

Overview

The purpose of the story is to introduce some basic concepts relating to production and this we do through a story of a hypothetical village called Palampur.*

Farming is the main activity in Palampur, whereas several other activities such as small scale manufacturing, dairy, transport, etc. are carried out on a limited scale. These production activities need various types of resources — natural resources, man-made items, human effort, money, etc. As we read through the story of Palampur, we will learn how various resources combine to produce the desired goods and services in the village.

Introduction

Palampur is well-connected with neighbouring villages and towns. Raiganj, a big village, is 3 kms from Palampur. An all weather road connects the village to Raiganj and further on to the nearest small town of Shahpur. Many kinds of transport are visible on this road starting from bullock carts, *tongas*, bogeys (wooden cart drawn by buffalos) loaded with jaggery (*gur*) and other commodities to motor vehicles like motorcycles, jeeps, tractors and trucks.

This village has about 450 families belonging to several different castes. The 80 upper caste families own the majority of land in the village. Their houses, some of them quite large, are made of brick with cement plastering. The SCs (dalits) comprise one third of the population and live in one corner of the village and in much smaller houses some of which are of mud and straw. Most of the houses have

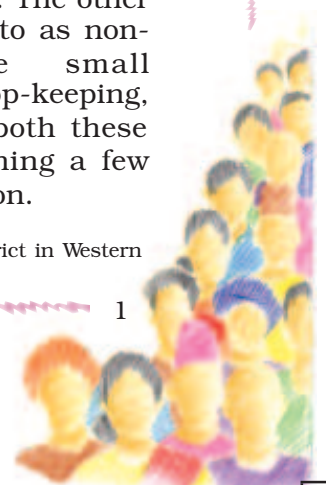
* The narrative is partly based on a research study by Gilbert Etienne of a village in Bulandshahr district in Western Uttar Pradesh.

Picture 1.1 Scene of a village

electric connections. Electricity powers all the tubewells in the fields and is used in various types of small business. Palampur has two primary schools and one high school. There is a primary health centre run by the government and one private dispensary where the sick are treated.

- The description above shows that Palampur has fairly well-developed system of roads, transport, electricity, irrigation, schools and health centre. Compare these facilities with those in your nearby village.

The story of Palampur, an imaginary village, will take us through the different types of production activities in the village. In villages across India, farming is the main production activity. The other production activities, referred to as non-farm activities include small manufacturing, transport, shop-keeping, etc. We shall take a look at both these types of activities, after learning a few general things about production.



Organisation of Production

The aim of production is to produce the goods and services that we want. There are four requirements for production of goods and services.

The first requirement is **land**, and other natural resources such as water, forests, minerals.

The second requirement is **labour**, i.e. people who will do the work. Some production activities require highly educated workers to perform the necessary tasks. Other activities require workers who can do manual work. Each worker is providing the labour necessary for production.

The third requirement is **physical capital**, i.e. the variety of inputs required at every stage during production. What are the items that come under physical capital?

- (a) *Tools, machines, buildings:* Tools and machines range from very simple tools such as a farmer's plough to sophisticated machines such as generators, turbines, computers, etc. Tools, machines, buildings can be used in production over many years, and are called **fixed capital**.
- (b) *Raw materials and money in hand:* Production requires a variety of raw materials such as the yarn used by the weaver and the clay used by the potter. Also, some money is always required during production to make payments and buy other necessary items. Raw materials and money in hand are called **working capital**. Unlike tools, machines and buildings, these are used up in production.

There is a fourth requirement too. You will need knowledge and enterprise to be able to put together land, labour and physical capital and produce an output either to use yourself or to sell in the market. This these days is called human

capital. We shall learn more about **human capital** in the next chapter.

- In the picture, identify the land, labour and fixed capital used in production.

Picture 1.2 A factory, with several labourers and machines

Every production is organised by combining land, labour, physical capital and human capital, which are known as **factors of production**. As we read through the story of Palampur, we will learn more about the first three factors of production. For convenience, we will refer to the physical capital as the capital in this chapter.

Farming in Palampur

1. Land is fixed

Farming is the main production activity in Palampur. 75 per cent of the people who are working are dependent on farming for their livelihood. They could be farmers or farm labourers. The well-being of these people is closely related to production on the farms.

But remember that there is a basic constraint in raising farm production. Land area under cultivation is practically fixed. Since 1960 in Palampur, there has been no expansion in land area under

cultivation. By then, some of the wastelands in the village had been converted to cultivable land. There exists no further scope to increase farm production by bringing new land under cultivation.

The standard unit of measuring land is hectare, though in the villages you may find land area being discussed in local units such as *bigha*, *guntha* etc. One hectare equals the area of a square with one side measuring 100 metres. Can you compare the area of a 1 hectare field with the area of your school ground?



2. Is there a way one can grow more from the same land?

In the kind of crops grown and facilities available, Palampur would resemble a village of the western part of the state of Uttar Pradesh. All land is cultivated in Palampur. No land is left idle. During the rainy season (kharif) farmers grow jowar and bajra. These plants are used as cattle feed. It is followed by cultivation of potato between October and December. In the winter season (rabi), fields are sown with wheat. From the wheat produced, farmers keep enough wheat for the family's consumption and sell the surplus wheat at the market at Raiganj. A part of the land area is also devoted to sugarcane which is harvested once every year. Sugarcane, in its raw form, or as jaggery, is sold to traders in Shahpur.

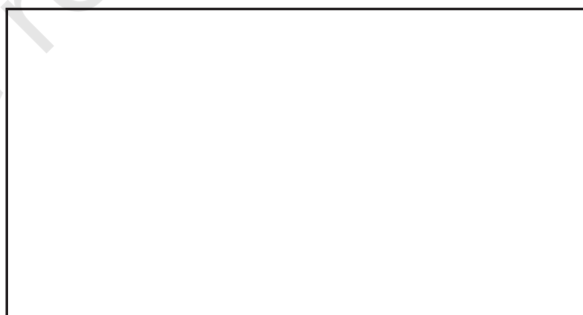
The main reason why farmers are able to grow three different crops in a year in Palampur is due to the well-developed system of irrigation. Electricity came early to Palampur. Its major impact was to transform the system of irrigation. Persian wheels were, till then, used by farmers to draw water from the wells and irrigate small fields. People saw that the electric-run tubewells could irrigate much

larger areas of land more effectively. The first few tubewells were installed by the government. Soon, however, farmers started setting up private tubewells. As a result, by mid-1970s the entire cultivated area of 200 hectares (ha.) was irrigated.

Not all villages in India have such high levels of irrigation. Apart from the riverine plains, coastal regions in our country are well-irrigated. In contrast, plateau regions such as the Deccan plateau have low levels of irrigation. Of the total cultivated area in the country a little less than 40 per cent is irrigated even today. In the remaining areas, farming is largely dependent on rainfall.



To grow more than one crop on a piece of land during the year is known as multiple cropping. It is the most common way of increasing production on a given piece of land. All farmers in Palampur grow atleast two main crops; many are growing potato as the third crop in the past fifteen to twenty years.



Picture 1.3 Different crops



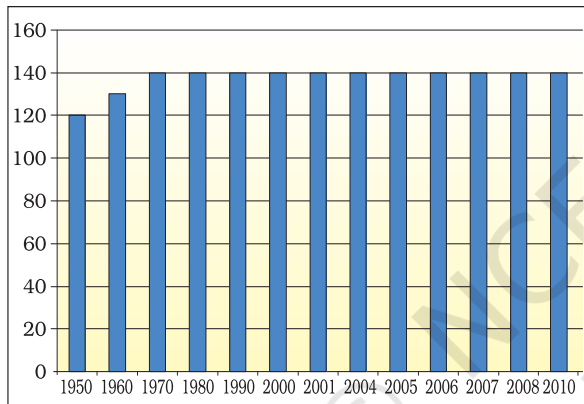
Let's Discuss

- The following Table 1.1 shows the land under cultivation in India in units of million hectares. Plot this on the graph provided. What does the graph show? Discuss in class.

Table 1.1: Cultivated area over the years

	Cultivated Area (Million Hectare)
1950	120
1960	130
1970	140
1980	140
1990	140
2000	140
2001	140
2004	140
2005	140
2006	140
2007	140
2008	140
2010-11	140

Source: Economic Survey 2013-2014



- Is it important to increase the area under irrigation? Why?
- You have read about the crops grown in Palampur. Fill the following table based on information on the crops grown in your region.

You have seen that one way of increasing production from the same land is by multiple cropping. The other way is to use modern farming methods

for higher yield. Yield is measured as crop produced on a given piece of land during a single season. Till the mid-1960s, the seeds used in cultivation were traditional ones with relatively low yields. Traditional seeds needed less irrigation. Farmers used cow-dung and other natural manure as fertilizers. All these were readily available with the farmers who did not have to buy them.

The Green Revolution in the late 1960s introduced the Indian farmer to cultivation of wheat and rice using high yielding varieties (HYVs) of seeds. Compared to the traditional seeds, the HYV seeds promised to produce much greater amounts of grain on a single plant. As a result, the same piece of land would now produce far larger quantities of foodgrains than was possible earlier. HYV seeds, however, needed plenty of water and also chemical fertilizers and

Picture 1.4 Modern Farming Methods: HYV seeds, chemical fertilizer etc.

Name of crop	Month sown	Month Harvested	Source of irrigation (Rain, tanks, tubewells, canals, etc.)

pesticides to produce best results. Higher yields were possible only from a combination of HYV seeds, irrigation, chemical fertilisers, pesticides etc.

Farmers of Punjab, Haryana and Western Uttar Pradesh were the first to try out the modern farming method in India. The farmers in these regions set up tubewells for irrigation, and made use of HYV seeds, chemical fertilizers and pesticides in farming. Some of them bought farm machinery like tractors and threshers, which made ploughing and harvesting faster. They were rewarded with high yields of wheat.

In Palampur, the yield of wheat grown from the traditional varieties was 1300 kg per hectare. With the HYV seeds, the yield went up to 3200 kg per hectare. There was a large increase in the production of wheat. Farmers now had greater amounts of surplus wheat to sell in the markets.

Let's Discuss

- What is the difference between multiple cropping and modern farming method?
- The following table shows the production of wheat and pulses in India after the Green revolution in units of million tonnes. Plot this on a graph. Was the Green revolution equally successful for both the crops? Discuss.
- What is the working capital required by the farmer using modern farming methods?

Table 1.2: Production of pulses and wheat (Million tonnes)

	Production of Pulses	Production of Wheat
1965 - 66	10	10
1970 - 71	12	24
1980 - 81	11	36
1990 - 91	14	55
2000 - 01	11	70
2010 - 11	18	86
2012 - 13	18	92

Source: Directorate of Economics and Statistics, Department of Agriculture and Cooperative, 2010-11, 2013 Pocket book on agricultural statistics.

- Modern farming methods require the farmer to start with more cash than before. Why?

Suggested Activity

- During your field visit talk to some farmers of your region. Find out:
 1. What kind of farming methods—modern or traditional or mixed—do the farmers use? Write a note.
 2. What are the sources of irrigation?
 3. How much of the cultivated land is irrigated? (very little/nearly half/majority/all)
 4. From where do farmers obtain the inputs that they require?

3. Will the land sustain?

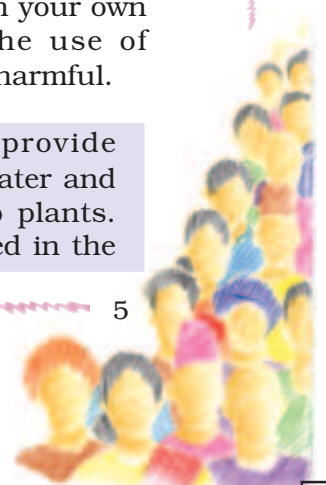
Land being a natural resource, it is necessary to be very careful in its use. Scientific reports indicate that the modern farming methods have overused the natural resource base.

In many areas, Green Revolution is associated with the loss of soil fertility due to increased use of chemical fertilizers. Also, continuous use of groundwater for tubewell irrigation has reduced the water-table below the ground. Environmental resources like soil fertility and groundwater are built up over many years. Once destroyed it is very difficult to restore them. We must take care of the environment to ensure future development of agriculture.

Suggested Activity

- After reading the following reports from newspapers/magazines, write a letter to the Agriculture Minister in your own words telling him how the use of chemical fertilizers can be harmful.

...Chemical fertilizers provide minerals which dissolve in water and are immediately available to plants. But these may not be retained in the



Picture 1.5 Palampur village: Distribution of cultivated land

soil for long. They may escape from the soil and pollute groundwater, rivers and lakes. Chemical fertilizers can also kill bacteria and other micro-organisms in the soil. This means some time after their use, the soil will be less fertile than ever before....(Source: Down to Earth, New Delhi)

.....The consumption of chemical fertilizers in Punjab is highest in the country. The continuous use of chemical fertilizers has led to degradation of soil health. Punjab farmers are now forced to use more and more chemical fertilizers and other inputs to achieve the same production level. This means cost of cultivation is rising very fast.....(Source: The Tribune, Chandigarh)

land, 240 families cultivate small plots of land less than 2 hectares in size. Cultivation of such plots doesn't bring adequate income to the farmer family.

In 1960, Gobind was a farmer with 2.25 hectares of largely unirrigated land. With the help of his three sons Gobind cultivated the land. Though they didn't live very comfortably, the family managed to feed itself with a little bit of extra income from one buffalo that the family possessed. Some years after Gobind's death, this land was divided among his three sons. Each one now has a plot of land that is only 0.75 hectare in size. Even with improved irrigation and modern farming method, Gobind's sons are not able to make a living from their land. They have to look for additional work during part of the year.

4. How is land distributed between the farmers of Palampur?

You must have realised how important land is for farming. Unfortunately, not all the people engaged in agriculture have sufficient land for cultivation. In Palampur, about one third of the 450 families are landless, i.e. 150 families, most of them dalits, have no land for cultivation.

Of the remaining families who own

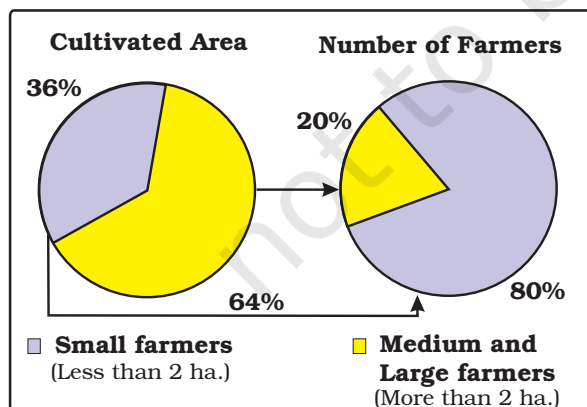
You can see the large number of small plots scattered around the village in the picture. These are cultivated by the small farmers. On the other hand, more than half the area of the village is covered by plots that are quite large in size. In Palampur, there are 60 families of medium and large farmers who cultivate more than 2 hectares of land. A few of the large farmers have land extending over 10 hectares or more.

Picture 1.6 Work on the fields: Wheat crop—ploughing by bullocks, sowing, spraying of insecticides, cultivation by traditional method, cultivation by modern method, and cutting of crops.

Let's Discuss

- In the Picture 1.5, can you shade the land cultivated by the small farmers?
- Why do so many families of farmers cultivate such small plots of land?
- The distribution of farmers in India and the amount of land they cultivate is given in the following Graph 1.1. Discuss in the classroom.

Graph 1.1: Distribution of Cultivated Area and Farmers



Source: Agricultural statistics at glance 2006: Dept of agriculture and cooperation, Ministry of agriculture, Govt of India.

Let's Discuss

- Would you agree that the distribution of cultivated land is unequal in Palampur? Do you find a similar situation for India? Explain.

5. Who will provide the labour?

After land, labour is the next necessary factor for production. Farming requires a great deal of hard work. Small farmers along with their families cultivate their own fields. Thus, they provide the labour required for farming themselves. Medium and large farmers hire farm labourers to work on their fields.

Let's Discuss

- Identify the work being done on the field in the Pictures 1.6 and arrange them in a proper sequence.

