



AN INITIATIVE BY  
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# **INDIAN ECONOMIC DEVELOPMENT - XI**

## **NCERT GIST**

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## Unit - I

# DEVELOPMENT POLICIES AND EXPERIENCE (1947-1990)

# 1

## Indian Economy On The Eve Of Independence

- The sole purpose of the British colonial rule in India was to reduce the country to being a raw material supplier for Great Britain's own rapidly expanding modern industrial base.

### Low Level of Economic Development Under the Colonial Rule

- India was particularly well known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works etc.
- The economic policies pursued by the colonial government in India were concerned more with the protection and promotion of the economic interests of their home country than with the development of the Indian economy.
- Such policies brought about a fundamental change in the structure of the Indian economy - transforming the country into supplier of raw materials and consumer of finished industrial products from Britain.
- Among the notable estimators - Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao and R.C. Desai - it was Rao, whose estimates during the colonial period was considered very significant.
- The country's growth of aggregate real output during the first half of the twentieth century was less than two per cent.

### Agricultural Sector

- India's economy under the British colonial rule remained fundamentally agrarian – about 85 per cent of the country's population lived mostly in villages and derived livelihood directly or indirectly from agriculture.
- Agricultural productivity became very low and this stagnation in agriculture sector was mainly due to systems of land settlement that were introduced by the British Government.
- The Zamindari system, the profit accruing out of the agriculture sector went to zamindari instead of the cultivators, this led to discouragement amongst the cultivators to production less.

### Industrial Sector

- The British Government allowed tariff free export of raw materials from India and tariff free import of British industrial products into India.
- But a heavy duty on the export of Indian handicrafts products, it led to decay of handicrafts industry in India.
- Industrial revolution in Britain gave a stiff competition to the handicraft industries in India.
- Due to low cost and better-quality product produced by machine forced the Indian craftsmen to shut down the handicraft Industry in India.

- Owing to British rule in India, a new class of people emerged in India. This changed the pattern of demand in India against the Indian products and in favour of British products. As a result, the Indian Industry tended to Perish.

### **Foreign Trade**

- Due to discriminative tariff policy adopted by the British Government. India became net exporter of raw materials and primary products. On the other hand, it became net importer of finished goods reproduced by the British Industry.
- Composition of exports and imports showed the backwardness of Indian economy. Exports and Imports were largely restricted to Britain only due to monopoly control of India's foreign trade.
- Surplus profit made and account of foreign trade during the British rule was distributed on administrative and as well as on war expenses. It was only used to increase the pursuits of the British Government.

### **Demographic Condition**

- High birth and High death rate implied low survival rate, which was nearly 8 per thousand per annum.
- Life expectancy was as low as 32 years which shows the lack of health care facilities, lack of awareness as well as lack of means for health care.
- Literacy rate was as low as 16 per cent, which reflects the social and economic backwardness of the country.

### **Occupational Structure**

- Agriculture was the principal source of occupation and about 70-75 percent of working population was engaged in agriculture. While the manufacturing and the services sectors accounted for only 10 and 15-20 per cent respectively.

### **Infrastructure**

- Under the colonial regime, basic infrastructures such as railways, ports, water transport, posts and telegraphs did develop. However, the real motive behind this development was not to provide basic amenities to the people but to sub serve various colonial interests.
- The British introduced the railways in India in 1850 and it is considered as one of their most important contributions.
- Indian people gained owing to the introduction of the railways, were thus outweighed by the country's huge economic loss.

### **Conclusion**

- The agricultural sector was already saddled with surplus labour and extremely low productivity.
- The industrial sector was crying for modernisation, diversification, capacity building and increased public investment.
- Foreign trade was oriented to feed the Industrial Revolution in Britain. Infrastructure facilities, including the famed railway network, needed upgradation, expansion and public orientation.
- Prevalence of rampant poverty and unemployment required welfare orientation of public economic policy. In a nutshell, the social and economic challenges before the country were enormous.

# 2

## Indian Economy 1950-1990

- The leaders of independent India had to decide, among other things, the type of economic system most suitable for our nation, a system which would promote the welfare of all rather than a few.
- There are different types of economic systems and among them, socialism appealed to Jawaharlal Nehru the most.
- However, he was not in favour of the kind of socialism established in the former Soviet Union where all the means of production, i.e. all the factories and farms in the country, were owned by the government. There was no private property.
- In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson. The era of five-year plans had begun.

### The Goals Of Five-Year Plans

- The goals of the five-year plans are: growth, modernisation, self-reliance and equity.

#### Growth

- It refers to increase in the country's capacity to produce the output of goods and services within the country.
- The GDP is the market value of all the goods and services produced in the country during a year.
- The GDP of a country is derived from the different sectors of the economy, namely the agricultural sector, the industrial sector and the service sector. The contribution made by each of these sectors makes up the structural composition of the economy.

#### Modernisation

- To increase the production of goods and services the producers have to adopt new technology.
- Modernisation does not refer only to the use of new technology but also to changes in social outlook such as the recognition that women should have the same rights as men.

#### Self-reliance

- A nation can promote economic growth and modernisation by using its own resources or by using resources imported from other nations.
- The first seven five-year plans gave importance to self-reliance which means avoiding imports of those goods which could be produced in India itself.

#### Equity: -

- It is important to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich.
- Every Indian should be able to meet his or her basic needs such as food, a decent house, education and health care and inequality in the distribution of wealth should be reduced.

