inflation—The Central Bank adopts necessary steps to control fluctuations and to curb inflation. Thus, the Central Bank through the monetary policies followed by it tries to control the economic fluctuations.

11.9. CENTRAL BANK AND CREDIT CONTROL

Today the most important function of Central Bank is the control of credit, it means regulating the volume and direction of bank loans. On the volume of credit depends largely the level of employment and the level of prices in the country. A free and unlimited creation of credit by the Commercial Banks poses a serious threat to the national economy. Therefore, it becomes essential to keep the creation of credit under the control of the Central Bank.

Objectives of Credit Control

Credit control has been considered as the means to control the lending policy of Commercial Banks by the Central Bank. The main objectives of credit control are as follows :

1. To Stabilise the Internal Price Level—The important objective of credit control is to establish stability in the internal price-level. But this is possible only when there is a proper adjustment between the demand and supply of credit. If the supply of credit is less than the commercial requirements, *i.e.*, demand, there is sure to be a decline in the price-level. On the contrary, if the supply of credit exceeds the commercial requirements, *i.e.*, demand, the internal price-levels are bound to go up. Therefore, the Central Bank should try to bring about a proper adjustment between the supply of credit and the commercial requirements of the country.

2. To Stabilise the Rate of Foreign Exchange—The second important objective of credit control is to maintain stability in the foreign exchange rates. The instability in exchange rates can have harmful repercussions on the foreign trade of the country. Therefore, the Central Bank in those countries whose foreign trade is important should pay special attention to the elimination of violent fluctuations in foreign exchange rates through credit control policy.

3. To Stabilise the Money Market in the Country—Next important point to consider is that the credit control policy of the Central Bank should aim at the stabilisation of the money market in the country. To achieve this point the Central Bank should neutralise seasonal variations in the demand for funds.

4. To Control the Activities of Business Cycle—Business cycles are a common phenomenon of capitalist countries which lead to periodic fluctuations in production, prices and employment. Therefore, the credit control policy of the Central Bank should be to

eliminate or atleast to reduce the havoc caused by the business cycle. By varying the supply of credit, the Central Bank can, to some extent, control the operation of the business cycle.

5. Promotion of Economic Growth in Shortest Possible Period—It should be remembered that the chief objective of the credit control policy in underdeveloped countries should be to promote economic growth within the shortest possible period. For economic growth backward countries suffer from financial crisis. Therefore, the Central Bank in those countries should try to solve the problem of financial crisis through planned expansion of bank credit.

6. To Meet Business Needs—According to Burgess an eminent economist—“Credit is needed to meet the requirements of trade and industry. As business expands large quantity of credit is needed and when business contracts less credit is needed. Therefore it is the Central Bank only which can meet the requirements of business by controlling credit.”

Methods of Credit Control

The important methods used by the Central Bank to control credit can be classified under two heads which are as follows :

Methods of Credit Control

- | (a) Quantitative or General Methods | (b) Qualitative or Selective Methods |
|--|--------------------------------------|
| 1. Bank Rate . | 1. Credit Rationing |
| 2. Open Market Operations | 2. Direct Action |
| 3. Variable Cash Reserve Ratio | 3. Moral Persuasion |
| 4. Publicity | |
| 5. Regulation of Consumer's Credit | |
| 6. Regulating the Marginal Requirements on Security Loans. | |

1. Bank Rate Policy—The bank rate is the rate at which the Central Bank of a country is prepared to re-discount the first class securities. It means the bank is prepared to advance loans on approved securities to its member banks. As the Central Bank is only the lender of the last resort the bank rate is normally higher than the market rate.

For example—If the Central Bank wants to control credit, it will raise the bank rate. As a result, the market rate and other lending rates in the money-market will go up. Borrowing will be discouraged. The raising of bank rate will lead to contraction of credit. Similarly, a fall in bank rate will lower the lending rates in the money market which, in turn, will stimulate commercial and industrial activity, for which more credit will be required from the banks. Thus, there will be expansion of the volume of bank credit.

2. Open Market Operations—This method of credit control is used in two senses : (i) in the narrow sense, and (ii) in broad sense. In narrow sense—the Central Bank starts the purchase and sale of Government securities in the money market. But in the Broad Sense—the Central Bank purchases and sells not only Government securities but also from other proper and eligible securities like bills and securities of private concerns. When the banks and the private individuals purchase these securities they have to make payments for these securities to the Central Bank. This results in the fall in the cash reserves of the Commercial Banks, which, in turn, reduces the ability to create credit. Through this way of working the Central Bank is able to exercise a check on the expansion of credit.

Further, if there is deflationary situation and the Commercial Banks are not creating as much credit as is desirable in the interest of the economy. Then in such situation the Central Bank will start purchasing securities in the open market from Commercial Banks and private individuals. With this activity the cash will now move from the Central Bank to the Commercial Banks. With the increased cash reserves the Commercial Banks will be in a position to create more credit with the result that the volume of bank credit will expand in the economy.