Farm labourers come either from landless families or families cultivating small plots of land. Unlike farmers, farm labourers do not have a right over the

Dala and Ramkali are among the poorest native of the village

Picture 1.7 *The conversation between Dala and Ramkali*

crops grown on the land. Instead they are paid wages by the farmer for whom they work. Wages can be in cash or in kind e.g. crop. Sometimes labourers get meals also. Wages vary widely from region to region, from crop to crop, from one farm activity to another (like sowing and harvesting). There is also a wide variation in the duration of employment. A farm

labourer might be employed on a daily basis, or for one particular farm activity like harvesting, or for the whole year.

Dala is a landless farm labourer who works on daily wages in Palampur. This means he must regularly look for work. The minimum wages for a farm labourer set by the government is Rs 115 (April, 2011) per day, but Dala gets only Rs 80. There is

heavy competition for work among the farm labourers in Palampur, so people agree to work for lower wages. Dala complains about his situation to Ramkali, who is another farm labourer.

Both Dala and Ramkali are among the poorest people in the village.

Let's Discuss

- Why are farm labourers like Dala and Ramkali poor?
- Gosaipur and Majauli are two villages in North Bihar. Out of a total of 850 households in the two villages, there are more than 250 men who are employed in rural Punjab and Haryana or in Delhi, Mumbai, Surat, Hyderabad or Nagpur. Such migration is common in most villages across India. Why do people migrate? Can you describe (based on your imagination) the work that the migrants of Gosaipur and Majauli might do at the place of destination?

6. The capital needed in farming

You have already seen that the modern farming methods require a great deal of capital, so that the farmer now needs more money than before.

1. Most small farmers have to borrow money to arrange for the capital. They borrow from large farmers or the village moneylenders or the traders who supply various inputs for cultivation. The rate of interest on such loans is very high. They are put to great distress to repay the loan.

Savita is a small farmer. She plans to cultivate wheat on her 1 hectare of land. Besides seeds, fertilizers and pesticides, she needs cash to buy water and repair her farm instruments. She estimates that the working capital itself would cost a minimum of Rs 3,000. She doesn't have the money, so she decides to borrow from Tejpal Singh, a large

farmer. Tejpal Singh agrees to give Savita the loan at an interest rate of 24 per cent for four months, which is a very high interest rate. Savita also has to promise to work on his field as a farm labourer during the harvest season at Rs 35 per day. As you can tell, this wage is quite low. Savita knows that she will have to work very hard to complete harvesting on her own field, and then work as a farm labourer for Tejpal Singh. The harvest time is a very busy time. As a mother of three children she has a lot of household responsibilities. Savita agrees to these tough conditions as she knows getting a loan is difficult for a small farmer.

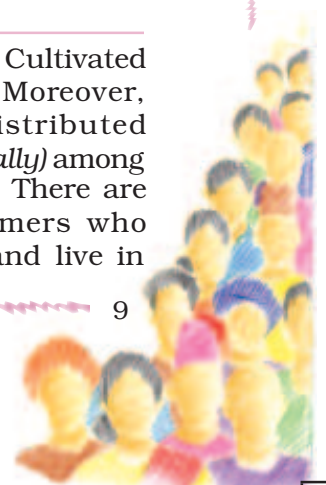
2. In contrast to the small farmers, the medium and large farmers have their own savings from farming. They are thus able to arrange for the capital needed. How do these farmers have their own savings? You shall find the answer in the next section.

Let's discuss the story so far...

We have read about the three factors of production—land, labour and capital—and how they are used in farming. Let us fill in the blanks given below.

Among the three factors of production, we found that labour is the most abundant factor of production. There are many people who are willing to work as farm labourers in the villages, whereas the opportunities of work are limited. They belong to either landless families or _____. They are paid low wages, and lead a difficult life.

In contrast to labour, _____ is a scarce factor of production. Cultivated land area is _____. Moreover, even the existing land is distributed _____ (*equally/unequally*) among the people engaged in farming. There are a large number of small farmers who cultivate small plots of land and live in



conditions not much better than the landless farm labourer. To make the maximum use of the existing land, farmers use _____ and _____. Both these have led to increase in production of crops.

Modern farming methods require a great deal of _____. Small farmers usually need to borrow money to arrange for the capital, and are put to great distress to repay the loan. Therefore, capital too is a scarce factor of production, particularly for the small farmers.

Though both land and capital are scarce, there is a basic difference between the two factors of production. _____ is a natural resource, whereas _____ is man-made. It is possible to increase capital, whereas land is fixed. Therefore, it is very important that we take good care of land and other natural resources used in farming.

7. Sale of Surplus Farm Products

Let us suppose that the farmers have produced wheat on their lands using the three factors of production. The wheat is harvested and production is complete. What do the farmers do with the wheat? They retain a part of the wheat for the family's consumption and sell the surplus wheat. Small farmers like Savita and Gobind's sons have little surplus wheat because their total production is small and from this a substantial share is kept for their own family needs. So it is the medium and large farmers who supply wheat to the market. In the Picture 1.1, you can see the bullock cart streaming into the market each carrying loads of wheat. The traders at the market buy the wheat and sell it further to shopkeepers in the towns and cities.

Tejpal Singh, the large farmer, has a surplus of 350 quintals of wheat from all his lands! He sells the surplus wheat at the Raiganj market and has good earnings.

What does Tejpal Singh do with his earnings? Last year, Tejpal Singh had put most of the money in his bank account. Later he used the savings for lending to farmers like Savita who were in need of a loan. He also used the savings to arrange for the working capital for farming in the next season. This year Tejpal Singh plans to use his earnings to buy another tractor. Another tractor would increase his fixed capital.

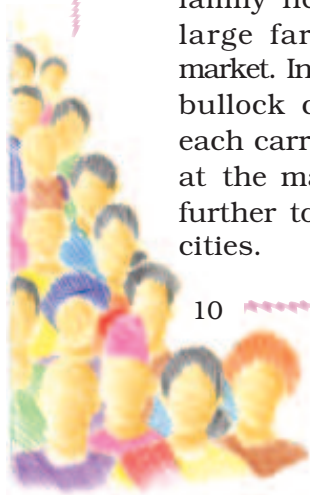
Like Tejpal Singh, other large and medium farmers sell the surplus farm products. A part of the earnings is saved and kept for buying capital for the next season. Thus, they are able to arrange for the capital for farming from their own savings. Some farmers might also use the savings to buy cattle, trucks, or to set up shops. As we shall see, these constitute the capital for non-farm activities.

Non-Farm Activities in Palampur

We have learnt about farming as the main production activity in Palampur. We shall now take a look at some of the non-farm production activities. Only 25 per cent of the people working in Palampur are engaged in activities other than agriculture.

1. Dairy — the other common activity

Dairy is a common activity in many families of Palampur. People feed their buffalos on various kinds of grass and the *jowar* and *bajra* that grows during the rainy season. The milk is sold in Raiganj, the nearby large village. Two traders from Shahpur town have set up collection cum chilling centres at Raiganj from where the milk is transported to far away towns and cities.



Let's Discuss

- Let us take three farmers. Each has grown wheat on his field though the production is different (see Column 2). The consumption of wheat by each farmer family is the same (Column 3). The whole of surplus wheat this year is used as capital for next year's production. Also suppose, production is twice the capital used in production. Complete the tables.

Farmer 1

	Production	Consumption	Surplus = Production – Consumption	Capital for the next year
Year 1	100	40	60	60
Year 2	120	40		
Year 3		40		

Farmer 2

	Production	Consumption	Surplus	Capital for the next year
Year 1	80	40		
Year 2		40		
Year 3		40		

Farmer 3

	Production	Consumption	Surplus	Capital for the next year
Year 1	60	40		
Year 2		40		
Year 3		40		



Let's Discuss

- Compare the production of wheat by the three farmers over the years.
- What happens to Farmer 3 in Year 3? Can he continue production? What will he have to do to continue production?

2. An example of small-scale manufacturing in Palampur

At present, less than fifty people are engaged in manufacturing in Palampur.

Unlike the manufacturing that takes place in the big factories in the towns and cities, manufacturing in Palampur involves very simple production methods

and are done on a small scale. They are carried out mostly at home or in the fields with the help of family labour. Rarely are labourers hired.

Mishrilal has purchased a mechanical sugarcane crushing machine run on electricity and has set it up on his field. Sugarcane crushing was earlier done with the help of bullocks, but people prefer to do it by machines these days. Mishrilal also buys sugarcane from other farmers and processes it into jaggery. The jaggery is then sold to traders at Shahpur. In the process, Mishrilal makes a small profit.

Kareem has opened a computer class centre in the village. In recent years a large number of students have been attending college in Shahpur town. Kareem found that a number of students from the village are also attending computer classes in the town. There were two women in the village who had a degree in computer applications. He decided to employ them. He bought computers and set up the classes in the front room of their house overlooking the market. High school students have started attending them in good numbers.

Let's Discuss

- What capital did Mishrilal need to set up his jaggery manufacturing unit?
- Who provides the labour in this case?
- Can you guess why Mishrilal is unable to increase his profit?
- Could you think of any reasons when he might face a loss?
- Why does Mishrilal sell his jaggery to traders in Shahpur and not in his village?

3. The shopkeepers of Palampur

People involved in trade (exchange of goods) are not many in Palampur. The traders of Palampur are shopkeepers who buy various goods from wholesale markets in the cities and sell them in the village. You will see small general stores in the village selling a wide range of items like rice, wheat, sugar, tea, oil, biscuits, soap, toothpaste, batteries, candles, notebooks, pen, pencil, even some cloth. A few of the families whose houses are close to the bus stand have used a part of the space to open small shops. They sell eatables.

Let's Discuss

- In what ways is Kareem's capital and labour different from Mishrilal's?
- Why didn't someone start a computer centre earlier? Discuss the possible reasons.

4. Transport: a fast developing sector

There are variety of vehicles on the road connecting Palampur to Raiganj. *Rickshawallahs, tongawallahs, jeep, tractor, truck drivers* and people driving the traditional bullock cart and bogey are people in the transport services. They ferry people and goods from one place to another, and in return get paid for it. The number of people involved in transport has grown over the last several years.

Kishora is a farm labourer. Like other such labourers, Kishora found it difficult to meet his family's needs from the wages that he received. A few years back Kishora took a loan from the bank. This was under a government programme which was giving cheap loans to poor landless households. Kishora bought a buffalo with this money. He now sells the buffalo's milk.

Further, he has attached a wooden cart to his buffalo and uses it to transport various items. Once a week, he goes to the river Ganga to bring back clay for the potter. Or sometimes he goes to Shahpur with a load of jaggery or other commodities. Every month he gets some work in transport. As a result, Kishora is able to earn more than what he used to do some years back.

Let's Discuss

- What is Kishora's fixed capital?
- What do you think would be his working capital?
- In how many production activities is Kishora involved?
- Would you say that Kishora has benefitted from better roads in Palampur?

Summary

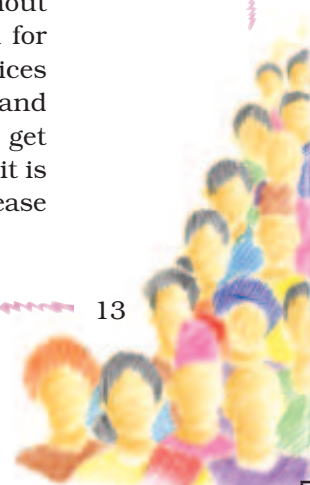
Farming is the main production activity in the village. Over the years there have been many important changes in the way farming is practiced. These have allowed the farmers to produce more crops from the same amount of land. This is an important achievement, since land is fixed and scarce. But in raising production a great deal of pressure has been put on land and other natural resources.

The new ways of farming need less land, but much more of capital. The medium and large farmers are able to use their own savings from production to arrange for capital during the next season. On the other hand, the small farmers who constitute about 80 per cent of total farmers in India, find it difficult to obtain capital. Because of the small size of their plots, their production is not enough. The lack of surplus means that they are unable to obtain capital from their own savings, and have to borrow. Besides the debt, many of the small farmers have to do additional work as farm labourers to feed themselves and their families.

Labour being the most abundant factor of production, it would be ideal if new ways of farming used much more labour. Unfortunately, such a thing has not happened. The use of labour on farms is limited. The labour, looking for opportunities is thus migrating to neighbouring villages, towns and cities. Some labour has entered the non-farm sector in the village.

At present, the non-farm sector in the village is not very large. Out of every 100 workers in the rural areas in India, only 24 are engaged in non-farm activities. Though there is a variety of non-farm activities in the villages (we have only seen a few examples), the number of people employed in each is quite small.

In the future, one would like to see more non-farm production activities in the village. Unlike farming, non-farm activities require little land. People with some amount of capital can set up non-farm activities. How does one obtain this capital? One can either use his own savings, but more often has to take a loan. It is important that loan be available at low rate of interest so that even people without savings can start some non-farm activity. Another thing which is essential for expansion of non-farm activities is to have markets where the goods and services produced can be sold. In Palampur, we saw the neighbouring villages, towns and cities provide the markets for milk, jaggery, wheat, etc. As more villages get connected to towns and cities through good roads, transport and telephone, it is possible that the opportunities for non-farm activities in the village would increase in the coming years.





Exercises

1. Every village in India is surveyed once in ten years during the Census and some of details are presented in the following format. Fill up the following based on information on Palampur.
 - a. LOCATION:
 - b. TOTAL AREA OF THE VILLAGE:
 - c. LAND USE (in hectares):

Cultivated Land		Land not available for cultivation (Area covering dwellings, roads, ponds, grazing ground)
Irrigated	Unirrigated	
		26 hectares

- d. FACILITIES:

Educational	
Medical	
Market	
Electricity Supply	
Communication	
Nearest Town	

2. Modern farming methods require more inputs which are manufactured in industry. Do you agree?
3. How did the spread of electricity help farmers in Palampur?
4. Is it important to increase the area under irrigation? Why?
5. Construct a table on the distribution of land among the 450 families of Palampur.
6. Why are the wages for farm labourers in Palampur less than minimum wages?
7. In your region, talk to two labourers. Choose either farm labourers or labourers working at construction sites. What wages do they get? Are they paid in cash or kind? Do they get work regularly? Are they in debt?
8. What are the different ways of increasing production on the same piece of land? Use examples to explain.
9. Describe the work of a farmer with 1 hectare of land.
10. How do the medium and large farmers obtain capital for farming? How is it different from the small farmers?
11. On what terms did Savita get a loan from Tajpal Singh? Would Savita's condition be different if she could get a loan from the bank at a low rate of interest?
12. Talk to some old residents in your region and write a short report on the changes in irrigation and changes in production methods during the last 30 years. (Optional)

13. What are the non-farm production activities taking place in your region? Make a short list.
14. What can be done so that more non-farm production activities can be started in villages?



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Overview

The chapter 'People as Resource' is an effort to explain population as an asset for the economy rather than a liability. Population becomes human capital when there is investment made in the form of education, training and medical care. In fact, human capital is the stock of skill and productive knowledge embodied in them.

'People as Resource' is a way of referring to a country's working people in terms of their existing productive skills and abilities. Looking at the population from this productive aspect emphasises its ability to contribute to the creation of the Gross National Product. Like other resources population also is a resource — a 'human resource'. This is the positive side of a large population that is often overlooked when we look only at the negative side, considering only the problems of providing the population with food, education and access to health facilities. When the existing 'human resource' is further developed by becoming more educated and healthy, we call it 'human capital formation' that adds to the productive power of the country just like 'physical capital formation'.

Investment in human capital (through education, training, medical care) yields a return just like investment in physical capital. This can be seen directly in the form of higher incomes earned because of higher productivity of the more educated or the better trained persons, as well as the higher productivity of healthier people.

India's Green Revolution is a dramatic example of how the input of greater knowledge in the form of improved production technologies can rapidly increase the productivity of scarce land resources. India's IT revolution is a striking instance of how the importance of human capital has come to acquire a higher position than that of material, plant and machinery.

Source: Planning Commission, Govt. of India.



population need not be a liability. It can be turned into a productive asset by investment in human capital (for example, by spending resources on education and health for all, training of industrial and agricultural workers in the use of modern technology, useful scientific researches and so on).