## Agriculture

- The colonial rule there was neither growth nor equity in the agricultural sector.
- The policy makers of independent India had to address these issues which they did through land reforms and promoting the use of 'High Yielding Variety' (HYV) seeds which ushered in a revolution in Indian agriculture.

## Land Reforms

- At the time of independence, the land tenure system was characterised by intermediaries who merely collected rent from the actual tillers of the soil without contributing towards improvements on the farm.
- Equity in agriculture called for land reforms which primarily refer to change in the ownership of landholdings.

## Land ceiling

- It was another policy to promote equity in the agricultural sector. This means fixing the maximum size of land which could be owned by an individual.
- The purpose of land ceiling was to reduce the concentration of land ownership in a few hands.

## The Green Revolution

- At independence, about 75 per cent of the country's population was dependent on agriculture.
- Productivity in the agricultural sector was very low because of the use of old technology and the absence of required infrastructure for the vast majority of farmers.
- The large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice.
- The portion of agricultural produce which is sold in the market by the farmers is called marketed surplus.

## The Debate Over Subsidies

- It is generally agreed that it was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers in general and small farmers in particular.
- Subsidies were, therefore, needed to encourage farmers to test the new technology.
- The experts argue that if subsidies are largely benefiting the fertiliser industry and big farmers, the correct policy is not to abolish subsidies but to take steps to ensure that only the poor farmers enjoy the benefits.

## Industry and Trade

- Industry provides employment which is more stable than the employment in agriculture; it promotes modernisation and overall prosperity.

## Industrial Policy Resolution 1956 (IPR 1956): -

- In accordance with the goal of the state controlling the commanding heights of the economy, the Industrial Policy Resolution of 1956 was adopted.
- This resolution formed the basis of the **Second Five Year Plan**, the plan which tried to build the basis for a socialist pattern of society.
- This resolution classified industries into three categories.
  - I. The first category comprised industries which would be exclusively owned by the state
  - II. The second category consisted of industries in which the private sector could supplement the efforts of the state sector, with the state taking the sole responsibility for starting new units
  - III. The third category consisted of the remaining industries which were to be in the private sector.

### **Small-Scale Industry: -**

- In 1955, the Village and Small-Scale Industries Committee, also called the Karve Committee, noted the possibility of using small-scale industries for promoting rural development.
- In 1950 a small -scale industrial unit was one which invested a maximum of rupees five lakh; at present the maximum investment allowed is rupees one crore.
- It is believed that small-scale industries are more 'labour intensive' i.e., they use more labour than the large-scale industries and, therefore, generate more employment.

### **Trade Policy: Import Substitution**

- The industrial policy that we adopted was closely related to the trade policy.
- In the first seven plans, trade was characterised by what is commonly called an inward-looking trade strategy. Technically, this strategy is called import substitution
- Protection from imports took two forms: tariffs and quotas.
  - ▶ Tariffs are a tax on imported goods; they make imported goods more expensive and discourage their use.
  - ▶ Quotas specify the quantity of goods which can be imported.

### **Conclusion**

- Our industries became far more diversified compared to the situation at independence.
- India became self- sufficient in food production thanks to the green revolution.
- Land reforms resulted in abolition of the hated zamindari system. However, many economists became dissatisfied with the performance of many public sector enterprises.
- Excessive government regulation prevented growth of entrepreneurship.
- In the name of self-reliance, our producers were protected against foreign competition and this did not give them the incentive to improve the quality of goods that they produced.
- Our policies were 'inward oriented' and so we failed to develop a strong export sector.
- The need for reform of economic policy was widely felt in the context of changing global economic scenario, and the new economic policy was initiated in 1991 to make our economy more efficient.

## Unit - II

# ECONOMIC REFORMS SINCE 1991

# 1

## Liberalisation, Privatisation and Globalisation: An Appraisal

### Introduction

- In 1991, India met with an economic crisis relating to its external debt the government was not able to make repayments on its borrowings from abroad; foreign exchange reserves, which we generally maintain to import petrol and other important items, dropped to levels that were not sufficient for even a fortnight.
- All these led the government to introduce a new set of policy measures which changed the direction of our developmental strategies.

### Background

- The income from public sector undertakings was also not very high to meet the growing expenditure. At times, our foreign exchange, borrowed from other countries and international financial institutions, was spent on meeting consumption needs.
- India approached the International Bank for Reconstruction and Development (IBRD), popularly known as World Bank and the International Monetary Fund (IMF).
- The government initiated a variety of policies which fall under three heads viz., liberalisation, privatisation and globalisation.

### Liberalisation

- Liberalisation was introduced to put an end to these restrictions and open various sectors of the economy.
- Though a few liberalisation measures were introduced in 1980s in areas of industrial licensing, export-import policy, technology upgradation, fiscal policy and foreign investment, reform policies initiated in 1991 were more comprehensive.
- The industrial sector, financial sector, tax reforms, foreign exchange markets and trade and investment sectors which received greater attention in and after 1991.

### Deregulation of Industrial Sector

In India, regulatory mechanisms were enforced in various ways

- I. Industrial licensing under which every entrepreneur had to get permission from government officials to start a firm, close a firm or decide the amount of goods that could be produced
- II. Private sector was not allowed in many industries
- III. Some goods could be produced only in small-scale industries
- IV. Controls on price fixation and distribution of selected industrial products.