3. Variable Cash Reserve Ratio—Under this system the Central Bank controls credit by changing the Cash Reserves Ratio. *For example*—If the Commercial Banks have excessive cash reserves on the basis of which they are creating too much of credit which is harmful for the larger interest of the economy. So it will raise the cash reserve ratio which the Commercial Banks are required to maintain with the Central Bank. This activity of the Central Bank will force the Commercial Banks to curtail the creation of credit in the economy. In this way by raising the cash reserve ratio of the Commercial Banks the Central Bank will be able to put an effective check on the inflationary expansion of credit in the economy.

Similarly, when the Central Bank desires that the Commercial Banks should increase the volume of credit in order to bring about an economic revival in the country, the Central Bank lowers down the Cash Reserve ratio with a view to expand the cash reserves of the Commercial Banks. With this, the Commercial Banks will now be in a position to create more credit than what they were doing before. Thus, by varying the cash reserve ratio, the Central Bank can influence the creation of credit.

Which is Superior – Either variable cash reserve ratio or open market operations ?

From the analysis and discussions made above of these two methods of credit, it can be said that the variable cash reserve ratio method is superior to open market operations on the following grounds :

- (1) Open market operation is time consuming procedure while cash reserves ratio produces immediate effect on the economy,
- (2) Open market operations can work successfully only where securities market in a country is well organised and well developed.

While Cash Reserve Ratio does not require such type of securities market for successful implementation.

- (3) Open market operations will be successful where marginal adjustments in cash reserve are required.

But the variable cash reserve ratio method is more effective when the commercial banks happen to have excessive cash reserves with them.

These two methods are not rival, but they are complementary to each other.

11.10. RESERVE BANK OF INDIA

On the recommendation of the Hilton Young Commission the Reserve Bank of India was established as the Central Bank of the country. For the establishment the Reserve Bank of India Act was passed in 1934 and the Reserve Bank started functioning from 1st April 1935.

At the time of the establishment of the Reserve Bank the paid up capital of the bank was Rs. 5 crores divided into 5 lac shares of Rs. 100 each. All the shares of the Reserve Bank are being held by the Government of India. Therefore, the Reserve Bank is a Government institution. This bank was a private shareholder's bank in 1935 when it was first established in India. The nationalisation of the bank was made on 1st January 1949. Under the law the Government purchased the shares of all the private shareholders. The Government paid Rs. 118.6 for every share of Rs. 100 acquired by it. The Reserve Bank had established a Reserve Fund of Rs. 150 crores in 1982-83.

Objectives of the Reserve Bank

The Reserve Bank of India was established with the following objectives :

- (1) To maintain internal and external stability in the value of money.
- (2) To manage currency and regulate foreign exchange.
- (3) To maintain co-ordination between the credit policy and the monetary policy.
- (4) To build up a sound and adequate banking and credit structure.
- (5) To evolve a well-differentiated structure of institutions to allow credit for agriculture and allied activities.
- (6) To promote and setup several specialised financial institutions at the All-India and Regional levels.
- (7) To lend support to planning authorities and state Governments in their efforts to organise and achieve economic development with stability and social justice.

Functions of the Reserve Bank

The Reserve Bank does not perform the functions of a Central Bank only but also performs the functions relating to economic development and economic planning. Its functions have been divided under two heads :

- (1) Central Banking Functions and
- (2) General or Ordinary Banking Functions.

1. Central Banking Functions of the Reserve Bank of India—Following are the Central Banking Functions of the Reserve Bank :

(1) **Monopoly of Note Issue**—The Reserve Bank on the basis of Minimum Reserve System, issues notes of the denomination of Rs. 2, 5, 10, 20, 50, 100, 500 and 1000. According to Reserve Bank of India (Second Amendment Act) the minimum reserve of gold and foreign currency for the note issue, collectively should be maintained.

(2) **Government Banker**—In addition to the function of note issue the Reserve Bank acts as the banker to the Central Government and all the State Governments. It does not pay any interest on their cash reserves. Entire banking business of the Central and State Governments is conducted by the Reserve Bank. It collects money on behalf of the Governments and also makes payments as per instructions. The Central and State Governments of India secure loans from the public through the Reserve Bank of India. It also keeps regular accounts of the public debt of both the Governments. It transfers Government funds from one place to another. It also makes arrangements for the supply of foreign exchange to the Governments. It also gives importance with regard to currency, credit and other economic problems.

(3) **It Works as Banker's Bank**—The next important function of the Reserve Bank is the regulation of banking. It keeps the Statutory Cash Reserves, it discounts their bills of exchange, it gives loan on the basis of Government securities to the Scheduled Banks. Under the Reserve Bank of India Act, every Scheduled Bank has to deposit cash reserves with the Reserve Bank. By the *Banking Companies Act, 1949*, it was provided that the Non-scheduled Banks should also maintain the cash reserves with the Reserve Bank like the Scheduled Banks.

In times of emergency, the Reserve Bank could extend financial assistance to the Scheduled Banks out of these cash reserves. The Reserve Bank controls the creation of credit extended by the Scheduled Banks.

(4) **Maintenance of the Exchange Management and Stability**—The Reserve Bank manages and controls the country's foreign exchange reserves and external value of the rupee. It controls the receipts and payments of foreign currencies. Foreign currencies coming into India are to be sold and exchanged for the rupee either direct to the Reserve Bank or to the Commercial Bank authorised by the Reserve Bank. Reserve Bank determines the external value of the rupee in relation to the currencies of other countries. Reserve Bank maintains the exchange rate of foreign currencies in relation to rupee value.