The two following cases illustrate how people can try to become a more productive resource:

Story of Sakal

There were two friends Vilas and Sakal living in the same village Semapur. Sakal was a twelve-year-old boy. His mother Sheela looked after domestic chores. His father Buta Chaudhary worked in an agricultural field. Sakal helped his mother in domestic chores. He also looked after his younger brother Jeetu and sister Seetu. His uncle Shyam had passed the matriculation examination, but, was sitting idle in the house as he had no job. Buta and Sheela were eager to teach Sakal. They forced him to join the village school which he soon joined. He started studying and completed his higher secondary examination. His father persuaded him to continue his studies. He raised a loan for Sakal to study a vocational course in computers. Sakal was meritorious and interested in studies from the beginning. With great vigour and enthusiasm he completed his course. After some time he got a job in a private firm. He even designed a new kind of software. This software helped him increase the sale of the firm. His boss acknowledged his services and rewarded him with a promotion.

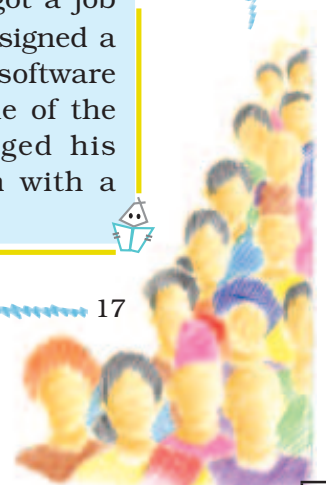
Picture 2.1

Let's Discuss

- Looking at the photograph can you explain how a doctor, teacher, engineer and a tailor are an asset to the economy?

Not only do the more educated and the healthier people gain through higher incomes, society also gains in other indirect ways because the advantages of a more educated or a healthier population spreads to those also who themselves were not directly educated or given health care. In fact, human capital is in one way superior to other resources like land and physical capital: human resource can make use of land and capital. Land and capital cannot become useful on its own!

For many decades in India, a large population has been considered a liability rather than an asset. But a large



Picture 2.2 *Stories of Vilas and Sakal*

Story of Vilas

Vilas was an eleven-year old boy residing in the same village as Sakal. Vilas's father Mahesh was a fisherman. His father passed away when he was only two years old. His mother Geeta sold fish to earn money to feed the family. She bought fish from the landowner's pond and sold it in the nearby *mandi*. She could earn only Rs 20 to 30 a day by selling fish. Vilas became a patient of arthritis. His mother could not afford to take him to the doctor. He could not go to school either. He was not interested in studies. He helped his mother in cooking and also looked after his younger brother Mohan. After some time his mother fell sick and there was no one to look after her. There was no one in the family to support them. Vilas, too, was forced to sell fish in the same village. He like his mother earned only a meagre income.



Let's Discuss

- Do you notice any difference between the two friends? What are those?

Activity

Visit a nearby village or a slum area and write down a case study of a boy or girl of your age facing the same condition as Vilas or Sakal.



In the two case studies we saw Sakal went to school and Vilas did not go. Sakal was physically strong and healthy. There was no need for him to visit the doctor frequently. Vilas was a patient of arthritis. He lacked the means to visit the doctor. Sakal acquired a degree in computer programming. Sakal found a job in a private firm while Vilas continued with the same work as his mother. He earned a meagre income like his mother to support a family.

In the case of Sakal, several years of education added to the quality of labour. This enhanced his total productivity. Total productivity adds to the growth of the economy. This in turn pays an

individual through salary or in some other form of his choice. In case of Vilas, there could not be any education or health care in the early part of his life. He spends his life selling fish like his mother. Henceforth, he draws the same salary of unskilled labour as his mother.

Investment in human resource (via education and medical care) can give high rates of return in the future. This investment on people is the same as investment in land and capital. One invests in shares and bonds expecting higher return in the future.

A child, too, with investments made on her education and health, can yield a high return in the future in the form of higher earnings and greater contribution to society. Educated parents are found to invest more heavily on the education of their child. This is because they have realised the importance of education for themselves. They are also conscious of proper nutrition and hygiene. They accordingly look after their children's needs for education at school and good health. A virtuous cycle is thus created in this case. In contrast, a vicious cycle may be created by disadvantaged parents who, themselves uneducated and lacking in hygiene, keep their children in a similarly disadvantaged state.

Countries like Japan have invested in human resource. They did not have any natural resource. These countries are developed/rich countries. They import the natural resource needed in their country. How did they become rich/developed? They have invested on people especially in the field of education and health. These people have made efficient use of other resource like land and capital. Efficiency and the technology evolved by people have made these countries rich/developed.

Economic Activities by Men and Women

Like Vilas and Sakal, people have been engaged in various activities. We saw that Vilas sold fish and Sakal got a job in the firm. The various activities have been classified into three main sectors i.e., primary, secondary and tertiary. Primary sector includes agriculture, forestry, animal husbandry, fishing, poultry farming, mining, and quarrying. Manufacturing is included in the secondary sector. Trade, transport, communication, banking, education, health, tourism, services, insurance etc. are included in the tertiary sector. The activities in this sector result in the production of goods and services. These activities add value to the national income. These activities are called economic activities. Economic activities have two parts — market activities and non-market activities. Market activities involve remuneration to any one who performs i.e., activity performed for pay or profit. These include production of goods or services including government service. Non-market activities are the production for self-consumption. These can be

Picture 2.3 *Based on the picture can you classify these activities into three sectors?*

consumption and processing of primary product and own account production of fixed assets.

Activity

Visit a village or colony located near to your residential area and note down the various activities undertaken by the people of that village or colony.

If this is not possible, ask your neighbour what is their profession? In which of the three sectors will you categorise their work?

Say whether these activities are economic or non-economic activities:

Vilas sells fish in the village market.
Vilas cooks food for his family.
Sakal works in the private firm.
Sakal looks after his younger brother and sister.



Due to historical and cultural reasons there is a division of labour between men and women in the family. Women generally look after domestic chores and men work in the fields. Sakal's mother Sheela cooks food, cleans utensils, washes clothes, cleans the house and looks after her children. Sakal's father Buta cultivates the field, sells the produce in the market and earns money for the family.

Sheela is not paid for the services delivered for upbringing of the family. Buta earns money, which he spends on rearing his family. Women are not paid for their service delivered in the family. The household work done by women is not recognised in the National Income.

Geeta, mother of Vilas, earned an income by selling fish. Thus women are paid for their work when they enter the labour market. Their earning like that of their male counterpart is determined on the basis of education and skill. Education

helps individual to make better use of the economic opportunities available before him. Education and skill are the major determinants of the earning of any individual in the market. A majority of women have meagre education and low skill formation. Women are paid low compared to men. Most women work where job security is not there. Various activities relating to legal protection is meagre. Employment in this sector is characterised by irregular and low income. In this sector there is an absence of basic facilities like maternity leave, childcare and other social security systems. However, women with high education and skill formation are paid at par with the men. Among the organised sector, teaching and medicine attract them the most. Some women have entered administrative and other services including job, that need high levels of scientific and technological competence. Ask your sister or your classmate what she would like to take up as a career?

Quality of Population

The quality of population depends upon the literacy rate, health of a person indicated by life expectancy and skill formation acquired by the people of the country. The quality of the population ultimately decides the growth rate of the country. Illiterate and unhealthy population are a liability for the economy. Literate and healthy population are an asset.

Education

Sakal's education in the initial years of his life bore him the fruits in the later years in terms of a good job and salary. We saw education was an important input for the growth of Sakal. It opened new horizon for him, provided new aspiration and developed values of life. Not only for Sakal, education contributes

...human being is a positive asset and a precious national resource which needs to be cherished, nurtured and developed with tenderness and care, coupled with dynamism. Each individual's growth presents a different range of problems and requirements. ... The catalytic action of education in this complex and dynamic growth process needs to be planned meticulously and executed with great sensitivity.

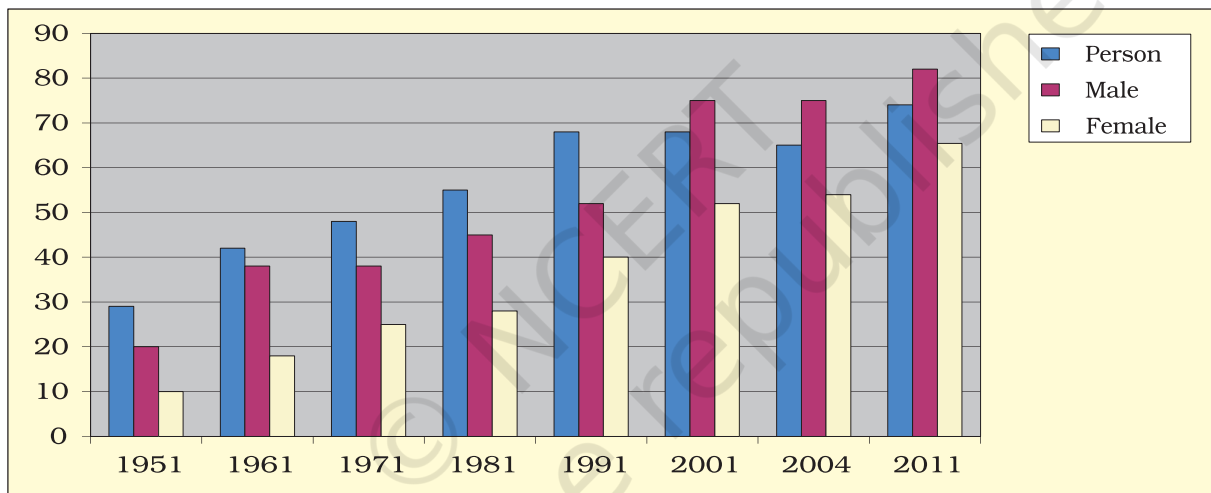


Source: National Education Policy, 1986.

Picture 2.4 School children

towards the growth of society also. It enhances the national income, cultural richness and increases the efficiency of governance. There is a provision made

Graph 2.1: Literacy rates in India



Source: Economy Survey, 2012.

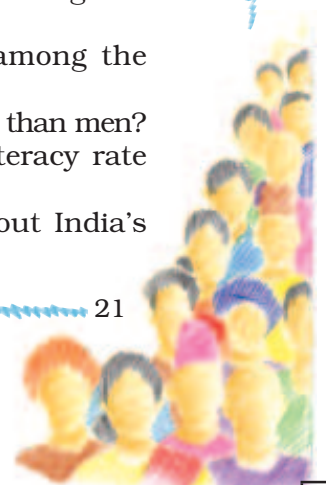
for providing universal access, retention and quality in elementary education with a special emphasis on girls. There is also an establishment of pace setting of schools like Navodaya Vidyalaya in each district. Vocational streams have been developed to equip large number of high school students with occupations related to knowledge and skills. The plan outlay on education has increased from Rs 151 crore in the first plan to Rs 3766.90 crore in the eleventh plan. The expenditure on education as a percentage of GDP rose from 0.64% in 1951–52 to 3.3% in 2013–14 (B.E.)



Let's Discuss

Study the graph and answer the following questions:

1. Has the literacy rates of the population increased since 1951?
2. In which year India has the highest literacy rates?
3. Why literacy rate is high among the males of India?
4. Why are women less educated than men?
5. How would you calculate literacy rate in India?
6. What is your projection about India's literacy rate in 2020?



Activity

Count the number of boys and girls studying in your school or in your neighbouring co-ed school.

Ask the school administrator to provide you with the data of boys and girls studying in the classroom. Study the difference if any and explain for reasons in the classroom.



(Budgetary estimate). The literacy rates have increased from 18% in 1951 to 74% in 2010-11. Literacy is not only a right, it is also needed if the citizen are to perform their duties and enjoy their rights properly. However, a vast difference is noticed across different sections of population. Literacy among males is nearly 16.6% higher than females and it is about 16.1% higher in urban areas as compared to the rural areas. In 2011 Literacy rates vary from 94% in Kerala to 62% in Bihar. The primary school system has expanded to over 7.68 lakhs in 2004-05. Unfortunately, this huge expansion of schools has been diluted by the poor quality of schooling and high drop out rates. “Sarva Siksha Abhiyan is a significant step towards providing elementary education to all children in the age group of six to fourteen years by 2010 It is a time-

bound initiative of the central government, in partnership with the states, the local government and the community for achieving the goal of universalisation of elementary education.” Along with it, bridge courses and back-to-school camps have been initiated to increase the enrollment in elementary education. Mid-day meal scheme has been implemented to encourage attendance and retention of children and improve their nutritional status. These policies could add to the literate population of India.

The eleventh plan endeavoured to increase the enrolment in higher education of the 18 to 23 years age group to 15% by 2011-12 and to 21% by twelfth plan. The strategy focuses on increasing access, quality, adoption of states-specific curriculum modification, vocationalisation and networking on the use of information technology. The plan also focuses on distant education, convergence of formal, non-formal, distant and IT education institutions. Over the past fifty years, there has been a significant growth in the number of university and institutions of higher learning in specialised areas. Let us read the table to see the increase in number of college, universities, enrollment of students and recruitment of teachers since 1951 to 2011-12, 2012-13.

Table 2.1: Number of Institutions of Higher Education, Enrolment and Faculty

Year	Number of Colleges	Number of Universities	Students	Teachers
1950-51	750	30	2,63,000	24,000
1990-91	7,346	177	49,25,000	2,72,000
1996-97	9,703	214	67,55,000	3,21,000
1998-99	11,089	238	74,17,000	3,42,000
2007-08	18,064	378	14,00,000	4,92,000
2011-12	31,324	611	-	-
2012-13	37,204	723	28,00,000	-

Source: UGC Annual Report 1996-97 and 1998-99 and Selected Educational Statistics, Ministry of HRD, Draft Report of Higher Education for 11th Five Year Plan, working group on Economic Survey 2011-12, 2012-13.

 **Let's Discuss**

Discuss this table in the classroom and answer the following questions.

1. Is the increase in number of colleges adequate to admit the increasing number of students?
2. Do you think we should have more number of Universities?
3. What is the increase noticed among the teachers in the year 1998–99.
4. What is your idea about future colleges and Universities?

Health

Firm maximise profit: Do you think any firm would be induced to employ people who might not work efficiently as a healthy worker because of ill health?

The health of a person helps him to realise his potential and the ability to fight illness. An unhealthy person becomes a liability for an organisation indeed; health is an indispensable basis for realising one's well being. Henceforth,

improvement in the health status of the population has been the priority of the country. Our national policy, too, aims at improving the accessibility of health care, family welfare and nutritional service with a special focus on the under-privileged segment of population. Over the last five decades India has built up a vast health infrastructure and has developed manpower required at primary, secondary and tertiary sector in Government as well as in the private sector.

These measures adopted have increased the life expectancy to over 66 years in 2011. *Infant mortality rate (IMR) has come down from 147 in 1951 to and 42 in 2012. **Crude birth rates have dropped to 22.1 and ***death rates to 7 within the same duration of time. Increase in life expectancy and improvement in child care are useful in assessing the future progress of the country. Increase in longevity of life is an indicator of good quality of life marked by self-confidence. Reduction in infant mortality involves the protection of children from infection, ensuring nutrition along with mother and childcare.

Source National Health Profile, 2010.
Economic Survey 2013-14.

 **Let's Discuss**

Study the Table 2.2 and answer the following questions.

1. What is the percentage increase in dispensaries from 1951 to 2011?
2. What is the percentage increase in doctors and nursing personnel from 1951 to 2011?

Picture 2.5 Children standing in queue for health check-up

* Infant mortality rate is the death of a child under one year of age.

** Birth rates is the number of babies born there for every 1,000 people during a particular period of time.

*** Death rate is the number of people per 1,000 who die during a particular period of time.

Table 2.2: Health infrastructure over the years

	1951	1981	2001	2010	2013
H SC/PHC/CHC	725	57,363	1,63,181	1,75,277	1,81,319
Dispensaries and Hospitals	9,209	23,555	43,322	28,472	19,817 (only hospitals)
Beds	1,17,198	5,69,495	8,70,161	5,76,793	6,28,000
Doctors (Allopathy)	61,800	2,68,700	5,03,900	8,16,629	9,18,000
Nursing Personnel	18,054	1,43,887	7,37,000	1,702,555	1,09,224 (General Nurse)

SC: Sub centre, PHC: Primary Health Centre, CHC: Community Health Centre.

Source: National Health Profile, 2010: D/o Ayush, Ministry of Health and Family Welfare.
National Health Profile, 2013.