- Many goods produced by small-scale industries have now been dereserved. In many industries, the market has been allowed to determine the prices.
- Financial Sector Reforms: Financial sector includes financial institutions, such as commercial banks, investment banks, stock exchange operations and foreign exchange market.
- The financial sector in India is regulated by the Reserve Bank of India (RBI).
- One of the major aims of financial sector reforms is to reduce the role of RBI from regulator to facilitator of financial sector. This means that the financial sector may be allowed to take decisions on many matters without consulting the RBI.
- Foreign Institutional Investors (FII), such as merchant bankers, mutual funds and pension funds, are now allowed to invest in Indian financial markets.

#### **Tax Reforms**

- Tax reforms are concerned with the reforms in the government's taxation and public expenditure policies, which are collectively known as its fiscal policy.
- There are two types of taxes: direct and indirect.
- **Direct taxes** consist of taxes on incomes of individuals, as well as, profits of business enterprises. Since 1991, there has been a continuous reduction in the taxes on individual incomes as it was felt that high rates of income tax were an important reason for tax evasion.
- The rate of **corporation tax**, which was very high earlier, has been gradually reduced. Efforts have also been made to reform the indirect taxes, taxes levied on commodities, in order to facilitate the establishment of a common national market for goods and commodities.

#### **Foreign Exchange Reforms: -**

- The first important reform in the external sector was made in the foreign exchange market. In 1991, as an immediate measure to resolve the balance of payments crisis, the rupee was devalued against foreign currencies.

#### **Trade and Investment Policy Reforms: -**

- Liberalisation of trade and investment regime was initiated to increase international competitiveness of industrial production and also foreign investments and technology into the economy.
- The trade policy reforms aimed at (i) dismantling of quantitative restrictions on imports and exports (ii) reduction of tariff rates and (iii) removal of licensing procedures for imports.
- Import licensing was abolished except in case of hazardous and environmentally sensitive industries.
- Export duties have been removed to increase the competitive position of Indian goods in the international markets.

#### **Privatisation**

- It implies shedding of the ownership or management of a government owned enterprise. Government companies are converted into private companies in two ways
  - I. By withdrawal of the government from ownership and management of public sector companies
  - II. By outright sale of public sector companies.
- Privatisation of the public sector enterprises by selling off part of the equity of PSEs to the public is known as disinvestment.

- The government has also made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions. For instance, some PSUs have been granted special status as maharatnas, navratnas and miniratnas.

### **Globalisation**

- Globalisation is the outcome of the policies of liberalisation and privatisation.
- Although globalisation is generally understood to mean integration of the economy of the country with the world economy, it is a complex phenomenon.
- It is an outcome of the set of various policies that are aimed at transforming the world towards greater interdependence and integration.

### **World Trade Organisation (WTO)**

- The WTO was founded in 1995 as the successor organisation to the General Agreement on Trade and Tariff (GATT).
- GATT was established in 1948 with 23 countries as the global trade organisation to administer all multilateral trade agreements by providing equal opportunities to all countries in the international market for trading purposes.
- The WTO agreements cover trade in goods as well as services to facilitate international trade (bilateral and multilateral) through removal of tariff as well as non-tariff barriers and providing greater market access to all member countries.

### **Indian Economy During Reforms: An Assessment**

#### **Growth and Employment: -**

- Though the GDP growth rate has increased in the reform period, scholars point out that the reform-led growth has not generated sufficient employment opportunities in the country.

#### **Reforms in Agriculture: -**

- Reforms have not been able to benefit agriculture, where the growth rate has been decelerating.
- Public investment in agriculture sector especially in infrastructure, which includes irrigation, power, roads, market linkages and research and extension has fallen in the reform period.
- Since the commencement of WTO, this sector has been experiencing a number of policy changes such as reduction in import duties on agricultural products, removal of minimum support price and lifting of quantitative restrictions on agricultural products; these have adversely affected Indian farmers as they now have to face increased international competition.

#### **Reforms in Industry: -**

- Industrial growth has also recorded a slowdown. This is because of decreasing demand of industrial products due to various reasons such as cheaper imports, inadequate investment in infrastructure etc.
- In a globalised world, developing countries are compelled to open up their economies to greater flow of goods and capital from developed countries and rendering their industries vulnerable to imported goods.
- Globalisation is, thus, often seen as creating conditions for the free movement of goods and services from foreign countries that adversely affect the local industries and employment opportunities in developing countries.

**Disinvestment: -**

- The proceeds from disinvestment were used to offset the shortage of government revenues rather than using it for the development of PSEs and building social infrastructure in the country.

**Reforms and Fiscal Policies: -**

- Economic reforms have placed limits on the growth of public expenditure, especially in social sectors.
- The tax reductions in the reform period, aimed at yielding larger revenue and curb tax evasion, have not resulted in increase in tax revenue for the government.
- Also, the reform policies, involving tariff reduction, have curtailed the scope for raising revenue through custom duties.
- In order to attract foreign investment, tax incentives were provided to foreign investors which further reduced the scope for raising tax revenues. This has a negative impact on developmental and welfare expenditure.

**Conclusion**

- The process of globalisation through liberalisation and privatisation policies has produced positive, as well as, negative results both for India and other countries.
- On the contrary, the critics argue that globalisation is a strategy of the developed countries to expand their markets in other countries.
- It has further been pointed out that market-driven globalisation has widened the economic disparities among nations and people.

## Unit - III

# CURRENT CHALLENGES FACING THE INDIAN ECONOMY

# 1

## Poverty

### Introduction

- India has taken in the last seven decades and the outcome of these policies with relation to the various developmental indicators.
- Providing minimum basic needs to the people and reduction of poverty have been the major aims of independent India.
- The pattern of development that the successive five-year plans envisaged laid emphasis on the upliftment of the poorest of the poor (Antyodaya), integrating the poor into the mainstream and achieving a minimum standard of living for all.