(5) **Control of Credit**—The Reserve Bank controls the money supply and credit to ensure price stability and meet the varying economic conditions of the country.

It estimates the credit needs of the economy and ensures the supply of credit. To control credit the bank uses various measures such as variations in interest rate, open market operations and variation in cash reserves etc.

(6) **It Makes Provision for Agricultural Credit**—The Reserve Bank has established the agricultural credit department. The main function of this department is to carry out research on various problems connected with agricultural credit. Besides this the department tenders useful advice to the Government of India. This department also renders financial assistance to the Central and State Governments in construction of the godowns in different parts of the country. The Reserve Bank does not provide direct finance to agriculturists but through the State Co-operative banks and NABARD. It provides short-term, medium-term and long-term financial assistance to meet the needs of rural and allied activities.

(7) **It Acts as the Clearing House**—Reserve Bank also performs the functions of a clearing house for the member banks. Thus, it helps and facilitates the movement of funds among the affiliated banks. With this function the Commercial Banks feel relieved from the pressure of transacting the money activities.

(8) **It Collects and Publishes Economic Data**—Reserve Bank of India publishes journals, reports, regarding the currency, credit, banking, finance, agriculture and industrial production. Officers of the Reserve Bank analyse the data published and help the Government of India in making necessary improvements in agricultural and industrial policies.

(9) **Training Relating to Banking**—The Reserve Bank has set up a number of training colleges and centres to provide training to the banking personnel at different levels. They are:

(i) **Bankers Training College (BTC)**—The college is located in Mumbai and it provides training to senior officers of the banks in the areas of application of import-export financing, negotiating skill and counselling etc.

(ii) **Reserve Bank Staff College (BRSC)**—This college is located at Chennai (Madras).

It arranges training programmes for officers of the bank in areas of investment and fund management.

(iii) **College of Agricultural Banking (CAB)**—This college is located at PUNE and it provides training needs of personnel of Co-operative Banks, Commercial Banks, Regional Rural Banks. It conducts training programme in the field of agricultural finance, rural banking and allied subjects,

(iv) **Zonal Training Centres (ZTCs)**—These are situated at Mumbai, Chennai and New Delhi. They provide training to class III and class IV staff. They also arrange training programmes on computer and customer's service.

(v) **Indira Gandhi Institute of Development Research**—This was established by Reserve Bank in 1987. It conducts research on projects and arranges workshop, conference and seminars.

(vi) **Training in Computer Technology**—In 1995 the Reserve Bank setup the Department of Computer Technology for efficient and quick use of new methods and technologies. This department encourages bank's staff to learn and acquire qualification in Computer Science and Technology.

10. Management of Industrial Finance—The Reserve Bank is playing an important role in providing finance indirectly to large, medium and small scale industries. This bank has been instrumental in setting up a number of financial institutions at the centre and in the states. It has provided active co-operation in establishing Industrial Finance Corporation, State Financial Corporation, Industrial Development Bank etc.

11.11. CREDIT CONTROL AND THE RESERVE BANK

The Reserve Bank of India has the following weapons to control credit in India :

1. Bank Rate—Bank rate is the rate at which the Reserve Bank is prepared to discount the first class securities and to grant loans on the basis of government securities to Commercial Banks. The bank rate is normally higher than the market rate. Further, the term rate of interest is the rate at which the Commercial Banks pay to those who keep deposits with them.

Through bank rate the Reserve Bank can control credit by raising or reducing the bank rate from time to time. If the Reserve Bank wants to contract credit, it will raise the bank rate. The effect of this will be that the market rates and the other lending rates in the money market will go up. Borrowing will consequently be discouraged.

Thus, the raising of bank rate will lead to contraction of credit. Conversely, if there is fall in bank rate, it will lower the lending rates in the money market which will stimulate commercial and industrial activity for which more credit will be sought from banks. Thus, there will be expansion of the volume of bank credit.

This method of credit control can be successful only if the other rates in the money market will follow the bank rate in its movement. In under developed countries like India there is no such close relationship between the bank rate and other rates.

2. Open Market Operations—The term 'Open Market Operations' means purchase or sale by the Central Bank of any kind of paper in which it deals. *For example*—Purchase and sale of government securities on any other public securities or trade bills. In practice purchase and sale of short-term as well as long-term securities at the initiative of the Central Bank. These days this method of credit control has attained great importance.

The system adopted in the kind of credit control is that the sale of securities leads to contraction of credit and purchase of securities to credit expansion. When the Central Bank sells securities in the open market it receives payment in the form of cheque on one of the Commercial Banks. If the purchaser is a bank the cheque is mostly drawn against the purchasing bank. In both the cases the result is practically the same. The cash balance of the bank in question which it keeps with the Central Bank is to that extent reduced. With the reduction of the cash, the Commercial Bank has to reduce the lending activities. This leads to credit contraction.

Conversely, when the Central Bank purchases securities it pays through cheques drawn on itself. This activity increases the cash balance of the Commercial Banks and enables them to expand credit.