3. Do you think the increase in the number of doctors and nurses is adequate for India? If not, why?
4. What other facilities would you like to provide in a hospital?
5. Discuss about the hospital you have visited?
6. Can you draw a graph using this table.

There are many places in India which do not have even these basic facilities. There are only 381 medical colleges in the country and 301 dental colleges. Just four states like Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu have maximum number of colleges.

Activity

Visit a nearby hospital, either government or private and note down the following details.

How many beds are there in the hospital you have visited?

How many doctors are there in the hospital?

How many nurses work in that hospital?

Besides, try to gather the following additional information:

How many hospitals are there in your locality?

How many dispensaries are there in your locality?



Unemployment

Sakal's mother Sheela looked after the domestic chores, children and helped her husband Buta in the field. Sakal's brother, Jeetu and sister Seetu spend their time playing and roaming. Can you call Sheela or Jeetu or Seetu unemployed? If not, why?

Unemployment is said to exist when people who are willing to work at the going wages cannot find jobs. Sheela is not interested in working outside her

domestic domain. Jeetu and Seetu are too small to be counted in the work force population. Neither Jeetu, Seetu or Sheela can be counted as unemployed. The workforce population includes people from 15 years to 59 years. Sakal's brother and sister do not fall within this age group so they cannot be called unemployed. Sakal's mother Sheela works for the family. She is not willing to work outside her domestic domain for payment. She too cannot be called unemployed. Sakal's grandparents (although not mentioned in the story) cannot be called unemployed.

In case of India we have unemployment in rural and urban areas. However, the nature of unemployment differs in rural and urban areas. In case of rural areas, there is **seasonal** and **disguised unemployment**. Urban areas have mostly educated unemployment.

Seasonal unemployment happens when people are not able to find jobs during some months of the year. People dependant upon agriculture usually face such kind of problem. There are certain busy seasons when sowing, harvesting, weeding and threshing is done. Certain months do not provide much work to the people dependant on agriculture.

In case of disguised unemployment people appear to be employed. They have agricultural plot where they find work. This usually happens among family members engaged in agricultural activity. The work requires the service of five people but engages eight people. Three people are extra. These three people also work in the same plot as the others. The contribution made by the three extra people does not add to the contribution made by the five people. If three people are removed the productivity of the field will not decline. The field requires the service of five people and the three extra people are disguised unemployed.

In case of urban areas educated unemployment has become a common

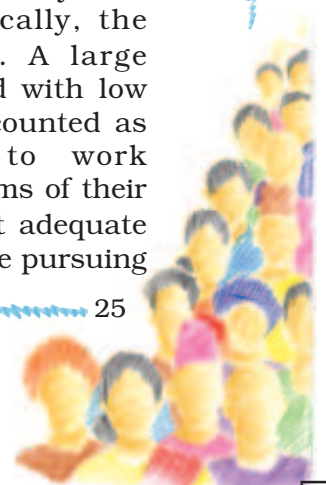
phenomenon. Many youth with matriculation, graduation and post graduation degrees are not able to find job. A study showed that unemployment of graduate and post-graduate has increased faster than among matriculates. A paradoxical manpower situation is witnessed as surplus of manpower in certain categories coexist with shortage of manpower in others. There is unemployment among technically qualified person on one hand, while there is a dearth of technical skills required for economic growth.

Unemployment leads to wastage of manpower resource. People who are an asset for the economy turn into a liability. There is a feeling of hopelessness and despair among the youth. People do not have enough money to support their family. Inability of educated people who are willing to work to find gainful employment implies a great social waste.

Unemployment tends to increase economic overload. The dependence of the unemployed on the working population increases. The quality of life of an individual as well as of society is adversely affected. When a family has to live on a bare subsistence level there is a general decline in its health status and rising withdrawal from the school system.

Hence, unemployment has detrimental impact on the overall growth of an economy. Increase in unemployment is an indicator of a depressed economy. It also wastes the resource, which could have been gainfully employed. If people cannot be used as a resource they naturally appear as a liability to the economy.

In case of India, statistically, the unemployment rate is low. A large number of people represented with low income and productivity are counted as employed. They appear to work throughout the year but in terms of their potential and income, it is not adequate for them. The work that they are pursuing



seems forced upon them. They may therefore want other work of their choice. Poor people cannot afford to sit idle. They tend to engage in any activity irrespective of its earning potential. Their earning keeps them on a bare subsistence level.

the secondary sector, small scale manufacturing is the most labour-absorbing. In case of the tertiary sector, various new services are now appearing like biotechnology, information technology and so on.

Let us read a story to know how people could become an asset for the economy of a village.

Story of a Village

There was a village inhabited by several families. Each family produced enough to feed its members. Each family met its needs by the members making their own clothes and teaching their own children. One of the families decided to send one of its sons to an agriculture college. The boy got his admission in the nearby college of agriculture. After some time he became qualified in agro-engineering and came back to the village. He proved to be so creative that he could design an improved type of plough, which increased the yield of wheat. Thus a new job of agro-engineer was created and filled in the village. The family in the village sold the surplus in a nearby neighbouring village. They earned good profit, which they shared among themselves. Inspired by this success all the families after some time held a meeting in the village. They all wanted to have a better future for their children too. They requested the panchayat to open a school in the village. They assured the panchayat that they would all send their children to school. The panchayat, with the help of government, opened a school. A teacher was recruited from a nearby town. All the children of this village started going to school. After sometime one of the families gave training to his daughter in

Picture 2.6 *Can you remember how much did you pay when you asked him to mend your shoes or slippers?*

Moreover, the employment structure is characterised by self-employment in the primary sector. The whole family contributes in the field even though not everybody is really needed. So there is disguised unemployment in the agriculture sector. But the entire family shares what has been produced. This concept of sharing of work in the field and the produce raised reduces the hardship of unemployment in the rural sector. But this does not reduce the poverty of the family, gradually surplus labour from every household tends to migrate from the village in search of jobs.

Let us discuss about the employment scenario in the three sectors mentioned earlier. Agriculture, is the most labour absorbing sector of the economy. In recent years, there has been a decline in the dependence of population on agriculture partly because of disguised unemployment discussed earlier. Some of the surplus labour in agriculture has moved to either the secondary or the tertiary sector. In

tailoring. She started stitching clothes for all the families of the village for everyone now wanted to buy and wear well-tailored clothes. Thus another new job, that of a tailor was created. This had another positive effect. The time of the farmers in going far for buying clothes was saved. As the farmers spent more time in the field, the yield of the farms went up. This was the beginning of prosperity. The farmers had more than what they

could consume. Now they could sell what they produced to others who came to their village markets. Over time, this village, which formally had no job opportunities in the beginning, had many like teacher, tailor, agro-engineer and many more. This was the story of a simple village where the rising level of human capital enabled it to evolve into a place rich with complex and modern economic activities.



Summary

You have seen how inputs like education and health helped in making people an asset for the economy. The chapter also discusses about the economic activities undertaken in the three sectors of the economy. We also study about the problem associated with unemployment. Finally the chapter ends with the story of a village which formally had no job but later had plenty.



Exercises

1. What do you understand by 'people as a resource'?
2. How is human resource different from other resources like land and physical capital?
3. What is the role of education in human capital formation?
4. What is the role of health in human capital formation?
5. What part does health play in the individual's working life?
6. What are the various activities undertaken in the primary sector, secondary sector and tertiary sector?
7. What is the difference between economic activities and non-economic activities?
8. Why are women employed in low paid work?
9. How will you explain the term unemployment?
10. What is the difference between disguised unemployment and seasonal unemployment?
11. Why is educated unemployed, a peculiar problem of India?
12. In which field do you think India can build the maximum employment opportunity?
13. Can you suggest some measures in the education system to mitigate the problem of the educated unemployed?
14. Can you imagine some village which initially had no job opportunities but later came up with many?
15. Which capital would you consider the best — land, labour, physical capital and human capital? Why?



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Overview

This chapter deals with one of the most difficult challenges faced by independent India—poverty. After discussing this multi-dimensional problem through examples, the chapter discusses the way poverty is seen in social sciences. Poverty trends in India and the world are illustrated through the concept of the poverty line. Causes of poverty as well as anti-poverty measures taken by the government are also discussed. The chapter ends with broadening the official concept of poverty into human poverty.

Introduction

In our daily life, we come across many people who we think are poor. They could be landless labourers in villages or people living in overcrowded *jhuggis* in cities. They could be daily wage workers at construction sites or child workers in

dhabas. They could also be beggars with children in tatters. We see poverty all around us. In fact, every fourth person in India is poor. This means, roughly 270 million (or 27 crore) people in India live in poverty 2011-12. This also means that India has the largest single concentration of the poor in the world. This illustrates the seriousness of the challenge.

Two Typical Cases of Poverty

Urban Case

Thirty-three year old Ram Saran works as a daily-wage labourer in a wheat flour mill near Ranchi in Jharkhand. He manages to earn around Rs 1,500 a month when he finds employment, which is not often. The money is not enough to sustain his family of six—that includes his wife and four children aged between 12 years to six months.

Picture 3.1 Story of Ram Saran



He has to send money home to his old parents who live in a village near Ramgarh. His father a landless labourer, depends on Ram Saran and his brother who lives in Hazaribagh, for sustenance. Ram Saran lives in a one-room rented house in a crowded basti in the outskirts of the city. It's a temporary shack built of bricks and clay tiles. His wife Santa Devi, works as a part time maid in a few houses and manages to earn another Rs 800. They manage a meagre meal of dal and rice twice a day, but there's never enough for all of them. His elder son works as a helper in a tea shop to supplement the family income and earns another Rs 300, while his 10-year-old daughter takes care of the younger siblings. None of the children go to school. They have only two pairs of hand-me-down clothes each. New ones are bought only when the old clothes become unwearable. Shoes are a luxury. The younger kids are undernourished. They have no access to healthcare when they fall ill.



Rural case

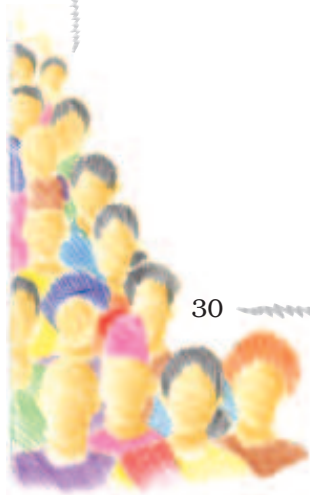
Lakha Singh belongs to a small village near Meerut in Uttar Pradesh. His family doesn't own any land, so they do odd jobs for the big farmers. Work is erratic and so is income. At times they get paid Rs 50 for a hard day's work. But often it's in kind like a few kilograms of wheat or *dal* or even vegetables for toiling in the farm through the day. The family of eight cannot always manage two square meals a day. Lakha lives in a *kuchha* hut on the outskirts of the village. The women of the family spend the day chopping fodder and collecting firewood in the fields. His father a TB patient, passed away two years ago due to lack of medication. His mother now suffers from the same disease and life is slowly ebbing away. Although, the village has a primary school, Lakha never went there. He had to start earning when he was 10 years old. New clothes happen once in a few years. Even soap and oil are a luxury for the family.



Study the above cases of poverty and discuss the following issues related to poverty:

- Landlessness
- Unemployment
- Size of families
- Illiteracy
- Poor health/malnutrition
- Child labour
- Helplessness

Picture 3.2 Story of Lakha Singh



These two typical cases illustrate many dimensions of poverty. They show that poverty means hunger and lack of shelter. It also is a situation in which parents are not able to send their children to school or a situation where sick people cannot afford treatment. Poverty also means lack of clean water and sanitation facilities. It also means lack of a regular job at a minimum decent level. Above all it means living with a sense of helplessness. Poor people are in a situation in which they are ill-treated at almost every place, in farms, factories, government offices, hospitals, railway stations etc. Obviously, nobody would like to live in poverty.

One of the biggest challenges of independent India has been to bring millions of its people out of abject poverty. Mahatama Gandhi always insisted that India would be truly independent only when the poorest of its people become free of human suffering.

Poverty as seen by social scientists

Since poverty has many facets, social scientists look at it through a variety of indicators. Usually the indicators used relate to the levels of income and consumption. But now poverty is looked through other social indicators like illiteracy level, lack of general resistance due to malnutrition, lack of access to healthcare, lack of job opportunities, lack of access to safe drinking water, sanitation etc. Analysis of poverty based on social exclusion and vulnerability is now becoming very common (see box).

Social exclusion

According to this concept, poverty must be seen in terms of the poor having to live only in a poor surrounding with other poor people, excluded from enjoying social equality of better-off people in better surroundings. Social exclusion can be

both a cause as well as a consequence of poverty in the usual sense. Broadly, it is a process through which individuals or groups are excluded from facilities, benefits and opportunities that others (their “betters”) enjoy. A typical example is the working of the caste system in India in which people belonging to certain castes are excluded from equal opportunities. Social exclusion thus may lead to, but can cause more damage than, having a very low income.

Vulnerability

Vulnerability to poverty is a measure, which describes the greater probability of certain communities (say, members of a backward caste) or individuals (such as a widow or a physically handicapped person) of becoming, or remaining, poor in the coming years. Vulnerability is determined by the options available to different communities for finding an alternative living in terms of assets, education, health and job opportunities. Further, it is analysed on the basis of the greater risks these groups face at the time of natural disasters (earthquakes, tsunami), terrorism etc. Additional analysis is made of their social and economic ability to handle these risks. In fact, vulnerability describes the greater probability of being more adversely affected than other people when bad time comes for everybody, whether a flood or an earthquake or simply a fall in the availability of jobs!



Poverty Line

At the centre of the discussion on poverty is usually the concept of the “poverty line”. A common method used to measure poverty is based on the income or

consumption levels. A person is considered poor if his or her income or consumption level falls below a given “minimum level” necessary to fulfill basic needs. What is necessary to satisfy basic needs is different at different times and in different countries. Therefore, poverty line may vary with time and place. Each country uses an imaginary line that is considered appropriate for its existing level of development and its accepted minimum social norms. For example, a person not having a car in the United States may be considered poor. In India, owning of a car is still considered a luxury.

While determining the poverty line in India, a minimum level of food requirement, clothing, footwear, fuel and light, educational and medical requirement etc. are determined for subsistence. These physical quantities are multiplied by their prices in rupees. The present formula for food requirement while estimating the poverty line is based on the desired calorie requirement. Food items such as cereals, pulses, vegetable, milk, oil, sugar etc. together provide these needed calories. The calorie needs vary depending on age, sex and the type of work that a person does. The accepted average calorie requirement in India is 2400 calories per person per day in rural areas and 2100 calories per person per day in urban areas. Since people living in rural areas engage themselves in more physical work, calorie requirements in rural areas are considered to be higher than urban areas. The monetary expenditure per capita needed for buying these calorie requirements in terms of food grains etc. is revised periodically taking into consideration the rise in prices.

On the basis of these calculations, for the year 2011-12, the poverty line for a person was fixed at Rs 816 per month for the rural areas and Rs 1000 for the urban areas. Despite less calorie requirement,

the higher amount for urban areas has been fixed because of high prices of many essential products in urban centres. In this way in the year 2011-12, a family of five members living in rural areas and earning less than about Rs 4,080 per month will be below the poverty line. A similar family in the urban areas would need a minimum of Rs 5,000 per month to meet their basic requirements. The poverty line is estimated periodically (normally every five years) by conducting sample surveys. These surveys are carried out by the National Sample Survey Organisation (NSSO). However, for making comparisons between developing countries, many international organisations like the World Bank use a uniform standard for the poverty line: minimum availability of the equivalent of \$1 per person per day.



Discuss the following:

- Why do different countries use different poverty lines?
- What do you think would be the “minimum necessary level” in your locality?

Poverty Estimates

It is clear from the Table 3.1 that there is substantial decline in poverty ratios in India from about 45 per cent in 1993-94 to 37.2 per cent in 2004-05. The proportion of people below poverty line further came down to about 21.9 per cent in 2011-12. If the trend continues, people below poverty line may come down to less than 20 per cent in the next few years. Although the percentage of people living under poverty declined in the earlier two decades (1973–1993), the number of poor declined from 407.1 million in 2004-05 to 269.3 million in 2011-12 with an average annual decline of 2.2 percentage points during 2004-05 to 2011-12.