### How Are Poor People Identified?

- In pre-independent India, Dadabhai Naoroji was the first to discuss the concept of a Poverty Line.

### Categorising Poverty: -

- There are many ways to categorise poverty. In one such way people who are always poor and those who are usually poor but who may sometimes have a little more money (example: casual workers) are grouped together as the chronic poor.
- Another group are the churning poor who regularly move in and out of poverty (example: small farmers and seasonal workers) and the occasionally poor who are rich most of the time but may sometimes have a patch of bad luck.
- They are called the transient poor. And then, there are those who are never poor and they are the non-poor.

### The Poverty Line: -

- There are many ways of measuring poverty. One way is to determine it by the monetary value (per capita expenditure) of the minimum calorie intake that was estimated at 2,400 calories for a rural person and 2,100 for a person in the urban area.
- Based on this, in 2011-12, the poverty line was defined for rural areas as consumption worth Rs 816 per person a month and for urban areas it was Rs 1,000.

### The Number of Poor In India

- The number of poor is estimated as the proportion of people below the poverty line, it is known as 'Head Count Ratio'.

- The official data on poverty is made available to the public by the Planning Commission. It is estimated on the basis of consumption expenditure data collected by the National Sample Survey Organisation (NSSO).

### **What Causes Poverty?**

- The causes of poverty lie in the institutional and social factors that mark the life of the poor.
- The poor are deprived of quality education and unable to acquire skills which fetch better incomes. Also access to health care is denied to the poor.
- The main victims of caste, religious and other discriminatory practices are poor. These can be caused as a result of
  - I. Social, economic and political inequality
  - II. Social exclusion
  - III. Unemployment
  - IV. Indebtedness
  - V. Unequal distribution of wealth.

### **Policies and Programmes Towards Poverty Alleviation**

- The Indian Constitution and five-year plans state social justice as the primary objective of the developmental strategies of the government.
- To quote the First Five Year Plan (1951-56), “the urge to bring economic and social change under present conditions comes from the fact of poverty and inequalities in income, wealth and opportunity”.
- The Second Five Year Plan (1956-61) also pointed out that “the benefits of economic development must accrue more and more to the relatively less privileged classes of society”.
- This second approach has been initiated from the Third Five Year Plan (1961-66) and progressively enlarged since then. One of the noted programmes initiated in the 1970s was Food for Work.
- Most poverty alleviation programmes implemented are based on the perspective of the Five-Year Plans.
- Expanding self-employment programmes and wage employment programmes are being considered as the major ways of addressing poverty. Examples of self-employment programmes are Rural Employment Generation Programme (REGP), Prime Minister’s Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY).

### **Poverty Alleviation Programmes - A Critical Assessment**

- Efforts at poverty alleviation have borne fruit in that for the first time since independence, the percentage of absolute poor in some states is now well below the national average.
- Despite various strategies to alleviate poverty, hunger, malnourishment, illiteracy and lack of basic amenities continue to be a common feature in many parts of India.
- Though the policy towards poverty alleviation has evolved in a progressive manner, over the last five and a half decades, it has not undergone any radical transformation.
- Scholars, while assessing these programmes, state three major areas of concern which prevent their successful implementation.
- Due to unequal distribution of land and other assets, the benefits from direct poverty alleviation programmes have been appropriated by the non-poor.

### **Conclusion**

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- We have travelled about six decades since independence. The objective of all our policies had been stated as promoting rapid and balanced economic development with equality and social justice.
  - Poverty alleviation has always been accepted as one of India's main challenges by the policy makers, regardless of which government was in power.
  - Moreover, the fruits of development have not reached all sections of the population.
  - Some sections of people, some sectors of the economy, some regions of the country can compete even with developed countries in terms of social and economic development, yet, there are many others who have not been able to come out of the vicious circle of poverty.

# 2

## Rural Development

### Introduction

- Agriculture is the major source of livelihood in the rural sector. Mahatma Gandhi once said that the real progress of India did not mean simply the growth and expansion of industrial urban centres but mainly the development of the villages.

### What is Rural Development?

- Rural development is a comprehensive term. It essentially focuses on action for the development of areas that are lagging behind in the overall development of the village economy.
- Some of the areas which are challenging and need fresh initiatives for development in rural India include
  - ▶ Development of human resources including
    - Literacy, more specifically, female literacy, education and skill development
    - Health, addressing both sanitation and public health
  - ▶ Land reforms
  - ▶ Development of the productive resources of each locality
  - ▶ Infrastructure development like electricity, irrigation, credit, marketing, transport facilities including construction of village roads and feeder roads to nearby highways, facilities for agriculture research and extension, and information dissemination
  - ▶ Special measures for alleviation of poverty and bringing about significant improvement in the living conditions of the weaker sections of the population emphasising access to productive employment opportunities.

### Credit and Marketing in Rural Areas

#### Credit

- Growth of rural economy depends primarily on infusion of capital, from time to time, to realise higher productivity in agriculture and non-agriculture sectors.
- At the time of independence, moneylenders and traders exploited small and marginal farmers and landless labourers by lending to them on high interest rates and by manipulating the accounts to keep them in a debt-trap.
- A major change occurred after 1969 when India adopted social banking and multiagency approach to adequately meet the needs of rural credit.
- Later, the National Bank for Agriculture and Rural Development (NABARD) was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system.
- The institutional structure of rural banking today consists of a set of multi-agency institutions, namely, commercial banks, regional rural banks (RRBs), cooperatives and land development banks
- Recently, Self-Help Groups (henceforth SHGs) have emerged to fill the gap in the formal credit system because the formal credit delivery mechanism has not only proven inadequate but has also not been fully integrated into the overall rural social and community development.