3. Varying Cash Reserve Ratio—Under this method the Reserve Bank controls the credit by changing the statutory cash reserves of the Scheduled Banks. By the Reserve Bank

of India Act, 1934, it was stated in the Act that every scheduled bank will have to keep with the Reserve Bank cash reserves equivalent to 2% of its term deposits and 5% of its demand deposits. And this rule was also applicable to Non-scheduled Banks.

4. Cash Rationing—Rationing of credit as an instrument of credit control was first used by the Bank of England in the closing year of the eighteenth century. The word 'rationing of credit' implies two things. First it means that the Reserve Bank fixes the limit upon its re-discounting facilities for any particular bank. Secondly, it means that the Reserve Bank fixes the quota of every affiliated bank for financial accommodation from the Reserve Bank. This method of credit control can be justified only as a measure to meet exceptional emergencies because it is open to serious drawbacks and difficulties.

5. Direct Action—Reserve Bank of India is using this method of credit control very extensively. But there is one great difficulty that it cannot be used in isolation. It can be used as a supplement to other methods of credit control. This method is a coercive measure against those Commercial Banks whose credit policies do not conform to the declared objectives of the Reserve Bank. This method involves the issuing of general instructions by the Reserve Bank to all Commercial Banks. It may take the form of special instructions by the Reserve Bank issued to such banks which are not following the instructions of the Reserve Bank. It should always be remembered that this method can be used only as a last resort when other methods fail to yield the desired result.

6. Moral persuasion—Under this method the Reserve Bank encourages the scheduled banks to follow its credit policy through persuasion, suggestion and advice. To make successful this objective, the Reserve Bank calls the meetings of the representatives of the Scheduled Banks from time to time and prevails upon them to follow the policies laid down by it. In addition, the Reserve Bank also suggests to the Scheduled Banks the necessity and desirability of regulating credit by sending circular letters to them from time to time. Making use of this method, the Reserve Bank requested the Scheduled Banks in 1979-80 to keep a vigilant check on credit expansion in the country. Before the nationalisation of 20 banks in India, the method of persuasion was not successful but now all banks follow the Reserve Bank guidelines. The position of Reserve Bank is so powerful that no bank dares to ignore its circulars and suggestions.

7. Publicity—This method of credit control is an essential instrument to ensure the effectiveness of the monetary policy of the Central Bank. Under this method the Reserve Bank gives wide publicity to what is good and what is bad in the credit system of the country. In this connection De-Cock has said—"*Publicity includes publishing regularly the weekly statements of their assets and liabilities, monthly review of credit and business conditions and comprehensive annual reports on their operations and activities, money market and banking conditions generally public finance, trade, industry, agriculture etc.*". By publicity the Reserve Bank gives wide publicity to its thinking in the field of credit. With the published work the Commercial Banks, are guided by the ideas of the Reserve Bank in matters relating to credit creation. Further, from the other published literature of the Reserve Bank it becomes easier for the Commercial Banks and the public at large to anticipate future changes in the policies of the Reserve Bank.

11.12. CAUSES OF THE INEFFECTIVENESS OF THE CREDIT CONTROL, POLICY OF THE RESERVE BANK

From the statement and facts published it is said that the Reserve Bank has not been able to achieve significant success in its credit control policy. The important reasons for the ineffectiveness of its credit policy are as follows :

1. Lack of Control on Indigenous Bankers—The major portion of the credit in the Indian economy is provided by the indigenous bankers. But in spite of this the Reserve Bank exercises no control on the activities of these indigenous bankers. Therefore, it can be said that an important sector of the Indian money market lies outside the purview of the Reserve Bank.

2. Lack of Organised Money-market—We are well aware that the Indian Money Market is not properly organised. That is why there is wide diversity of interest rates in the market. There is little relationship between the bank-rate and the current interest rates in the money market. Interest rate is the important reason for the ineffectiveness of the credit control policy of the Reserve Bank.

3. No Well Organised Bill Market in India—In our country the bill market is not properly organised. Consequently there is stringency of first class bills of exchange in the Indian money market. That is why re-discounting of exchange bills has not been popular in

Indian banking system.

4. More Cash Reserve with the Member Banks—The banks here in India have large deposits even after meeting the minimum Statutory Reserve requirement of the Reserve Bank. Therefore, the Scheduled Banks have to depend upon the Reserve Bank for financial accommodation. The bank rate policy of the Reserve Bank not succeed under these circumstances.

5. Lack of Elasticity in Indian Economy—For the effectiveness of the credit control policy of the Reserve Bank, it is essential that there should be sufficient amount of elasticity in the economy of the country. The idea is that the prices, wages and the interest rates should change in the same proportion in which the bank rate changes. But the Indian Economy Lacks in this feature.

11.13. FAILURE OF THE RESERVE BANK

The main causes for the failure of Reserve Bank of India in its various workings are as follows :

1. Absence of Co-ordination in the Money-market—There is no proper co-ordination among the different sectors of Indian Money-market. The Indigenous Bankers even to-day lie outside the purview of the control of the Reserve Bank. This is one of the important reasons of the failure of the Reserve Bank of India.

2. Absence of Proper Banking Facilities—The present banking facilities are not adequate, if we compare it with the area of the country and its population, we can safely come to the conclusion that there are a number of places where no banking facilities are available. Therefore, it can be said that Reserve Bank has not succeeded in removing this short-coming of the Indian banking system.