Table 3.1: Estimates of Poverty in India

Year	Poverty ratio (%)			Number of poor (in millions)		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	50.1	31.8	44.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2011-12	25.7	13.7	21.9	216.5	52.8	269.3

Source: Economic Survey 2013-14, Ministry of Finance, Government of India.

 **Let's Discuss**

Study the Table 3.1 and answer the following questions:

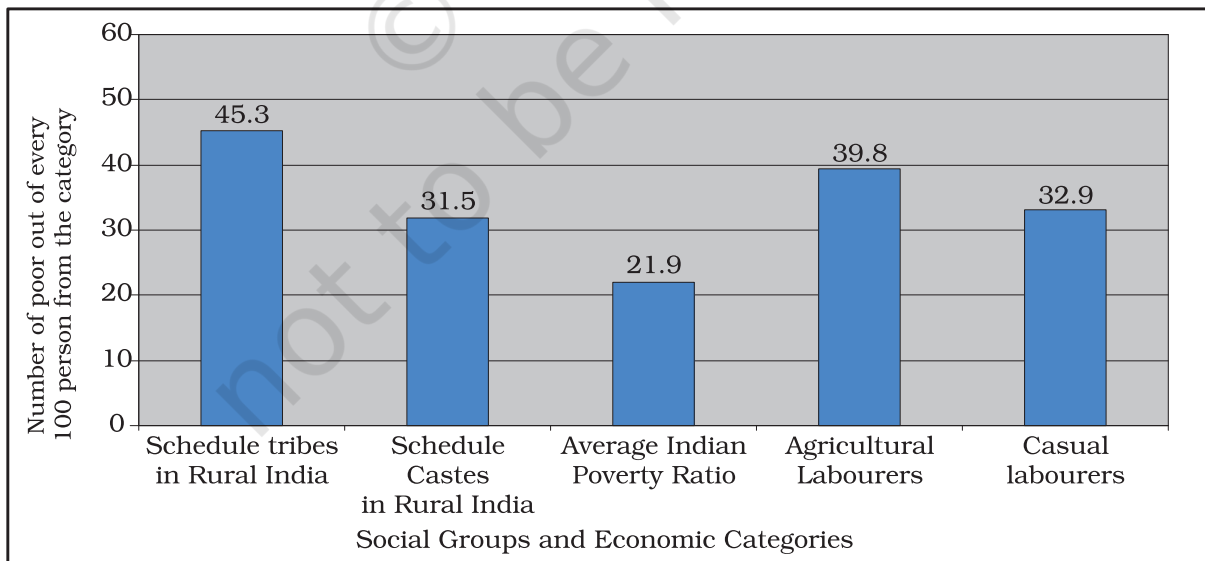
- Even if poverty ratio declined between 1993-94 and 2004-05, why did the number of poor remain at about 407 million?
- Are the dynamics of poverty reduction the same in rural and urban India?

Vulnerable Groups

The proportion of people below poverty line is also not same for all social groups and economic categories in India. Social groups which are most vulnerable to poverty are scheduled caste and scheduled tribe households. Similarly,

among the economic groups, the most vulnerable groups are the rural agricultural labour households and the urban casual labour households. The following Graph 3.1 shows the percentage of poor people in all these groups. Although the average for people below poverty line for all groups in India is 30, 48 out of 100 people belonging to scheduled tribes in rural areas are not able to meet their basic needs. Similarly, 47 per cent of casual workers in urban areas are below poverty line. About 50 per cent of landless agricultural workers and 43 per cent of scheduled castes are also poor. The double disadvantage, of being a landless casual wage labour household in the socially disadvantaged social groups of the

Graph 3.1: Poverty in India 2011-12: Most Vulnerable Groups



Source: Panagriya Arvind and Vishal More



Picture 3.3 *Story of Sivaraman*

scheduled caste or the scheduled tribe population highlights the seriousness of the problem. Some recent studies have shown that except for the scheduled tribe households, all the other three groups (i.e. scheduled castes, rural agricultural labourers and the urban casual labour households) have seen a decline in poverty in the 1990s.

Apart from these social groups, there is also inequality of incomes within a family. In poor families all suffer, but some suffer more than others. Women, elderly people and female infants are systematically denied equal access to resources available to the family. Therefore women, children (especially the girl child) and old people are poorest of the poor (see box).

Story of Sivaraman

Sivaraman lives in a small village near Karur town in Tamil Nadu. Karur is famous for its handloom and powerloom fabrics. There are a 100 families in the village. Sivaraman an *Aryunthathiyar* (cobbler) by caste now works as an agricultural labourer for Rs 50 per day. But that's only for five to six months in a year. At other times, he does odd jobs in the town. His wife Sasikala too works with him. But she can rarely find work these days, and even if she does, she's paid Rs 25 per day for the same work that Sivaraman does. There are eight members in the family. Sivaraman's 65 year old widowed mother is ill and

needs to be helped with her daily chores. He has a 25-year-old unmarried sister and four children aged between 1 year to 16 years. Three of them are girls, the youngest is a son. None of the girls go to school. Buying books and other things for school-going girls is a luxury he cannot afford. Also, he has to get them married at some point of time so he doesn't want to spend on their education now. His mother has lost interest in life and is just waiting to die someday. His sister and elder daughter take care of the household. Sivaraman plans to send his son to school when he comes of age. His unmarried sister does not get along with his wife. Sasikala finds her a burden but Sivaraman can't find a suitable groom due to lack of money. Although the family has difficulty in arranging two meals a day, Sivaraman manages to buy milk once in a while, but only for his son.

Although state level poverty has witnessed a secular decline from the levels of early seventies, the success rate of reducing poverty varies from state to state. Recent estimates show while the all India HCR was 21.9 per cent in 2011-12 states like Madhya Pradesh, Assam, Uttar Pradesh, Bihar and Orissa had above all India poverty level. As the Graph 3.2 shows, Bihar and Orissa continue to be the two poorest states with poverty ratios of 33.7 and 37.6 per cent respectively. Along with rural poverty, urban poverty is also high in Orissa, Madhya Pradesh, Bihar and Uttar Pradesh.

In comparison, there has been a significant decline in poverty in Kerala, Jammu and Kashmir, Andhra Pradesh, Tamil Nadu, Gujarat and West Bengal. States like Punjab and Haryana have traditionally succeeded in reducing poverty with the help of high agricultural growth rates. Kerala has focused more on human resource development. In West Bengal, land reform measures have helped in reducing poverty. In Andhra Pradesh and Tamil Nadu public distribution of food grains could have been responsible for the improvement.

Global Poverty Scenario

The proportion of people in developing countries living in extreme economic poverty— defined by the World Bank as living on less than \$1.25 per day—has fallen from 43 per cent in 1990 to 22 per cent in 2008. Although there has been a substantial reduction in global poverty, it is marked with great regional differences. Poverty declined substantially in China and Southeast Asian countries as a result of rapid economic growth and massive investments in human resource development. Number of poors in China has come down from 85 per cent in 1981 to 14 per cent in 2008 to 6 per cent in 2011. In the countries of *South Asia* (India, Pakistan, Sri Lanka, Nepal, Bangladesh, Bhutan) the decline has not been as rapid.

Let's Discuss

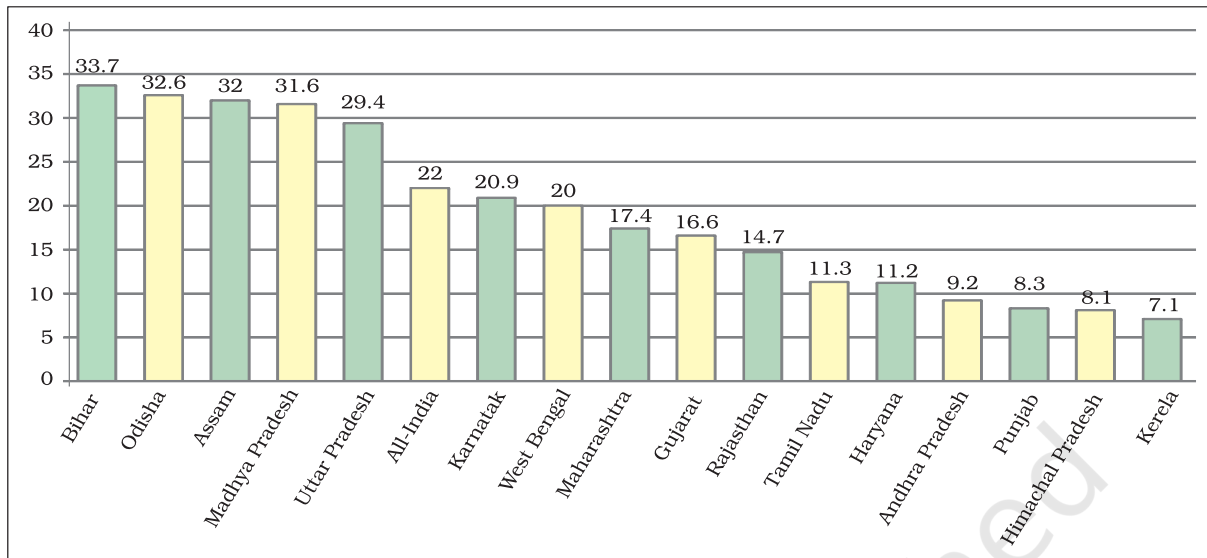
Observe some of the poor families around you and try to find the following:

- Which social and economic group do they belong to?
- Who are the earning members in the family?
- What is the condition of the old people in the family?
- Are all the children (boys and girls) attending schools?

Inter-State Disparities

Poverty in India also has another aspect or dimension. The proportion of poor people is not the same in every state.

Graph 3.2: Poverty Ratio in Selected Indian States, 2011–2012



Source: Economic Survey 2013–14, Ministry of Finance, Government of India

Let's Discuss

Study the Graph 3.2 and do the following:

- Identify the three states where the poverty ratio is the highest.
- Identify the three states where poverty ratio is the lowest.

Despite decline in the percentage of the poor, the number of poor has declined marginally from 61 per cent in 1981 to 36 per cent in 2008. Because of different poverty line definition, poverty in India is also shown higher than the national estimates.

In Sub-Saharan Africa, poverty in fact rose from 51 per cent in 1981 to 47 per cent in 2008 (see graph 3.3). In Latin America, the ratio of poverty remained the same. It has declined from 11% in 1981 to 6.4 per cent in 2008. (see graph 3.3) Poverty has also resurfaced in some of the former socialist countries like Russia, where officially it was non-existent earlier. Table 3.2 shows the proportion of people living under poverty in different countries as defined by the *international poverty line* (means population below \$1

a day). The *Millennium Development Goals* of the United Nations calls for reducing the proportion of people living on less than \$1 a day to half the 1990 level by 2015.

Let's Discuss

Study the Graph 3.4 and do the following:

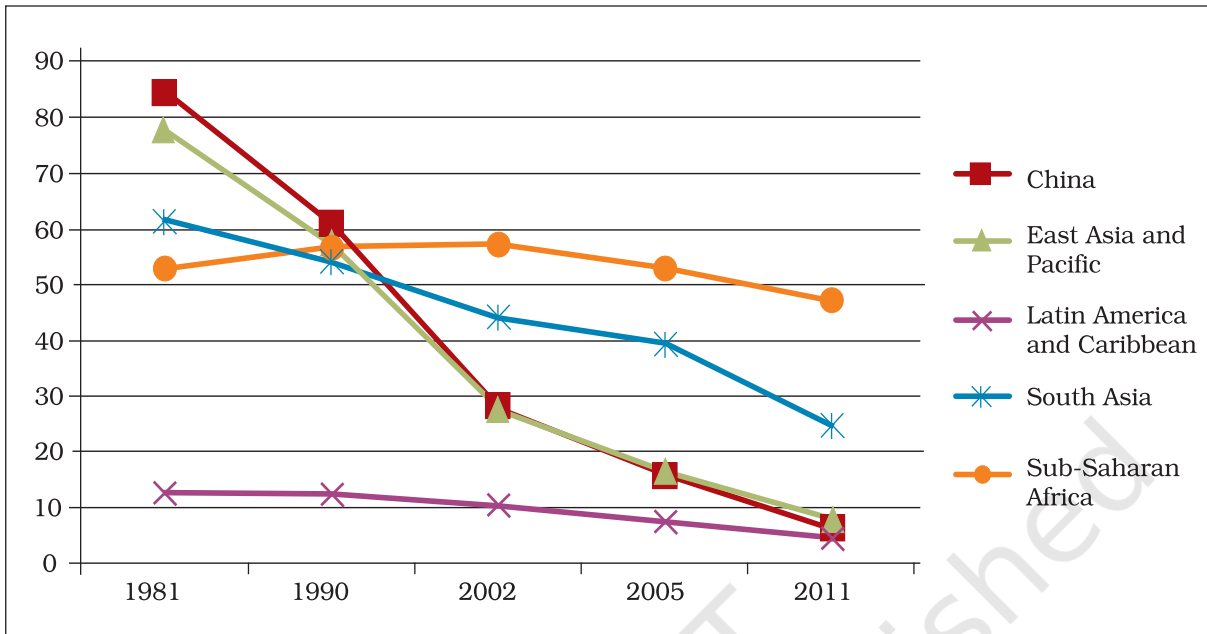
- Identify the areas of the world, where poverty ratios have declined.
- Identify the area of the globe which has the largest concentration of the poor.

Table 3.2: Poverty: Comparison among Some Selected Countries, 2010-13

Country	% of Population below \$1.25 a day
1. Nigeria	62
2. Bangladesh	43
3. India	25
4. Pakistan	13
5. China	6
6. Brazil	5
7. Indonesia	16
8. Sri Lanka	4

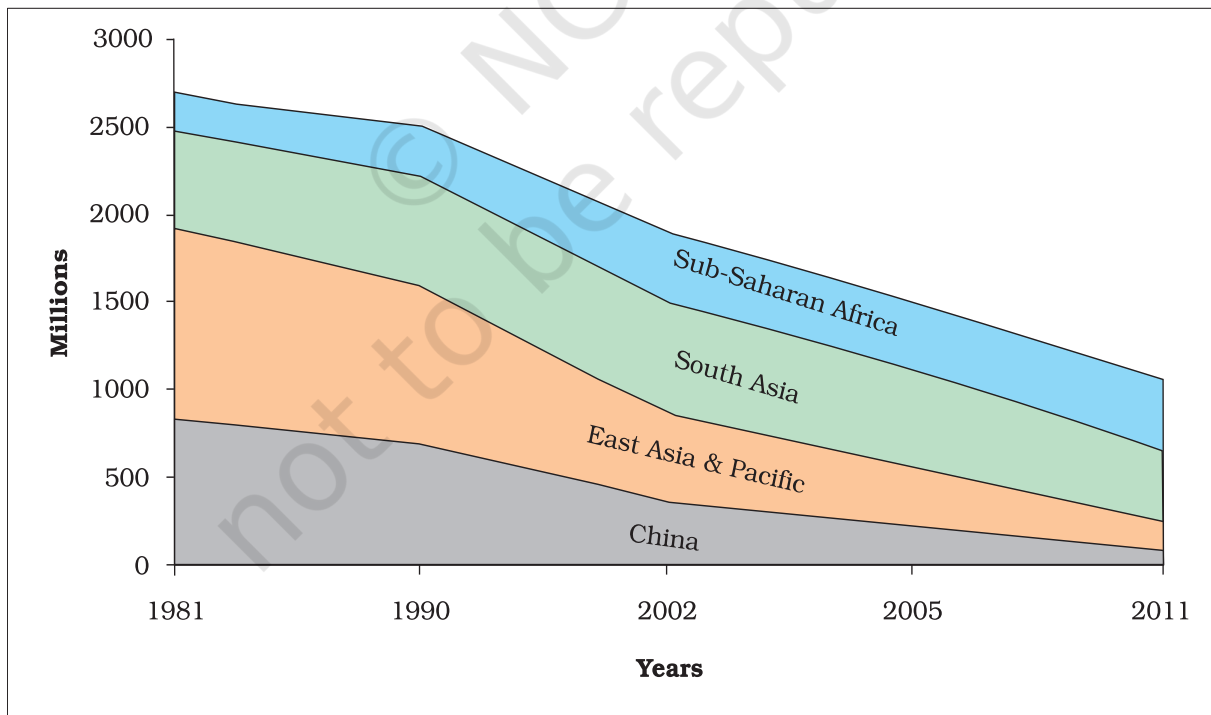
Source: Human Development Report 2014, UNDP

Graph 3.3: Share of people living on \$1.25 a day, 1980–2011

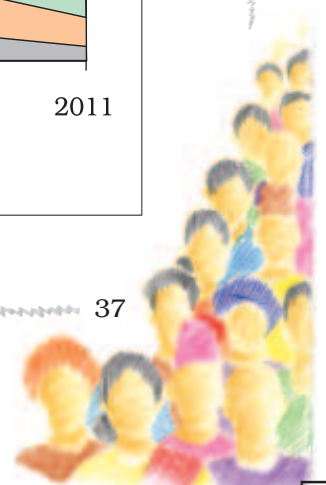


Source: World Development Indicators 2012, The World Bank.