## Agricultural Market System

- Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.
- Prior to independence, farmers, while selling their produce to traders, suffered from faulty weighing and manipulation of accounts.
- Four such measures that were initiated to improve the marketing aspect.
  - ▶ The first step was regulation of markets to create orderly and transparent marketing conditions.
  - ▶ Second component is provision of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing units.
  - ▶ The current infrastructure facilities are quite inadequate to meet the growing demand and need to be improved. Cooperative marketing, in realising fair prices for farmers' products, is the third aspect of government initiative.
  - ▶ The fourth element is the policy instruments like
    - I. Assurance of minimum support prices (MSP) for agricultural products
    - II. Maintenance of buffer stocks of wheat and rice by Food Corporation of India.
    - III. Distribution of food grains and sugar through PDS.

## Sustainable Development and Organic Farming

- In recent years, awareness of the harmful effect of chemical-based fertilisers and pesticides on our health is on a rise.
- Conventional agriculture relies heavily on chemical fertilisers and toxic pesticides etc., which enter the food supply, penetrate the water sources, harm the livestock, deplete the soil and devastate natural eco-systems

### Benefits of Organic Farming: -

- Organic agriculture offers a means to substitute costlier agricultural inputs (such as HYV seeds, chemical fertilisers, pesticides etc.) with locally produced organic inputs that are cheaper and thereby generate good returns on investment.
- Organic agriculture also generates income through exports as the demand for organically grown crops is on a rise.

### Conclusion

- It is clear that until and unless some spectacular changes occur, the rural sector might continue to remain backward.
- There is a greater need today to make rural areas more vibrant through diversification into dairying, poultry, fisheries, vegetables and fruits and linking up the rural production centres with the urban and foreign (export) markets to realise higher returns on the investments for the products.
- Moreover, infrastructure elements like credit and marketing, farmer friendly agricultural policies and a constant appraisal and dialogue between farmers' groups and state agricultural departments are essential to realise the full potential of the sector.
- Today we cannot look at the environment and rural development as two distinct subjects. There is need to invent or procure alternate sets of eco-friendly technologies that lead to sustainable development in different circumstances.



# 3

## Employment: Growth, Informalisation and Other Issues

### Introduction

- People do a variety of work. Some work on farms, in factories, banks, shops and many other workplaces; yet a few others work at home. Work at home includes not only traditional work but also modern jobs like programming work in the IT industry.
- People work for 'earning' a living. Some people get, or have, money by inheriting it, not working for it.
- Having recognised the importance of work, Mahatma Gandhi insisted upon education and training through a variety of works including craft.
- It helps us to analyse the contribution made by different industries and sectors towards national income. It also helps us to address many social issues such as exploitation of marginalised sections of the society, child labour etc.

### Self-Employed and Hired Workers

- Workers who own and operate an enterprise to earn their livelihood are known as self-employed.
- Casual wage labourers are casually engaged in others' farms and, in return, get a remuneration for the work done
- When a worker is engaged by someone or an enterprise and paid his or her wages on a regular basis, they are known as regular salaried employees.

### Growth and Changing Structure Of Employment

- There are two developmental indicators – growth of employment and GDP. Sixty years of planned development have been aimed at expansion of the economy through increase in national output and employment.
- During the period 1950–2010, Gross Domestic Product (GDP) of India grew positively and was higher than the employment growth.
- In the late 1990s: employment growth started declining and reached the level of growth that India had in the early stages of planning. During these years, we also find a widening gap between the growth of GDP and employment.
- Distribution of workforce by industrial sectors shows substantial shift from farm work to non-farm work.
- In 1972-73, about 74 per cent of workforce was engaged in primary sector and in 2011-12, this proportion has declined to about 50 per cent. Secondary and service sectors are showing promising future for the Indian workforce.
- The distribution of workforce in different status indicates that over the last four decades (1972-2012), people have moved from self-employment and regular salaried employment to casual wage work.
- Scholars call the process of moving from self-employment and regular salaried employment to casual wage work as casualisation of workforce.

## Unemployment

- NSSO defines unemployment as a situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing condition of work and remunerations.
- There are a variety of ways by which an unemployed person is identified. Economists define unemployed person as one who is not able to get employment of even one hour in half a day.
- There are three sources of data on unemployment: Reports of Census of India, National Sample Survey Organisation's Reports of Employment and Unemployment Situation and Directorate General of Employment and Training Data of Registration with Employment Exchanges.
- Economists call unemployment prevailing in Indian farms as disguised unemployment.

### What is disguised unemployment?

- Suppose a farmer has four acres of land and he actually needs only two workers and himself to carry out various operations on his farm in a year, but if he employs five workers and his family members such as his wife and children, this situation is known as disguised unemployment.
- When there is no work to do on farms, people go to urban areas and look for jobs. This kind of unemployment is known as seasonal unemployment. This is also a common form of unemployment prevailing in India.