3. There is no Uniformity in Interest Rates—Due to lack of co-ordination in the Indian money-market, a great diversity of interest rates is found in different parts of the country. This diversity can be considered as a major cause of failure of the Reserve Bank.

4. Absence of Well Developed Bill Market—The development of the bill market is not adequate for the country. Reserve Bank has not been able to develop this market suitably and effectively.

5. No Proper and Adequate Development of Agriculture Credit—There is no doubt that the Reserve Bank has taken several steps for the agricultural credit, yet it has not been possible to bring about an adequate development of this credit in the country. Even to-day sufficient credit at reasonable rates is not available to the farmers for agricultural purposes.

6. Reserve Bank is Simply a Toothless Watch Dog—In spite of the wide powers of Reserve Bank, the fact is that the bank has turned out to be a toothless watch dog in performing its role as the co-ordinator, controller and regulator of India's banking system.

7. Failure to Function as the Lender of the Last Resort—As a lender of the last resort it is expected that the Reserve Bank will extend its protection to the member banks against banking crisis. But unfortunately this hope has not been fulfilled. Several banks failed in the country but the Reserve Bank could not save them from failure

8. Reserve Bank has Failed to Secure Equitable Share for the Indian Banks in Foreign Exchange Business—In India the foreign exchange banks continue to enjoy almost complete monopoly of the foreign exchange business. The Reserve Bank has failed to secure to the Indian banks a proper and equitable share in the foreign exchange business of the country.

9. Instability Situation in the Internal Value of the Rupee—The Reserve Bank has not been able to maintain the stability in the internal value of rupee which is considered as a great failure of the Reserve Bank. The inflation has produced adverse repercussions on the economic situation of the country. Though, the Reserve Bank has adopted several anti-inflationary measures, it has not been able to make any significant impact on the monetary situation in the country.

11.14. Globalisation

Meaning:

Globalisation means a process of increasing economic integration and growing economic interdependence in the world economy. Thus, globalisation is a process of integrating Indian economy with world economy. It implies minimising economic and trade barriers facilitating

free inter-flow of capital, technology, people, goods and services. Process of globalisation images the entire world a 'global village'. It has been defined as under :

1. "Globalisation is the integration of world economy as the result of three main forces : (i) Increase in trade in goods and services, (ii) Increase in the investment of transaction[^] companies and consequent changes in the nature of production. Production becoming no longer national but as a process that takes place in differer^y countries, and (Hi) International financial and exchange rate transactions."

— Rubens Ricupero, Secretary General of UNCTAD

2. "Globalisation may be defined as a process associated with increasing openness, growing economic interdependence and deepening economic integration in the world economy."

— Deepak Nayyar, Eminent Economist

Thus, it may be concluded that globalisation is a process in which economic barriers are minimised so as to increase economic integration and interdependence in the world economy.

Features of Globalisation

Globalisation proces involves the following features :

- (i) Minimum trade barriers so that free flow of goods and services may be permitted,
- (ii) Minimum financial barriers so that free flow of capital may be permitted,
- (iii) Minimum technological barriers so that free flow of technology may be permitted,
- (iv) Minimum social barriers so that free movement of labour may be permitted.

11.15. GLOBALISATION IN INDIA

Industrial Policy, 1991 is supposed to be a first step towards globalisation of Indian economy. Since then, a number of measures have been initiated to integrate Indian economy with world economy. Important steps are as follows :

(1) **Convertibility of Rupee.** Convertibility of rupee means the minimisation of exchange control measures so that the exchange rate of Indian rupee may be determined by market forces in international market. It implies minimisation of exchange control. To initiate the globalisation of Indian economy, Indian rupee was devalued two times in July, 1991. Indian rupee has been made fully convertible on current account since 14 August, 1992. Several steps have been initiated to make it fully convertible on capital account also. However, it will take some more years to be fully convertible on capital account also.

(2) **Import Liberalisation.** Free flow of goods and services to and from other countries is an important parameter of globalisation. It necessitates import liberalisations. India, as a member of World Trade Organisation (WTO), has committed itself to initiate import liberalisations. Free trade of all items except negative list of imports and exports, has been allowed. Import duty on a large number of commodities has been drastically cut down. Tariff on imports of raw materials and manufactured intermediates has also been reduced. Since April 2001, quantitative restrictions have been totally lifted.

(3) **Opening the Economy to Foreign Capital.** A number of steps have been taken to encourage foreign capital with a view to integrate Indian economy with global economy. A number of incentives and concessions have been offered to foreign investors and Non-resident Indians (NRIs). Foreign Direct Investment (FDI) has been allowed in a numebr of industries, even upto 100% in some industries.

(4) **Other Measures.** (i) Foreign companies have been allowed to use their trademark in India, (ii) Foreign companies have been allowed to carry on the activities of trading of commercial and industrial nature in India and also to repatriate their profits, (iii) Non-banking foreign companies are allowed to borrow money and accept deposits in India without seeking the permission of RBI. (iv) Foreign companies can deal in immovable property in India, (v) Transfer of shares from one NRI to another NRI has been allowed, (vi) Selected Foreign Institutional Investors (FIIs) have been allowed to invest in Indian capital market, subject to certain conditions.