Graph 3.4: Number of poor by region (\$ 1.25 per day) in millions



Source: World Development Indicators 2014, The World Bank.



Causes of Poverty

There were a number of causes for the widespread poverty in India. One historical reason is the low level of economic development under the British colonial administration. The policies of the colonial government ruined traditional handicrafts and discouraged development of industries like textiles. The low rate of growth persisted until the nineteen-eighties. This resulted in less job opportunities and low growth rate of incomes. This was accompanied by a high growth rate of population. The two combined to make the growth rate of per capita income very low. The failure at both the fronts: promotion of economic growth and population control perpetuated the cycle of poverty.

With the spread of irrigation and the Green revolution, many job opportunities were created in the agriculture sector. But the effects were limited to some parts of India. The industries, both in the public and the private sector, did provide some jobs. But these were not enough to absorb all the job seekers. Unable to find proper jobs in cities, many people started working as rickshaw pullers, vendors, construction workers, domestic servants etc. With irregular small incomes, these people could not afford expensive housing. They started living in slums on the outskirts of the cities and the problems of poverty, largely a rural phenomenon also became the feature of the urban sector.

Another feature of high poverty rates has been the huge income inequalities. One of the major reasons for this is the unequal distribution of land and other resources. Despite many policies, we have not been able to tackle the issue in a meaningful manner. Major policy initiatives like land reforms which aimed at redistribution of assets in rural areas have not been implemented properly and

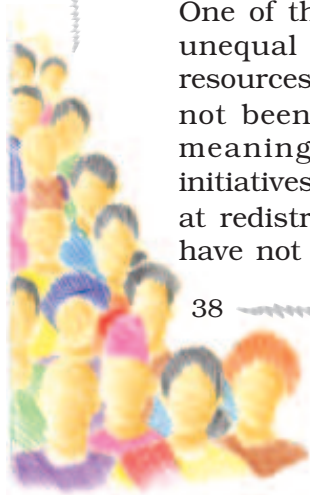
effectively by most of the state governments. Since lack of land resources has been one of the major causes of poverty in India, proper implementation of policy could have improved the life of millions of rural poor.

Many other socio-cultural and economic factors also are responsible for poverty. In order to fulfil social obligations and observe religious ceremonies, people in India, including the very poor, spend a lot of money. Small farmers need money to buy agricultural inputs like seeds, fertilizer, pesticides etc. Since poor people hardly have any savings, they borrow. Unable to repay because of poverty, they become victims of indebtedness. So the high level of indebtedness is both the cause and effect of poverty.

Anti-Poverty Measures

Removal of poverty has been one of the major objectives of Indian developmental strategy. The current anti-poverty strategy of the government is based broadly on two planks (1) promotion of economic growth (2) targeted anti-poverty programmes.

Over a period of thirty years lasting up to the early eighties, there were little per capita income growth and not much reduction in poverty. Official poverty estimates which were about 45 per cent in the early 1950s remained the same even in the early eighties. Since the eighties, India's economic growth has been one of the fastest in the world. The growth rate jumped from the average of about 3.5 per cent a year in the 1970s to about 6 per cent during the 1980s and 1990s. The higher growth rates have helped significantly in the reduction of poverty. Therefore, it is becoming clear that there is a strong link between economic growth and poverty reduction. Economic growth widens opportunities and provides the resources needed to invest in human development. This also encourages people



to send their children, including the girl child, to schools in the hope of getting better economic returns from investing in education. However, the poor may not be able to take direct advantage from the opportunities created by economic growth. Moreover, growth in the agriculture sector is much below expectations. This has a direct bearing on poverty as a large number of poor people live in villages and are dependent on agriculture.

In these circumstances, there is a clear need for targeted anti-poverty programmes. Although there are so many schemes which are formulated to affect poverty directly or indirectly, some of them are worth mentioning. *Mahatma Gandhi National Rural Employment Guarantee Act, 2005* aims to provide 100 days of wage employment to every household to ensure livelihood security in rural areas. It also aimed at sustainable development to address the cause of draught, deforestation and soil erosion. One-third of the proposed jobs have been reserved for women. The scheme provided employment to 220 crores person days of employment to 4.78 crore households. The share of SC, ST, Women person days in the scheme are 23 per cent, 17 per cent and 53 per cent respectively. The average wage has increased from 65 in 2006-07 to 132 in 2013-14.

Prime Minister Rozgar Yozana (PMRY) is another scheme which was started in 1993. The aim of the programme is to create self-employment opportunities for educated unemployed youth in rural areas and small towns. They are helped in setting up small business and industries.

Rural Employment Generation Programme (REGP) was launched in 1995. The aim of the programme is to create self-employment opportunities in rural areas and small towns. A target for creating 25 lakh new jobs has been set for the programme under the Tenth Five Year plan. *Swarnajayanti Gram Swarozgar Yojana (SGSY)* was launched in 1999. The programme aims at bringing the assisted poor families above the poverty line by organising them into self help groups through a mix of bank credit and government subsidy. Under the *Pradhan Mantri Gramodaya Yozana (PMGY)* launched in 2000, additional central assistance is given to states for basic services such as primary health, primary education, rural shelter, rural drinking water and rural electrification. Another important scheme is *Antyodaya Anna Yozana (AAY)* about which you will be reading more in the next chapter.

The results of these programmes have been mixed. One of the major reasons for less effectiveness is the lack of proper implementation and right targeting. Moreover, there has been a lot of overlapping of schemes. Despite good intentions, the benefits of these schemes are not fully reached to the deserving poor. Therefore, the major emphasis in recent years is on proper monitoring of all the poverty alleviation programmes.

The Challenges Ahead

Poverty has certainly declined in India. But despite the progress, poverty reduction remains India's most compelling challenge. Wide disparities in poverty are visible between rural and

urban areas and among different states. Certain social and economic groups are more vulnerable to poverty. Poverty reduction is expected to make better progress in the next ten to fifteen years. This would be possible mainly due to higher economic growth, increasing stress on universal free elementary education, declining population growth, increasing empowerment of the women and the economically weaker sections of society.

The official definition of poverty, however, captures only a limited part of what poverty really means to people. It is about a “minimum” subsistence level of living rather than a “reasonable” level of living. Many scholars advocate that we must broaden the concept into *human poverty*. A large number of people may

have been able to feed themselves. But do they have education? Or shelter? Or health care? Or job security? Or self-confidence? Are they free from caste and gender discrimination? Is the practice of child labour still common? Worldwide experience shows that with development, the definition of what constitutes poverty also changes. Eradication of poverty is always a moving target. Hopefully we will be able to provide the minimum “necessary” in terms of only income to all people by the end of the next decade. But the target will move on for many of the bigger challenges that still remain: providing health care, education and job security for all, and achieving gender equality and dignity for the poor. These will be even bigger tasks.



Summary

You have seen in this chapter that poverty has many dimensions. Normally, this is measured through the concept of “poverty line”. Through this concept we analysed main global and national trends in poverty. But in recent years, analysis of poverty is becoming rich through a variety of new concepts like social exclusion. Similarly, the challenge is becoming bigger as scholars are broadening the concept into *human poverty*.



Exercises

1. Describe how the poverty line is estimated in India?
2. Do you think that present methodology of poverty estimation is appropriate?
3. Describe poverty trends in India since 1973?
4. Discuss the major reasons for poverty in India?
5. Identify the social and economic groups which are most vulnerable to poverty in India.
6. Give an account of interstate disparities of poverty in India.
7. Describe global poverty trends.
8. Describe current government strategy of poverty alleviation?
9. Answer the following questions briefly
 - (i) What do you understand by human poverty?
 - (ii) Who are the poorest of the poor?
 - (iii) What are the main features of the National Rural Employment Guarantee Act 2005?



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Overview

- Food security means availability, accessibility and affordability of food to all people at all times. The poor households are more vulnerable to food insecurity whenever there is a problem of production or distribution of food crops. Food security depends on the Public Distribution System (PDS) and government vigilance and action at times, when this security is threatened.

What is food security?

Food is as essential for living as air is for breathing. But food security means something more than getting two square meals. Food security has following dimensions

- availability of food* means food production within the country, food imports and the previous years stock stored in government granaries.
- accessibility* means food is within reach of every person.
- affordability* implies that an individual has enough money to buy sufficient, safe and nutritious food to meet one's dietary needs.

Thus, food security is ensured in a country only if (1) enough food is available for all the persons (2) all persons have the capacity to buy food of acceptable quality and (3) there is no barrier on access to food.

Why food security?

The poorest section of the society might be food insecure most of the times while persons above the poverty line might also be food insecure when the country faces

In the 1970s, food security was understood as the “availability at all times of adequate supply of basic foodstuffs” (UN, 1975). Amartya Sen added a new dimension to food security and emphasised the “access” to food through what he called ‘entitlements’ — a combination of what one can produce, exchange in the market alongwith state or other socially provided supplies. Accordingly, there has been a substantial shift in the understanding of food security. The 1995 World Food Summit declared, “Food security at the individual, household, regional, national and global levels exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life” (FAO, 1996, p.3). The declaration further recognises that “poverty eradication is essential to improve access to food”.

a national disaster/calamity like earthquake, drought, flood, tsunami, widespread failure of crops causing famine, etc. **How is food security affected during a calamity?** Due to a natural calamity, say drought, total production of foodgrains decreases. It creates a shortage of food in the affected areas. Due to shortage of food, the prices goes up. At the high prices, some people cannot afford to buy food. If such calamity happens in a very wide spread area or is stretched over a longer time period, it may cause a situation of starvation. A massive starvation might take a turn of famine.

A Famine is characterised by wide spread deaths due to starvation and

epidemics caused by forced use of contaminated water or decaying food and loss of body resistance due to weakening from starvation.

The most devastating famine that occurred in India was the FAMINE OF BENGAL in 1943. This famine killed thirty lakh people in the province of Bengal.

Do you know who were affected the most by the famine? The agricultural labourers, fishermen, transport workers and other casual labourers were affected the most by dramatically increasing price of rice. They were the ones who died in this famine.



Table 4.1: Production of Rice in the Province of Bengal

Year	Production (Lakh tonnes)	Imports (Lakh tonnes)	Exports (Lakh tonnes)	Total Availability (Lakh tonnes)
1938	85	–	–	85
1939	79	04	–	83
1940	82	03	–	85
1941	68	02	–	70
1942	93	–	01	92
1943	76	03	–	79

Source: Sen, A.K, 1981 Page 61



Let's Discuss

1. Some people say that the Bengal famine happened because there was a shortage of rice. Study the table and find out whether you agree with the statement?
2. Which year shows a drastic decline in food availability?

Picture 4.1 Starvation victims arriving at a relief centre, 1945.

Picture 4.2 During the Bengal Famine of 1943, a family leaves its village in Chittagong district in Bengal.



Suggested Activity

- What do you see in Picture 4.1?
- Which age group is seen in the first picture?
- Can you say that the family shown in the Picture 4.2 is a poor family? why?
- Can you imagine the source of livelihood of the people, (shown in two Pictures) before the occurrence of famine? (In the context of a village)
- Find out what type of help is given to the victims of a natural calamity at a relief camp.
- Have you ever helped such victims (in the form of money, food, clothes, medicines etc.)

PROJECT WORK: Gather more information about famines in India.

Nothing like the Bengal Famine has happened in India again. But it is disturbing to note that even today, there are places like Kalahandi and Kashipur in Orissa where famine-like conditions have been existing for many years and where some starvation deaths have also been reported. Starvation deaths are also reported in Baran district of Rajasthan, Palamau district of Jharkhand and many other remote areas during the recent years. Therefore, food security is needed in a country to ensure food at all times.

Who are food-insecure?

Although a large section of people suffer from food and nutrition insecurity in India, the worst affected groups are landless people with little or no land to depend upon, traditional artisans, providers of traditional services, petty self-employed workers and destitutes including beggars. In the urban areas, the food insecure families are those whose working members are generally employed in ill-paid occupations and casual labour market. These workers are largely

engaged in seasonal activities and are paid very low wages that just ensure bare survival.

Story of Ramu

Ramu works as a casual labourer in agriculture in Raipur village. His eldest son Somu who is 10 years old also works as a *pali* to look after the cattle of the Sarpanch of the village Satpal Singh. Somu is employed for the whole year by the Sarpanch and is paid a sum of Rs 1,000 for this work. Ramu has three more sons and two daughters but they are too young to work on the field. His wife Sunhari is also (part time) working as house cleaner for the livestock, removing and managing cow dung. She gets $\frac{1}{2}$ litre milk and some cooked food along with vegetables for her daily work. Besides she also works in the field along with her husband in the busy season and supplements his earnings. Agriculture being a seasonal activity employs Ramu only during times of sowing, transplanting and harvesting. He remains unemployed for about 4 months during the period of plant consolidation and maturing in a year. He looks for work in other activities. Some times he gets employment in brick laying or in construction activities in the village. By all his efforts, Ramu is able to earn enough either in cash or kind for him to buy essentials for two square meals for his family. However, during the days when he is unable to get some work, he and his family really face difficulties and sometimes his small kids have to sleep without food. Milk and vegetables are not a regular part of meals in the family. Ramu is food insecure during 4 months when he remains unemployed because of the seasonal nature of agriculture work.



Let's Discuss

- Why is agriculture a seasonal activity?
- Why is Ramu unemployed for about four months in a year?
- What does Ramu do when he is unemployed?
- Who are supplementing income in Ramu's family?
- Why does Ramu face difficulty when he is unable to have work?
- When is Ramu food insecure?

Story of Ahmad

Ahmad is a rickshaw puller in Bangalore. He has shifted from Jhumri Taliah along with his 3 brothers, 2 sisters and old parents. He stays in a *jhuggi*. The survival of all members of his family depends on his daily earnings from pulling rickshaw. However, he does not have a secured employment and his earnings fluctuate every day. During some days he gets enough earning for him to save some amount after buying all his day-to-day necessities. On other days, he barely earns enough to buy his daily necessities. However, fortunately, Ahmad has a yellow card, which is PDS Card for below poverty line people. With this card, Ahmad gets sufficient quantity of wheat, rice, sugar and kerosene oil for his daily use. He gets these essentials at half of the market price. He purchases his monthly stock during a particular day when the ration shop is opened for below poverty people. In this way, Ahmad is able to eke out his survival with less than sufficient earnings for his big family where he is the only earning member.

run his family even with small earnings from rickshaw-pulling?

The social composition along with the inability to buy food also plays a role in food insecurity. The SCs, STs and some sections of the OBCs (lower castes among them) who have either poor land-base or very low land productivity are prone to food insecurity. The people affected by natural disasters, who have to migrate to other areas in search of work, are also among the most food insecure people. A high incidence of malnutrition prevails among women. This is a matter of serious concern as it puts even the unborn baby at the risk of malnutrition. A large proportion of pregnant and nursing mothers and children under the age of 5 years constitute an important segment of the food insecure population.

According to the National Health and Family Survey (NHFS) 1998–99, the number of such women and children is approximately 11 crore.