## Conclusion

- There has been a change in the structure of workforce in India. Newly emerging jobs are found mostly in the service sector.
- The expansion of the service sector and the advent of high technology now frequently permit a highly competitive existence for efficient small scale and often individual enterprises or specialist workers side by side with the multinationals.
- Outsourcing of work is becoming a common practice.
- The traditional notion of the modern factory or office, as a result, has been altering in such a manner that for many the home is becoming the workplace.
- All of this change has not gone in favour of the individual worker. The nature of employment has become more informal with only limited availability of social security measures to the workers.
- In the last two decades, there has been rapid growth in the gross domestic product, but without simultaneous increase in employment opportunities.
- This has forced the government to take up initiatives in generating employment opportunities particularly in the rural areas.

# 4

## Infrastructure

### Introduction

- Infrastructure provides supporting services in the main areas of industrial and agricultural production, domestic and foreign trade and commerce.
- These services include roads, railways, ports, airports, dams, power stations, oil and gas pipelines, telecommunication facilities, the country's educational system including schools and colleges, health system including hospitals, sanitary system including clean drinking water facilities and the monetary system including banks, insurance and other financial institutions.
- Some divide infrastructure into two categories economic and social. Infrastructure associated with energy, transportation and communication are included in the former category whereas those related to education, health and housing are included in the latter.

### Relevance of Infrastructure

- Infrastructure contributes to economic development of a country both by increasing the productivity of the factors of production and improving the quality of life of its people.
- Improvements in water supply and sanitation have a large impact by reducing **morbidity** from major waterborne diseases and reducing the severity of disease when it occurs.

### Energy

- Energy is a critical aspect of the development process of a nation. It is, of course, essential for industries.
- Now it is used on a large scale in agriculture and related areas like production and transportation of fertilisers, pesticides and farm equipment.

### Sources of Energy: -

- There are commercial and non-commercial sources of energy.
- Commercial sources are coal, petroleum and electricity as they are bought and sold.
- Non-commercial sources of energy are firewood, agricultural waste and dried dung.

### Non-conventional Sources of Energy: -

- Both commercial and non-commercial sources of energy are known as conventional sources of energy.
- There are three other sources of energy which are commonly termed as non-conventional sources solar energy, wind energy and tidal power.
- Being a tropical country, India has almost unlimited potential for producing all three types of energy if some appropriate cost-effective technologies that are already available are used.

### Power/Electricity: -

- The most visible form of energy, which is often identified with progress in modern civilisation, is power, commonly called electricity.

- It is a critical component of infrastructure that determines the economic development of a country. The growth rate of demand for power is generally higher than the GDP growth rate.
- Electricity is a secondary form of energy produced from primary energy resources including coal, hydrocarbons, hydro energy, nuclear energy, renewable energy etc.

### Health

- Health is not only absence of disease but also the ability to realise one's potential. It is a yardstick of one's well-being.

#### State of Health Infrastructure: -

- The government has the constitutional obligation to guide and regulate all health-related issues, such as medical education, adulteration of food, drugs and poisons, medical profession, vital statistics, mental deficiency and lunacy.
- The Union Government evolves broad policies and plans through the Central Council of Health and Family Welfare.

#### Private Sector Health Infrastructure: -

- In recent times, private sector has been playing a dominant role in medical education and training, medical technology and diagnostics, manufacture and sale of pharmaceuticals, hospital construction and the provision of medical services.
- Since the 1990s, owing to liberalisation measures, many non-resident Indians and industrial and pharmaceutical companies have set up state-of-the-art super-specialty hospitals to attract India's rich and medical tourists.

#### Indian Systems of Medicine (ISM): -

- It includes six systems:
  1. Ayurveda
  2. Yoga
  3. Unani
  4. Siddha
  5. Naturopathy and
  6. Homeopathy (AYUSH)
- ISMs have huge potential and can solve a large part of our healthcare problems because they are effective, safe and inexpensive.

#### Indicators of Health and Health Infrastructure—A Critical Appraisal: -

- As pointed out earlier, the health status of a country can be assessed through indicators, such as infant mortality and maternal mortality rates, life expectancy and nutrition levels, along with the incidence of communicable and non-communicable diseases.
- One study points out that India has about 17 per cent of the world's population but it bears a frightening 20 per cent of the **global burden of diseases** (GBD).
- GBD is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of 'disability' owing to the disease.

- In India, more than half of GBD is accounted for by communicable diseases such as diarrhoea, malaria and tuberculosis.
- Every year around five lakh children die of water-borne diseases. The danger of AIDS is also looming large.

**Women's Health**

- Women constitute about half of the total population in India.
- They suffer many disadvantages as compared to men in the areas of education, participation in economic activities and healthcare.
- The deterioration in the child sex ratio in the country from 927 in 2001 to 914 in 2011 points to the growing incidence of female foeticide.
- More than 50 per cent of married women in the age group of 15–49 years have anaemia and nutritional anaemia caused by iron deficiency, which has contributed to 19 per cent of maternal deaths.
- Abortions are also a major cause of maternal morbidity and mortality in India.

**Conclusion**

- Infrastructure, both economic and social, is essential for the development of a country.
- In the last seven decades of Independence, India has made considerable progress in building infrastructure, nevertheless, its distribution is uneven.
- As India moves towards modernisation, the increase in demand for quality infrastructure, keeping in view their environmental impact, will have to be addressed.
- While assessing the two-infrastructure energy and health, it is clear that there is scope for equal access to infrastructure for all.

# 5

## Environment and Sustainable Development

### Introduction

- The economic development that we have achieved so far has come at a very heavy price at the cost of environmental quality.
- To understand the unsustainable path of development that we have taken and the challenges of sustainable development, we have to first understand the significance and contribution of environment to economic development.