Merits of Globalisation

Globalisation is an important part of economic reforms. Almost all the countries of the world, whether developed or developing, are moving towards globalisation. Important merits of globalisation may be enumerated as follows :

1. **Improvement in Efficiency.** Globalisation helps in the removal of unnecessary trade

barriers. It facilitates in the free flow of materials, labour, capital and technology.

2. Free Flow of Labour, Capital and Technique. Globalisation aims at encouraging the free flow of labour, capital and technique by removing unnecessary trade restrictions. It enables all the countries to use the resources of other countries. It paves the ways for development.

3. Free Flow of Goods and Services. Globalisation creates an atmosphere in which the goods and services may flow freely from one country to another. It enables a country to use the goods and services produced in any corner of world. It helps in improving the economic and social standard of living.

4. Growth of Healthy Competition. Globalisation encourages healthy competition among all the countries of world. It promotes exports and imports by minimising trade barriers. All the countries may get the benefit of efficiency, capability and entrepreneurship of one another.

5. Reduction in Capital-Output Ratio. Free flow of labour, capital and technique from one country to another enables all the countries to get maximum production at minimum cost. It helps in controlling wastage and minimising cost. It lowers capital-output ratio.

6. Selection of Suitable production and Trading Pattern. Globalisation enables a country to select a pattern of production and trading which is most suitable to its natural, financial and social resources. India may adopt labour-intensive technique keeping in view the abundance of labour.

7. Helpful in Comprehensive Economic Development. Globalisation increases the atmosphere of competitiveness and paves the way for fast economic development. It promises around growth and development.

8. Growth of Employment Opportunities. Globalisation is a process of converting whole world into a village. It minimises trade barriers and helps in enhancing the rate of economic development. It increases the flow of goods, services, labour, capital and technology. This all helps in increasing employment opportunities.

Demerits of Globalisation

Globalisation allows and promotes free flow of goods, services, labour, capital and technology from one country to another. It is taken to be a tonic for fast economic and social development. Yet it is not free from limitations. Important limitations of globalisation are as follows :

1. Not Suitable for Developing Countries. Globalisation is more suited to developed countries. It is not much suitable for developing countries. Most of the developing countries lack capital, technique and entrepreneurship. As a result, these countries lag behind in competition with developed countries. Due to globalisation, imports of these countries go very high whereas exports fail to keep pace and imports.

2. Concentration of Economic Power. Globalisation is beneficial more to the countries which have affluent resources and high technique. These countries are successful in obtaining maximum production at minimum cost. As a result, they dominate world economy. Rich countries become more rich and poor countries become more poor. Thus, globalisation leads to the concentration of economic power.

3. Concentration of Political Power. Practical experience of life proves that political power follows economic power. Rich and affluent countries succeed in concentrating political power also. They rule and dominate all international platforms and agencies. All the developing and undeveloped countries of world are compelled to agree to their terms and conditions. All international agencies do whatever these countries dictate.

4. Lack of Mutual Co-operation and Co-ordination. Globalisation was initiated with the hope that it would encourage mutual co-operation and co-ordination among different countries of world but it could not be so. The fact is that globalisation encouraged severe competition in which poor and under-developed countries failed against rich and developed countries. It resulted in mutual jealousy and leg-pulling.

5. Need of Economic Adjustments and Changes. Globalisation necessitates certain adjustments and changes in the economy. If these adjustments and changes are not adopted, efforts of globalisation may fail to produce desired and expected results.

6. Pains and Uncertainties. Globalisation is a long process. It takes long time to give results. Initiating the process of globalisation is like the plantation of a tree which takes long time to grow and to bear fruits. Many times the fruits of such trees are not enjoyed by the

gardener who plants it. Similarly, the benefits of globalisation are not enjoyed by the citizens who bear the pains and uncertainties of globalisation process.

11.16. PRIVATISATION

Meaning:

The term privatisation is used in two senses : narrow and broader. In narrow sense, privatisation means the induction of private ownership in public enterprises. In broader sense, it means the induction of private management and control in public enterprises. It has been defined as under :

1. "Privatisation is the general process of involving private sector in the ownership or operation of a state owned enterprise." — **Barbara Lee and John Nellis**

2. "Privatisation refers to any process that results in the transfer of functions, activity, asset or organisation in whole or in part which is owned or controlled either directly or indirectly by a Government to a Non-government body, generally speaking any change from public to private hands." — **J. N. Goodrich**

3. "Privatisation is the transfer of function or activity or organisation from public to private sector." — **Dr. A. Peter**

Thus, privatisation means a process of involving private sector in the ownership or management of public enterprises.

Forms or Measures of Privatisation

Privatisation may take three forms : Ownership, Organisation and Operation.

(1) **Ownership Measures.** It means the transfer of ownership of public enterprises to private sector. When ownership of a public enterprise is fully or partly transferred to an individual or a cooperative society or a company, it is called privatisation. It can be possible in following forms : (i) Total denationalisation : Transfer of ownership of a public enterprise in full to private hands, (ii) Joint Venture : Partial introduction of private ownership, (iii) Liquidation : Sale of assets of a public enterprise, (iv) Management buy-out : Sale of assets to employees.