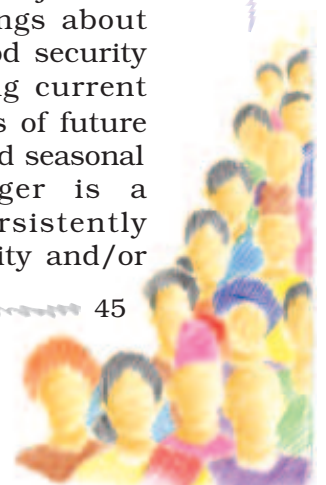
The food insecure people are disproportionately large in some regions of the country, such as economically backward states with high incidence of poverty, tribal and remote areas, regions more prone to natural disasters etc. In fact, the states of Uttar Pradesh (eastern and south-eastern parts), Bihar, Jharkhand, Orissa, West Bengal, Chattisgarh, parts of Madhya Pradesh and Maharashtra account for largest number of food insecure people in the country.

Hunger is another aspect indicating food insecurity. Hunger is not just an expression of poverty, it brings about poverty. The attainment of food security therefore involves eliminating current hunger and reducing the risks of future hunger. Hunger has chronic and seasonal dimensions. Chronic hunger is a consequence of diets persistently inadequate in terms of quantity and/or



Let's Discuss

- Does Ahmad have a regular income from rickshaw-pulling?
- How does the yellow card help Ahmad



quality. Poor people suffer from chronic hunger because of their very low income and in turn inability to buy food even for survival. Seasonal hunger is related to cycles of food growing and harvesting. This is prevalent in rural areas because of the seasonal nature of agricultural activities and in urban areas because of the casual labour, e.g., there is less work for casual construction labour during the rainy season. This type of hunger exists when a person is unable to get work for the entire year.

Table 4.2: Percentage of Households with 'Hunger' in India

Year	Type of hunger		
	Seasonal	Chronic	Total
<i>Rural</i>			
1983	16.2	2.3	18.5
1993-94	4.2	0.9	5.1
1999-2000	2.6	0.7	3.3
<i>Urban</i>			
1983	5.6	0.8	6.4
1993-94	1.1	0.5	1.6
1999-2000	0.6	0.3	0.9

Source: Sagar (2004)

The percentage of seasonal as well as chronic hunger has declined in India as shown in the above table.

India is aiming at Self-sufficiency in Foodgrains since Independence.

After independence, Indian policy makers adopted all measures to achieve self-sufficiency in food grains. India adopted a new strategy in agriculture, which resulted in the '**Green Revolution**' especially in the production of wheat and rice.

Indira Gandhi, the then Prime Minister of India, officially recorded the impressive strides of the Green revolution in

Picture 4.3 A farmer from Punjab standing in a field of one of the High Yielding Varieties of wheat on which the Green Revolution is based.

agriculture by releasing a special stamp entitled 'Wheat Revolution' in July 1968. The success of wheat was later replicated in rice. The increase in foodgrains was, however, disproportionate. The highest rate of growth has been achieved in Uttar Pradesh and Punjab, where foodgrain production reached an all-time high of 78.9 million tonnes in 2012-13. Production of foodgrain in Uttarakhand, Jharkhand, Assam, Tamil Nadu has dropped. West Bengal and Uttar Pradesh, on the other hand, recorded significant increases in rice yield in 2012-13.

 **Suggested Activity**

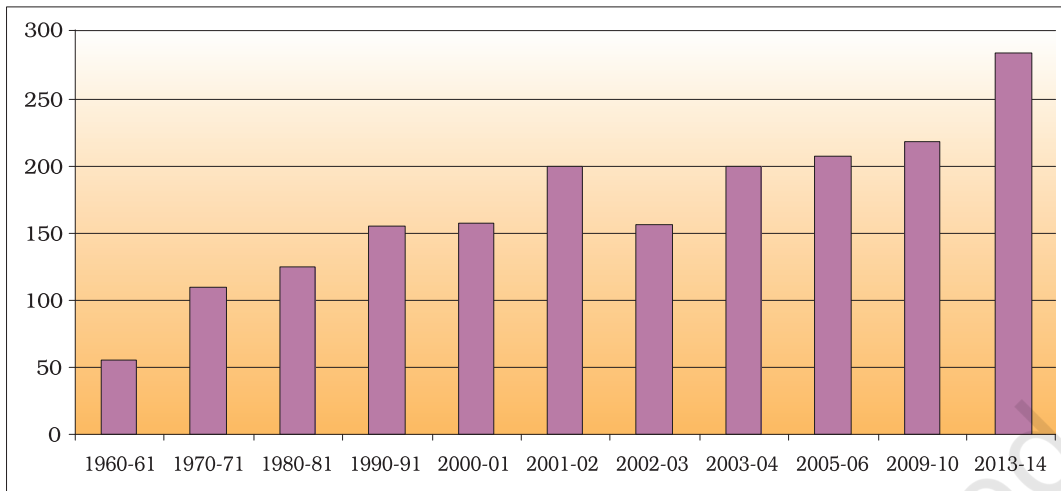
Visit some farms in a nearby village and collect the details of food crops cultivated by the farmers.

Food Security in India

Since the advent of the Green revolution in the early-'70s, the country has avoided famine even during adverse weather conditions.

India has become self-sufficient in foodgrains during the last thirty years because of a variety of crops grown all over the country. The availability of foodgrains (even in adverse weather conditions or otherwise) at the country level has further been ensured with a

Graph 4.1: Production of Foodgrains in India
(Million Tonnes)



Source: Economic Survey 2011-12, 2013-14

Let's Discuss

Study the Graph 4.1 and answer the following questions:

- In which year did our country cross the 200 million tonnes per year mark in foodgrain production?
- In which decade did India experience the highest decadal increase in foodgrain production?
- Is production increase consistent in India since 2000-01?

carefully designed food security system by the government. This system has two components: (a) buffer stock and (b) public distribution system.

What is Buffer stock?

Buffer Stock is the stock of foodgrains, namely wheat and rice procured by the government through **Food Corporation of India (FCI)**. The FCI purchases wheat and rice from the farmers in states where there is surplus production. The farmers are paid a pre-announced price for their crops. This price is called **Minimum Support Price**. The MSP is declared by the government every year

before the sowing season to provide incentives to the farmers for raising the production of these crops. The purchased foodgrains are stored in granaries. Do you know why this buffer stock is created by the government? This is done to distribute foodgrains in the deficit areas and among the poorer strata of society at a price lower than the market price also known as **Issue Price**. This also helps resolve the problem of shortage of food during adverse weather conditions or during the periods of calamity.

What is the Public Distribution System?

The food procured by the FCI is distributed through government regulated ration shops among the poorer section of the society. This is called the public distribution system (PDS). Ration shops are now present in most localities, villages, towns and cities. There are about 5.5 lakh ration shops all over the country. Ration shops also known as **Fair Price Shops** keep stock of foodgrains, sugar, kerosene oil for cooking. These items are sold to people at a price lower than the market price. Any family with

a ration card* can buy a stipulated amount of these items (e.g. 35 kg of grains, 5 litres of kerosene, 5 kgs of sugar etc.) every month from the nearby ration shop.

*There are three kinds of ration cards: (a) Antyodaya cards for the poorest of the poor; (b) BPL cards for those below poverty line; and (c) APL cards for all others.



Suggested Activity

Visit your area's ration shop and get the following details

1. When does the ration shop open?
2. What are the items sold at the ration shop?
3. Compare the prices of rice and sugar from the ration shop with the prices at any other grocery shop? (for families below poverty line)
4. Find out:
Do you have a ration card?
What has your family recently bought with this card from the ration shop?
Are there any problems that they face?
Why are ration shops necessary?

The introduction of **Rationing** in India dates back to the 1940s against the backdrop of the Bengal famine. The rationing system was revived in the wake of an acute food shortage during the 1960s, prior to the Green Revolution. In the wake of the high incidence of poverty levels, as reported by the NSSO in the mid-1970s, three important food intervention programmes were introduced: Public Distribution System (PDS) for food grains (in existence earlier but strengthened thereafter); Integrated Child Development Services (ICDS) (introduced in 1975 on an experimental basis) and Food-for-Work** (FFW) (introduced in 1977-78). Over the years, several new programmes have been launched and some have been restructured with the growing experience of administering the programmes. At present, there are several Poverty Alleviation Programmes (PAPs), mostly in rural areas, which have an explicit food component also. While some of the programmes such as PDS, mid-day meals etc. are exclusively food security programmes, most of the PAPs also enhance food security. Employment programmes greatly contribute to food security by increasing the income of the poor.



Suggested Activity

Gather detailed information about some of the programmes initiated by the government, which have food component.

Hint: Rural wage employment programme, Employment Guarantee Scheme, Sampurna Grameen Rojgar Yojana, Mid Day Meal, Integrated Child Development Services, etc.

Discuss with your teacher.

Picture 4.4

****The National Food Security Act, 2013**

This Act provides for food and nutritional security life at affordable prices and enable people to live a life with dignity. Under this act 75% of rural population and 50% of urban population have been categorised as eligible households for food security.



the coverage of PDS was universal with no discrimination between the poor and non-poor. Over the years, the policy related to PDS has been revised to make it more efficient and targeted. In 1992, Revamped Public Distribution System (RPDS) was introduced in 1,700 blocks in the country. The target was to provide the benefits of PDS to remote and backward areas. From June 1997, in a renewed attempt, Targeted Public Distribution System (TPDS) was introduced to adopt the principle of targeting the 'poor in all areas'. It was for the first time that a differential price policy was adopted for poor and non-poor. Further, in 2000, two special schemes were launched viz., Antyodaya Anna Yojana*** (AAY) and the Annapurna Scheme (APS) with special target groups

Current Status of Public Distribution System

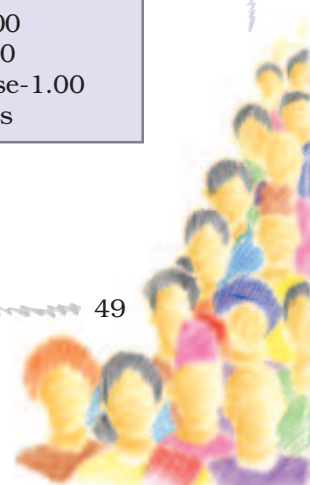
Public Distribution System (PDS) is the most important step taken by the Government of India (GoI) towards ensuring food security. In the beginning

Table 4.3: Some Important Features of PDS

Name of scheme	Year of Introduction	Coverage target group	Latest volume	Issue price (Rs per kg.)
PDS	Up to 1992	Universal	-	W-2.34 R-2.89
RPDS	1992	Backward blocks	20 kg of food grains	W-2.80 R-3.77
TPDS	1997	Poor and non-poor BPL APL	35 kg of food grains	BPL - W-4.15 R-5.65 APL-W-6.10 R-8.30
AAY	2000	Poorest of the poor	35 kg of food grains	W-2.00 R-3.00
APS	2000	Indigent senior citizens	10 kg of food grains	Free
National Food Security Act (NFSA)	2013	Priority households	5 Kg per person per month	W-2.00 R-3.00 Coarse-1.00 grains

Note: W - Wheat; R - Rice; BPL - Below poverty line; APL - Above poverty line

Source: Economic Survey



of 'poorest of the poor' and 'indigent senior citizens', respectively. The functioning of these two schemes was linked with the existing network of the PDS.

Some important features of PDS are summarised in Table 4.3.

The PDS has proved to be the most effective instrument of government policy over the years in stabilising prices and making food available to consumers at affordable prices. It has been instrumental in averting widespread hunger and famine by supplying food from surplus regions of the country to the deficit ones. In addition, the prices have been under revision in favour of poor households in general. The system, including the minimum support price and procurement has contributed to an increase in food grain production and provided income security to farmers in certain regions.

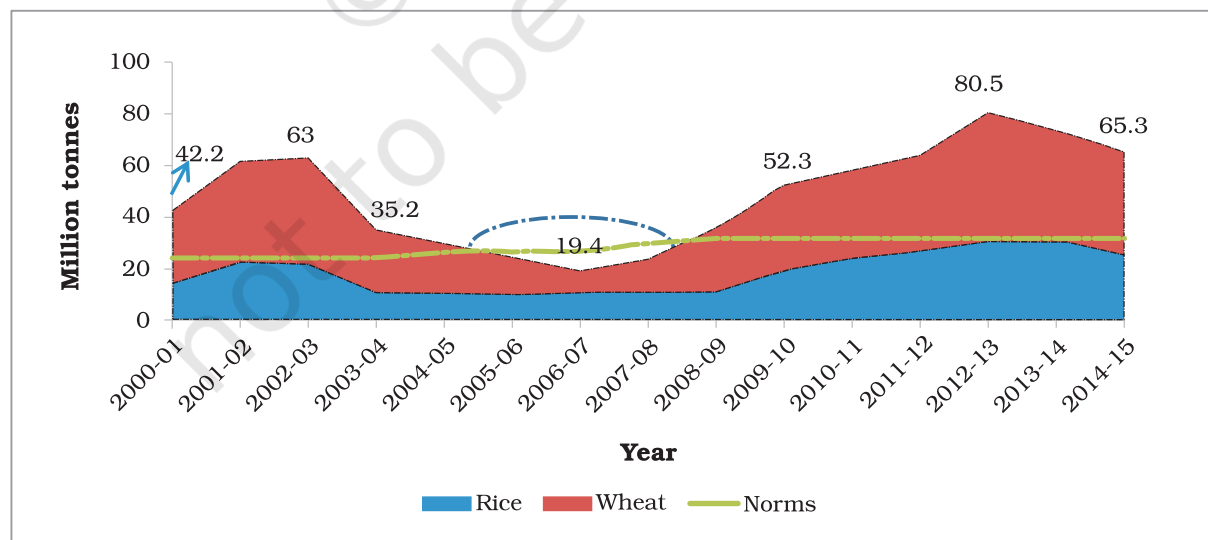
However, the Public Distribution System has faced severe criticism on several grounds. Instances of hunger are prevalent despite overflowing granaries. FCI go-downs are overflowing with grains,

with some rotting away and some being eaten by rats. The Graph 4.2 shows the rising stocks of foodgrains till 2012.

***Antyodaya Anna Yojana (AAY)

AAY was launched in December 2000. Under the scheme one crore of the poorest among the BPL families covered under the targeted public distribution system were identified. Poor families were identified by the respective state rural development departments through a Below Poverty Line (BPL) survey. Twenty five kilograms of foodgrains were made available to each eligible family at a highly subsidised⁺ rate of Rs 2 per kg for wheat and Rs 3 per kg for rice. This quantity has been enhanced from 25 to 35 kgs with effect from April 2002. The scheme has been further expanded twice by additional 50 lakh BPL families in June 2003 and in August 2004. With this increase, 2 crore families have been covered under the AAY.

Graph 4.2: Levels of buffer stocks vs. norms for rice and wheat (million tonnes)



Source: Saini Shweta and Marya Kozicka (2014)

⁺*Subsidy is a payment that a government makes to a producer to supplement the market price of a commodity. Subsidies can keep consumer prices low while maintaining a higher income for domestic producers.*

Let's Discuss

Study the Graph 4.2 and answer the following questions:

- In which recent year foodgrain stock with the government was maximum?
- What is the minimum buffer stock norm for the FCI?
- Why were the FCI granaries overflowing with foodgrains?

In 2014, the stock of wheat and rice with FCI was 65.3 million tonnes which was much more than the minimum buffer norms. However, these remained consistently higher than the buffer norms. The situation improved with the distribution of foodgrains under different schemes launched by the government. There is a general consensus that high level of buffer stocks of foodgrains is very undesirable and can be wasteful. The storage of massive food stocks has been responsible for high carrying costs, in addition to wastage and deterioration in grain quality. Freezing of MSP for a few years should be considered seriously.

The increased food grains procurement at enhanced MSP[#] is the result of the pressure exerted by leading foodgrain producing states, such as Punjab, Haryana and Andhra Pradesh.

Picture 4.5 *Farmers Carrying Bags of Grains to the Granaries.*

Moreover, as the procurement is concentrated in a few prosperous regions (Punjab, Haryana, Western Uttar Pradesh, Andhra Pradesh and to a lesser extent in West Bengal) and mainly of two crops— wheat and rice— increase in MSP has induced farmers, particularly in surplus states, to divert land from production of coarse grains, which is the staple food of the poor, to the production of rice and wheat. The intensive utilisation of water in the cultivation of rice has also led to environmental degradation and fall in the water level, threatening the sustainability of the agricultural development in these states.