### Environment - Definition and Functions

- Environment is defined as the total planetary inheritance and the totality of all resources. It includes all the biotic and abiotic factors that influence each other.
- While all living elements the birds, animals and plants, forests, fisheries etc. are biotic elements, abiotic elements include air, water, land etc.
- Rocks and sunlight are all examples of abiotic elements of the environment. A study of the environment then calls for a study of the interrelationship between these biotic and abiotic components of the environment.

### Functions of the Environment: -

- The environment performs four vital functions
  - I. It supplies resources: resources here include both renewable and non-renewable resources.
  - II. It assimilates waste
  - III. It sustains life by providing genetic and bio diversity and (iv) it also provides aesthetic services like scenery etc.
- Renewable resources are those which can be used without the possibility of the resource becoming depleted or exhausted. That is, a continuous supply of the resource remains available.
- Non-renewable resources, on the other hand, are those which get exhausted with extraction and use
- The environment is able to perform these functions without any interruption as long as the demand on these functions is within its carrying capacity.
- Absorptive capacity means the ability of the environment to absorb degradation.
- To make matters worse, global environmental issues such as global warming and ozone depletion also contribute to increased financial commitments for the government.
- Thus, it is clear that the opportunity costs of negative environmental impacts are high.

### State of India's Environment

- India has abundant natural resources in terms of rich quality of soil, hundreds of rivers and tributaries, lush green forests, plenty of mineral deposits beneath the land surface, vast stretch of the Indian Ocean, ranges of mountains, etc.
- The black soil of the Deccan Plateau is particularly suitable for cultivation of cotton, leading to concentration of textile industries in this region.

- The Indo-Gangetic plains spread from the Arabian Sea to the Bay of Bengal are one of the most fertile, intensively cultivated and densely populated regions in the world.
- The developmental activities in India have resulted in pressure on its finite natural resources, besides creating impacts on human health and well-being.
- Some of the factors responsible for land degradation are
  - I. Loss of vegetation occurring due to deforestation
  - II. Unsustainable fuel wood and fodder extraction
  - III. Shifting cultivation
  - IV. Encroachment into forest lands
  - V. Forest fires and over grazing
  - VI. Non-adoption of adequate soil conservation measures
  - VII. Improper crop rotation
  - VIII. Indiscriminate use of agro-chemicals such as fertilisers and pesticides
  - IX. Improper planning and management of irrigation systems
  - X. Extraction of ground water in excess of the recharge capacity
  - XI. Open access resource and
  - XII. Poverty of the agriculture-dependent people.
- In India, air pollution is widespread in urban areas where vehicles are the major contributors and in a few other areas which have a high concentration of industries and thermal power plants.
- **The CPCB (Central Pollution Control Board)** has identified seventeen categories of industries (large and medium scale) as significantly polluting.

### **Sustainable Development**

- Environment and economy are interdependent and need each other. Hence, development that ignores its repercussions on the environment will destroy the environment that sustains life forms.
- The concept of sustainable development was emphasised by the **United Nations Conference on Environment and Development (UNCED)**, which defined it as: 'Development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs'.
- **The Brundtland Commission** emphasises on protecting the future generation. This is in line with the argument of the environmentalists who emphasise that we have a moral obligation to hand over the planet earth in good order to the future generation; that is, the present generation should bequeath a better environment to the future generation.

### **Strategies for Sustainable Development**

- Use of Non-conventional Sources of Energy: India, as you know, is hugely dependent on thermal and hydropower plants to meet its power needs.
- Thermal power plants emit large quantities of carbon dioxide which is a greenhouse gas. It also produces fly ash which, if not used properly, can cause pollution of water bodies, land and other components of the environment.
- Hydroelectric projects inundate forests and interfere with the natural flow of water in catchment areas and the river basins.
- Wind power and solar rays are good examples of conventional but cleaner and greener energy sources but are not yet been explored on a large scale due to lack of technological devices.\

### **LPG, Gobar Gas in Rural Areas**

- Households in rural areas generally use wood, dung cake or other biomass as fuel.
- This practice has several adverse implications like deforestation, reduction in green cover, wastage of cattle dung and air pollution.
- To rectify the situation, subsidised LPG is being provided. In addition, Gobar gas plants are being provided through easy loans and subsidy.

### **CNG in Urban Areas**

- In Delhi, the use of Compressed Natural Gas (CNG) as fuel in public transport system has significantly lowered air pollution and the air has become cleaner in the last few years.

### **Wind Power**

- In areas where speed of wind is usually high, wind mills can provide electricity without any adverse impact on the environment.
- Wind turbines move with the wind and electricity is generated. No doubt, the initial cost is high. But the benefits are such that the high cost gets easily absorbed.

### **Solar Power through Photovoltaic Cells**

- India is naturally endowed with a large quantity of solar energy in the form of sunlight. We use it in different ways. Now, with the help of photovoltaic cells, solar energy can be converted into electricity.
- This technology is extremely useful for remote areas and for places where supply of power through grid or power lines is either not possible or proves very costly.
- This technique is also totally free from pollution. In recent years India is taking efforts to increase the power generation through solar.
- India is also leading an International body called International Solar Alliance (ISA).

### **Mini-hydel Plants**

- In mountainous regions, streams can be found almost everywhere. A large percentage of such streams are perennial.
- Mini-hydel plants use the energy of such streams to move small turbines.