(2) **Organisational Measures.** It means a change in the organisational structure and management of public enterprises so as to limit the state control. It can be possible in following forms : (i) Holding Company : Government limits its interventions to apex level decisions by transferring number of functions to smaller units, (ii) Leasing : To lease out a public enterprise to a private bidder for a specific period, (iii) Restructuring : To restructure the financial or commercial activities so that public enterprises can become viable.

(3) **Operational Measures.** It means an improvement in the efficiency of public enterprises by : (i) injecting the spirit of commercialisation, (ii) granting autonomy to public enterprises, (iii) providing incentives to employees, (iv) permitting these enterprises to go in the capital market to raise funds.

11.17. PRIVATISATION IN INDIA

There is a consensus that the government should not operate commercial enterprises. Scarcity of public funds, inefficient and loss making operations of public enterprises and slackness in the sense of responsibility and accountability among public sector employees, are the important factors which encourage and compel privatisation in Indian economy. A number of steps have been taken in India to transform Indian economy from mixed economy into a private economy. Important steps are as follows :

(1) **Dereservation of Industries for Public Sector.** Industrial Policy, 1956 divided industries into three categories and reserved 17 industries for public sector. Now this number has been curtailed to 4 only. Private entrepreneurs are being invited to participate in almost all the sectors of economy.

(2) **Limited Area of Public Enterprises.** New policy provides that public sector role will be confined in the areas of security and strategic concerns only. Such as : (i) Production of basic goods and services, (ii) Exploration of mineral resources, (iii) Technological development, (iv) Areas ignored by private sector, and (v) Defence and strategic concerns.

(3) **Disinvestment of Equity in Public Sector.** It has been decided that government equity in all non-strategic public enterprises will be brought down to 26% or lower, if necessary. Public enterprise, which cannot be revived, will be closed down. Recent disinvestment in Maruti Udyog Ltd., IPCL, ITDC, VSNL add to the process of privatisation.

Disinvestment in a large number of other public enterprises is on the line like Air India, Indian Airlines, MMTC, SCI, HCL etc.

(4) Participation of Private Sector. Private sector is being invited to participate in almost all the sectors of economy. Power and fuel, transportation, communication and defence are the key sectors in which private sectors are being encouraged to play a key role.

(5) Abolition of Industrial Licensing. New policy realises that the control like industrial licensing, seeking permission at every step and inspector Raj should be abolished. Realising this fact, compulsion of industrial licensing has been almost abolished, subject to certain exceptions. Industrialists have been allowed to expand their production schedule according to demand.

(6) Removal of Investment Control on Big Business Houses. Almost all investment controls on big business houses imposed under MRTP Act have been abolished. Now all entrepreneurs and business houses can play in almost all the sectors of economy.

(7) Policy relating to Sick Units. It has been decided that sick industrial units will be referred to the Board for Industrial and Financial Reconstruction (BIFR) for necessary action. The units, which are not expected to come out, will be closed.

(8) Improvement in the Management of Public Enterprises. Best efforts are being made to improve the efficiency and productivity of public enterprises by running them on commercial lines. Employees of these enterprises are being motivated to show better results and greater autonomy is being granted to these enterprises.

Merits of Privatisation

1. Incentive for Greater Efficiency and Hard Work. Private sector inspires both the entrepreneurs and workers to become more efficient and to do more work. The entrepreneurs try to do maximum work in order to get maximum profit and workers try to achieve maximum efficiency in order to get more remuneration.

2. Increase in Productivity and Production. As both the entrepreneurs and workers try to work with greatest efficiency, productivity of all the resources of production increases considerably. Consequently, the production of these enterprises increases.

3. Efficient Utilisation of Resources. All the resources of production are used most economically. No part of these resources is allowed to waste. All the best efforts are made to utilise these resources to their maximum extent.

4. Minimum Cost of Production. As private sector encourages maximum and most efficient utilisation of productive resources, it results in the minimum cost of production. Due to low cost of production, the customers may expect to get these goods and services at reasonable prices.

5. Higher Rate of Capital Formation. Private entrepreneurs try to save major part of their income so that they may invest it in their business. People also try to save more so that they may leave behind large wealth for their children. This all leads to higher rate of capital formation.

6. Incentives to take Risk and bear Uncertainty. Private sector provides due incentives to undertake enterprise and to bear risk. Entrepreneurs introduce new innovations in their line of production so that they may earn more profit. These innovations lead to great technological progress.

7. Economic Growth and Affluence. Private sector has promoted rapid economic growth. Many countries of the world have become rich and affluent on the basis of success achieved by their private sector enterprises. Standard of living of the people of these countries has also increased considerably.

8. Free and Fair Competition. Private sector is based upon free and fair competition among producers and sellers. Such competition proves to be a tonic or the economic progress of a country.

9. Helpful in the Development of Public Sector. Growth of private sector is helpful in the development of public sector as follows : (i) Reducing the burden of loss making public sector units, (ii) Making public sector units more competitive, (iii) Enabling profit making public sector units to modernise and diversify their business, (iv) Enabling government to increase investment in remaining public sector units.

Demerits of Private Sector and Privatisation

1. Concentration of Income and Wealth. Private sector encourages the concentration of income and wealth in the hands of few persons. It makes the rich more rich and the poor

more poor.