### **Traditional Knowledge and Practices: -**

- Traditionally, Indian people have been close to their environment. They have been more a component of the environment and not its controller.
- If we look back at our agriculture system, healthcare system, housing, transport etc., we find that all practices have been environment friendly.
- With the sudden onslaught of the western system of treatment, we were ignoring our traditional systems such as Ayurveda, Unani, Tibetan and folk systems. These healthcare systems are in great demand again for treating chronic health problems.

### **Bio composting: -**

- In our quest to increase agricultural production during the last five decades or so, we almost totally neglected the use of compost and completely switched over to chemical fertilisers.
- The result is that large tracts of productive land have been adversely affected, water bodies including ground water system have suffered due to chemical contamination and demand for irrigation has been going up year after year.
- Earthworms can convert organic matter into compost faster than the normal composting process.



**Biopest Control: -**

- With the advent of green revolution, the entire country entered into a frenzy to use more and more chemical pesticides for higher yield.
- Soon, the adverse impacts began to show; food products were contaminated, soil, water bodies and even ground water were polluted with pesticides. Even milk, meat and fishes were found to be contaminated.
- Mixed cropping and growing different crops in consecutive years on the same land have also helped farmers.
- Sustainable development has become a catch phrase today. It is 'indeed' a paradigm shift in development thinking.
- Though it has been interpreted in a number of ways, adherence to this path ensures lasting development and non-declining welfare for all.

**Conclusion**

- Economic development, which aimed at increasing the production of goods and services to meet the needs of a rising population, puts greater pressure on the environment. In the initial stages of development, the demand for environmental resources was less than that of supply.
- Now the world is faced with increased demand for environmental resources but their supply is limited due to overuse and misuse.
- Sustainable development aims at promoting the kind of development that minimises environmental problems and meets the needs of the present generation without compromising the ability of the future generation to meet their own needs.

## Unit - IV

# DEVELOPMENT EXPERIENCES OF INDIA: A COMPARISON WITH NEIGHBOURS

# 1

## Comparative Development Experiences of India and Its Neighbour

### Introduction

- Over the last two decades or so, the economic transformation that is taking place in different countries across the world, partly because of the process of globalisation, has both short as well as long-term implications for each country, including India.
- Nations have been primarily trying to adopt various means which will strengthen their own domestic economies.
- To this effect, they are forming regional and global economic groupings such as the SAARC, European Union, ASEAN, G-8, G-20, BRICS etc.

### Developmental Path—A Snapshot View

- While India and Pakistan became independent nations in 1947, People's Republic of China was established in 1949.
- In a speech at that time, Jawaharlal Nehru had said, "These new and revolutionary changes in China and India, even though they differ in content, symbolise the new spirit of Asia and new vitality which is finding expression in the countries in Asia."
- All three countries had started planning their development strategies in similar ways.
- While India announced its first Five Year Plan for 1951-56, Pakistan announced its first five-year plan, now called the Medium-Term Development Plan, in 1956. China announced its First Five Year Plan in 1953.
- Till the 1980s, all the three countries had similar growth rates and per capita incomes.

### Demographic Indicators

- If we look at the global population, out of every six persons living in this world, one is an Indian and another a Chinese.
- We shall compare some demographic indicators of India, China and Pakistan.
- The population of Pakistan is very small and accounts for roughly about one-tenth of China or India.
- In recent times, all three countries are adopting various measures to improve the situation. One child norm and the resultant arrest in the growth of population also have other implications.
- For instance, after a few decades, in China, there will be more elderly people in proportion to young people. This led China to allow couples to have two children.
- The fertility rate is also low in China and very high in Pakistan. Urbanisation is high in China with India

having 33 per cent of its people living in urban areas.

### Indicators of Human Development

- The importance of human development indicators in the lower classes and the position of many developed and developing countries.
- Let us look how India, China and Pakistan have performed in some of the select indicators of human development. Look at Table

Some Selected Indicators of Human Development, 2009 - 10

Item	India	China	Pakistan
Human Development Index (Value)	0.547	0.687	0.527
Rank (based on HDI)	134	101	145
Life Expectancy at birth (Years)	65.4	73.5	63.0
Adult literacy rate (% aged 15 and above)	62.8	94	55.5
GDP per capita (PPP US\$)	3296	6828	2609
People below poverty line (%) (2004-06)	37.2	2.8	22.3
Infant Mortality Rate (Per 1000 live births)	66	19	87
Maternal Mortality Rate (Per 1 lakh births)	230	38	260
Population with sustainable access to improved sanitation (%)	52	92	32
Population with sustainable access to an improved water source (%)	88	97	93
% of children malnourished (<5)	43.5	4.5	NA

- The above table shows that China is moving ahead of India and Pakistan.
- This is true for many indicators – income indicator such as GDP per capita, or proportion of population below poverty line or health indicators such as mortality rates, access to sanitation, literacy, life expectancy or malnourishment.

### Conclusion

- India, China and Pakistan have travelled more than five decades of developmental path with varied results. Till the late 1970s, all of them were maintaining the same level of low development. The last three decades have taken these countries to different levels.
- India, with democratic institutions, performed moderately, but a majority of its people still depend on agriculture. Infrastructure is lacking in many parts of the country. It is yet to raise the level of living of more than one-fourth of its population that lives below the poverty line.
- Yet, last three years, many macroeconomic indicators began showing positive and higher growth rates reflecting the economic recovery.
- In China, the lack of political freedom and its implications for human rights are major concerns; yet, in the last three decades, it used the 'market system without losing political commitment' and succeeded in raising the level of growth along with alleviation of poverty.
- Public intervention in providing social infrastructure even prior to reforms has brought about positive results in human development indicators in China.