2. Class Struggle. Private sector encourages class struggle. It divides the society into two classes-rich and poor, workers and capitalists. Interests of these two classes clash with each other.

3. Economic Instability and Unemployment. Private sector causes economic instability and unemployment. As a result of free working of market mechanism, sometimes there is depression and sometimes there is inflation.

4. Social Welfare is Ignored. A strong criticism of privatisation is that under this form of economy, only those goods and services are produced which provide higher profit to capitalists. In this system, goods and services are distributed according to the paying capacity of people rather than their needs and desires.

5. Wastage due to Competition. In this system, a large amount of financial resources are wasted on competitive advertising. Business firms spend large amount of money on advertisement.

6. Decline of Competition. Free competition is an important characteristic of private sector. But in the real world, we find oligopoly and monopoly. As a result of decline of competition, consumers have to pay higher prices and productive resources are not allocated in the most efficient manner.

7. It Does Not Ensure Real Economic Development. Private sector does not ensure real economic development of a country because private entrepreneurs do not take interest in the development of basic, infrastructural and social industries such as Health, Education, Communication, Roads and Transport etc.

Co-existence of Private and Public Sector Enterprises is Essential for the Real Economic Development of a Country Private and public enterprises are not contrary to each other. The fact is that co-existence of both the private and public enterprises is essential for real economic development of a country. In Indian economy, both the public and private sectors work together.

Co-existence of both the public and private sector enterprises helps in achieving rapid and balanced economic growth. Government establishes and develops social overhead capital and basic heavy industries, such as railways, roads, power, banking, communication, iron and steel, machine making and chemical industries etc. Private entrepreneurs, on the other hand, establish consumer goods industries. Government provides infrastructural facilities so that both the public and private enterprises may prosper and grow. Government also undertakes the responsibility of free, fair and just distribution of the fruits of economic development. It also ensures maximum utilisation of all the physical and natural resources. Thus, co-existence of both the public and private enterprises is vital for all-round economic development of a country.

SUMMARY

- Bank is an institution which deals in money and credit having two simple functions of taking money from the depositors and advancing loans to suppliers.
- Banks are classified as under:
 - Commercial Banks
 - Central Bank
 - Foreign Exchange Banks
 - Industrial Banks
 - Savings Banks
 - Agricultural Banks
 - Indigenous Banks
 - International Banks
 - EXIM Banks
 - Miscellaneous Banks such as students banks, labour banks, etc.
- Functions of a commercial bank are:
 - Accepting of Deposits
 - Advancing Loans

- Credit Creation
- Financing Foreign Trade
- Agency Service
- From the economists point of view money is said to be created when the banks, through their lending activities make a net addition to the total supply of money in the economy.
- Central bank is needed in a country to support commercial banks, issue paper currency, control credit in the country.
- Major Functions of the central bank are:
 - Maintenance and Management of Foreign Exchange Rate
 - Control credit in the country
 - Lender of the last resort
 - Advisor to the government
 - Store and manage the foreign exchange reserves of the country.
- Objectives of credit control are:
 - To Stabilise the Internal Price Level
 - To Stabilise the Rate of Foreign Exchange
 - To Stabilise the Money Market in the Country.
 - To Control the Activities of Business Cycle.
 - Promotion of Economic Growth in Shortest Possible Period.
 - To Meet Business Needs
- **Economic Reforms.** Economic reforms mean and include all economic changes made by government in its policies with a view to increase the efficiency and competitiveness of economy.
- **Globalisation.** Globalisation means and includes unification of economy and to open the doors of economy for entire world.
- **Privatisation.** Privatisation means a process in which the involvement of private entrepreneurs in trade, commerce and other economic activities is encouraged.
- **Disinvestment of Government Capital.** It means a process of selling government capital invested in public enterprises to private sector.
- **De-reservation of Public Sector.** It means a reduction in the number of industries reserved for public sector.
- **Mandatory Convertibility Clause.** It means a power of banks and financial institutions that they can convert a part of their loan into equity.
- **Convertibility of Rupee.** It means the removal of exchange controls so that the exchange rate of rupee may be determined by international market forces.

TEST YOURSELF

1. In which type of bank do you open your account and what are the functions of this bank?

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2. How do banks help in establishing and carrying out a business?

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3. What is the name of the central bank of India. What are its functions?

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4. Is privatization good or not for a developing economy like India. Discuss

5. Find out the impact of inflation on the credit control policy of the central bank?

Answer the following in one or more words

1. Besides opening accounts and taking deposits it is the main function of the bank.
2. The type of banks which grant long term loans to industry are:
3. The facility by which an account holder can draw more amount of sum then lying in his current account is known as.
4. The bank which grants loan to commercial bank is
5. Control of credit in the country and forming of monetary policies is the function of

ANSWERS

1. Credit creation. 2. Industrial banks 3. Overdraft 4. central bank 5. Central bank.

Long answer questions

1. Explain the various types of banks and their primary functions.
2. How does central bank exercise control over credit in a country?
3. What do understand by globalization? How does it effect the growth of an economy?
4. How has privatization and globalization effected the growth of Indian economy. Explain
5. What are the various ways by which commercial banks provide loans to its customers?