[#] The rising Minimum Support Prices (MSP) have raised the maintenance cost of procuring foodgrains by the government. Rising transportation and storage costs of the FCI are other contributing factors in this increase.

As per the NSSO report No. 558 in rural India, the per person per month has declined from 6.38 Kg. in 2004-05 to 5.98 Kg in 2011-12. In urban India, the per person per month consumption of rice, too has declined from 4.71 Kg in 2004-05 to 4.19 Kg in 2011-12. Per Capita consumption of PDS rice has doubled in rural India and increased by 66% in urban India since 2004-05. The per Capita consumption of PDS wheat has doubled since 2004-05 in both rural and urban India.

PDS dealers are sometimes found resorting to malpractices like diverting the grains to open market to get better margin, selling poor quality grains at ration shops, irregular opening of the shops, etc. It is common to find that ration shops regularly have unsold stocks of poor quality grains left. This has proved to be a big problem. When ration shops are unable to sell, a massive stock of foodgrains piles up with the FCI. In recent years, there is another factor that has led to the decline of the PDS. Earlier every family, poor and non-poor had a ration card with a fixed quota of items such as rice, wheat, sugar etc. These were sold at the same low price to every family. The three types of cards and the range of prices that you see today did not exist. A large number of families could buy foodgrains from the ration shops subject to a fixed quota. These included low income families whose incomes were marginally higher than the below poverty line families. Now, with TPDS of three different prices, any family above the poverty line gets very little discount at the ration shop. The price for APL family

is almost as high as open market price, so there is little incentive for them to buy these items from the ration shop.

Role of cooperatives in food security

The cooperatives are also playing an important role in food security in India especially in the southern and western parts of the country. The cooperative societies set up shops to sell low priced goods to poor people. For example, out of all fair price shops running in Tamil Nadu, around 94 per cent are being run by the cooperatives. In Delhi, Mother Dairy is making strides in provision of milk and vegetables to the consumers at controlled rate decided by Government of Delhi. Amul is another success story of cooperatives in milk and milk products from Gujarat. It has brought about the White Revolution in the country. These are a few examples of many more cooperatives running in different parts of the country ensuring food security of different sections of society.

Similarly, in Maharashtra, Academy of Development Science (ADS) has facilitated a network of NGOs for setting up grain banks in different regions. ADS organises training and capacity building programmes on food security for NGOs. Grain Banks are now slowly taking shape in different parts of Maharashtra. ADS efforts to set up Grain Banks, to facilitate replication through other NGOs and to influence the Government's policy on food security are thus paying rich dividends. The ADS Grain Bank programme is acknowledged as a successful and innovative food security intervention.



Summary

Food security of a nation is ensured if all of its citizens have enough nutritious food available, all persons have the capacity to buy food of acceptable quality and there is no barrier on access to food. The people living below the poverty line might be food insecure all the time while better off people might also turn food insecure due to calamity or disaster. Although a large section of people suffer from food and nutrition insecurity in India, the worst affected groups are landless or land poor households in rural areas and people employed in ill paid occupations and casual labourers engaged in seasonal activities in the urban areas. The food insecure people are disproportionately large in some regions of the country, such as economically backward states with high incidence of poverty, tribal and remote areas, regions more prone to natural disasters etc. To ensure availability of food to all sections of the society the Indian government carefully designed food security system, which is composed of two components: (a) buffer stock and (b) public distribution system. In addition to PDS, various poverty alleviation programmes were also started which comprised a component of food security. Some of these programmes are: Integrated Child Development Services (ICDS); Food-for-Work (FFW); Mid-Day Meals; Antyodaya Anna Yojana (AAY) etc. In addition to the role of the government in ensuring food security, there are various cooperatives and NGOs also working intensively towards this direction.



Exercises

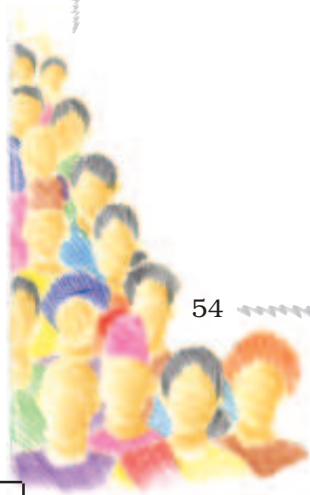
1. How is food security ensured in India?
2. Which are the people more prone to food insecurity?
3. Which states are more food insecure in India?
4. Do you believe that green revolution has made India self-sufficient in food grains? How?
5. A section of people in India are still without food. Explain?
6. What happens to the supply of food when there is a disaster or a calamity?
7. Differentiate between seasonal hunger and chronic hunger?
8. What has our government done to provide food security to the poor? Discuss any two schemes launched by the government?
9. Why buffer stock is created by the government?
10. Write notes on:
 - (a) Minimum support price
 - (b) Buffer stock
 - (c) Issue price
 - (d) Fair price shops
11. What are the problems of the functioning of ration shops?
12. Write a note on the role of cooperatives in providing food and related items.





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FOREWORD

The National Curriculum Framework (NCF), 2005, recommends that children's life at school must be linked to their life outside the school. This principle marks a departure from the legacy of bookish learning which continues to shape our system and causes a gap between the school, home and community. The syllabi and textbooks developed on the basis of NCF signify an attempt to implement this basic idea. They also attempt to discourage rote learning and the maintenance of sharp boundaries between different subject areas. We hope these measures will take us significantly further in the direction of a child-centred system of education outlined in the National Policy on Education (1986).

The success of this effort depends on the steps that school principals and teachers will take to encourage children to reflect on their own learning and to pursue imaginative activities and questions. We must recognise that given space, time and freedom, children generate new knowledge by engaging with the information passed on to them by adults. Treating the prescribed textbook as the sole basis of examination is one of the key reasons why other resources and sites of learning are ignored. Inculcating creativity and initiative is possible if we perceive and treat children as participants in learning, not as receivers of a fixed body of knowledge.

These aims imply considerable change in school routines and mode of functioning. Flexibility in the daily time-table is as necessary as rigour in implementing the annual calendar so that the required number of teaching days are actually devoted to teaching. The methods used for teaching and evaluation will also determine how effective this textbook proves for making children's life at school a happy experience, rather than a source of stress or boredom. Syllabus designers have tried to address the problem of curricular burden by restructuring and reorienting knowledge at different stages with greater consideration for child psychology and the time available for teaching. The textbook attempts to enhance this endeavour by giving higher priority and space to opportunities for contemplation and wondering, discussion in small groups, and activities requiring hands-on experience.

The National Council of Educational Research and Training (NCERT) appreciates the hard work done by the textbook development committee responsible for this book. We wish to thank the Chairperson of the advisory group in Social Sciences, Professor Hari Vasudevan and the

Chief Advisor for this book, Professor Tapas Majumdar for guiding the work of this committee. Several teachers contributed to the development of this textbook; we are grateful to their principals for making this possible. We are indebted to the institutions and organisations which have generously permitted us to draw upon their resources, material and personnel. We are especially grateful to the members of the National Monitoring Committee, appointed by the Department of Secondary and Higher Education, Ministry of Human Resource Development under the Chairmanship of Professor Mrinal Miri and Professor G.P. Deshpande, for their valuable time and contribution. As an organisation committed to systemic reform and continuous improvement in the quality of its products, NCERT welcomes comments and suggestions which will enable us to undertake further revision and refinement.

New Delhi
20 December 2005

Director
National Council of Educational
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JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the ²[unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)

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Our National Anthem

*Jana-gana-mana adhinayaka, jaya he
Bharata-bhagya-vidhata.
Punjab-Sindh-Gujarat-Maratha
Dravida-Utkala-Banga
Vindhya-Himachala-Yamuna-Ganga
Uchchhala-jaladhi-taranga.
Tava shubha name jage,
Tava shubha asisa mage,
Gahe tava jaya gatha.
Jana-gana-mangala-dayaka jaya he
Bharata-bhagya-vidhata.
Jaya he, jaya he, jaya he,
Jaya jaya jaya, jaya he!*

Our National Anthem, composed originally in Bangla by Rabindranath Tagore, was adopted in its Hindi version by the Constituent Assembly as the national anthem of India on 24 January 1950.

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Constitution of India

Part IV A (Article 51 A)

Fundamental Duties

It shall be the duty of every citizen of India —

- (a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;
- (b) to cherish and follow the noble ideals which inspired our national struggle for freedom;
- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage of our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers, wildlife and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;
- * (k) who is a parent or guardian, to provide opportunities for education to his child or, as the case may be, ward between the age of six and fourteen years.

Note: The Article 51A containing Fundamental Duties was inserted by the Constitution (42nd Amendment) Act, 1976 (with effect from 3 January 1977).

* (k) was inserted by the Constitution (86th Amendment) Act, 2002 (with effect from 1 April 2010).

NOTES FOR THE TEACHER

CHAPTER I : DEVELOPMENT

Development has many aspects. The purpose of this chapter is to enable students to understand this idea. They have to understand that people have different perspectives on development and there are ways by which we can arrive at common indicators for development. To do this, we have used situations that they can respond to in an intuitive manner; we have also presented analysis that is more complex and macro in nature.

How can countries or states be compared using some selected development indicators is another question that students would read about in this chapter. Economic development can be measured and income is the most common method for measuring development. However, the income method, though useful, has several weaknesses. Hence, we need newer ways of looking at development using indicators of quality of life and environmental sustainability.

It is necessary for you to expect the students to respond actively in the classroom and on a topic such as the above, there would be wide variation in opinion and possibility of debate. Allow students to argue their point of view. At the end of each section there are a few questions and activities. These serve two purposes: first, they recap the ideas discussed in the section and second, they

enable better understanding of the themes discussed by bringing the learners closer to their real-life situations.

There are certain terms used in this chapter that would require clarification — Per Capita Income, Literacy Rate, Infant Mortality Rate, Attendance Ratio, Life Expectancy, Gross Enrolment Ratio, and Human Development Index. Though data pertaining to these terms are provided, these would need further explanation. You may also need to clarify the concept of purchasing power parity that is used to calculate per capita income in Table 1.6. It is necessary to keep in mind that these terms are used as an aid to the discussion and not something to be memorised.

Sources for Information

The data for this chapter is taken from reports published by the Government of India (*Economic Survey*), United Nations Development Programme (*Human Development Report*) and World Bank (*World Development Indicators*). These reports are being published every year. It may be interesting to look up these reports if they are available in your school library. If not, you may log on to the websites of these institutions (www.budgetindia.nic.in, www.undp.org, www.worldbank.org). Data is also available from the Reserve Bank's *Handbook of Statistics on Indian Economy*, available at www.rbi.org.

CHAPTER I

DEVELOPMENT

The idea of development or progress has always been with us. We have aspirations or desires about what we would like to do and how we would like to live. Similarly, we have ideas about what a country should be like. What are the essential things that we require? Can life be better for all? How should people live together? Can there be more equality? Development involves thinking about these questions and about the ways in which we can work towards achieving these goals. This is a complex task and in this chapter we shall make a beginning at understanding development. You will learn more about these issues in greater depth in higher classes. Also, you will find answers to many of these questions not just in economics but also in your course in history and political science. This is because the way we live today is influenced by the past. We can't desire for change without being aware of this. In the same way, it is only through a democratic political process that these hopes and possibilities can be achieved in real life.

*"Without me **they** cannot develop...
in this system **I** cannot develop!"*

WHAT DEVELOPMENT PROMISES — DIFFERENT PEOPLE, DIFFERENT GOALS

Let us try to imagine what development or progress is likely to mean to different persons listed in Table 1.1. What are their aspirations? You will find that some columns are partially filled. Try to complete the table. You can also add any other category of persons.

YOU WANT A **CAR**? THE WAY OUR COUNTRY IS SET UP ALL YOU CAN HOPE FOR IS MAY BE TO ONE DAY OWN THE RICKSHAW YOU PULL!

TABLE 1.1 DEVELOPMENTAL GOALS OF DIFFERENT CATEGORIES OF PERSONS

Category of Person	Developmental Goals / Aspirations
Landless rural labourers	More days of work and better wages; local school is able to provide quality education for their children; there is no social discrimination and they too can become leaders in the village.
Prosperous farmers from Punjab	Assured a high family income through higher support prices for their crops and through hardworking and cheap labourers; they should be able to settle their children abroad.
Farmers who depend only on rain for growing crops	
A rural woman from a land owning family	
Urban unemployed youth	
A boy from a rich urban family	
A girl from a rich urban family	She gets as much freedom as her brother and is able to decide what she wants to do in life. She is able to pursue her studies abroad.
An <i>adivasi</i> from Narmada valley	

Having filled Table 1.1, let us now examine it. Do all of these persons have the same notion of development or progress? Most likely not. Each one of them seeks different things.

They seek things that are most important for them, i.e., that which can fulfil their aspirations or desires. In fact, at times, two persons or groups of persons may seek things

which are conflicting. A girl expects as much freedom and opportunity as her brother, and that he also shares in the household work. Her brother may not like this. Similarly, to get more electricity, industrialists may want more dams. But this may submerge the land and disrupt the lives of people who are displaced – such as tribals. They might resent this and may prefer small check dams or tanks to irrigate their land.

So, two things are quite clear: one, **different persons can have different developmental goals** and two, **what may be development for one may not be development for the other. It may even be destructive for the other.**

THOSE PEOPLE
DON'T WANT TO
DEVELOP!

INCOME AND OTHER GOALS

If you go over Table 1.1 again, you will notice one common thing: what people desire are regular work, better wages, and decent price for their crops or other products that they produce. In other words, they want more income.

Besides seeking more income, one-way or the other, people also seek things like equal treatment, freedom, security, and respect of others. They resent discrimination. All these are important goals. In fact, in some cases, these may be more important than

more income or more consumption because material goods are not all that you need to live.

Money, or material things that one can buy with it, is one factor on which our life depends. But the quality of our life also depends on non-material things mentioned above. If it is not obvious to you, then just think of the role of your friends in your life. You may desire their friendship. Similarly, there are many things that are not easily measured but they mean a lot to our lives. These are often ignored.

A demonstration meeting against raising the height of Sardar Sarovar Dam on Narmada River

However, it will be wrong to conclude that what cannot be measured is not important.

Consider another example. If you get a job in a far off place, before accepting it you would try to consider many factors, apart from income, such as facilities for your family, working atmosphere, or opportunity to learn. In another case, a job may give you less pay but may offer regular employment that enhances your sense of security. Another job, however, may offer high pay but no job security and also leave no time for your family. This will reduce your sense of security and freedom.

Similarly, for development, people look at a mix of goals. It is true that if women are engaged in paid work, their dignity in the household and society increases. However, it is also the case that if there is respect for women there would be more sharing of housework and a greater acceptance of women working outside. A safe and secure environment may allow more women to take up a variety of jobs or run a business.

Hence, the developmental goals that people have are not only about better income but also about other important things in life.

LET'S WORK THESE OUT

1. Why do different persons have different notions of development? Which of the following explanations is more important and why?
 - (a) Because people are different.
 - (b) Because life situations of persons are different.
2. Do the following two statements mean the same? Justify your answer.
 - (a) People have different developmental goals.
 - (b) People have conflicting developmental goals.
3. Give some examples where factors other than income are important aspects of our lives.
4. Explain some of the important ideas of the above section in your own words.

NATIONAL DEVELOPMENT

If, as we have seen above, individuals seek different goals, then their notion of national development is also likely to be different. Discuss among yourselves on what India should do for development.

Most likely, you would find that different students in the class have given different answers to the above question. In fact, you might yourself think of many different answers and not be too sure of any of these. **It is very important to keep in mind that**

different persons could have different as well as conflicting notions of a country's development.

However, can all the ideas be considered equally important? Or, if there are conflicts how does one decide? What would be a fair and just path for all? We also have to think whether there is a better way of doing things. Would the idea benefit a large number of people or only a small group? National development means thinking about these questions.

LET'S WORK THESE OUT

Discuss the following situations:

1. Look at the picture on the right. What should be the developmental goals for such an area?
2. Read this newspaper report and answer the questions that follow:

A vessel dumped 500 tonnes of liquid toxic wastes into open-air dumps in a city and in the surrounding sea. This happened in a city called Abidjan in Ivory Coast, a country in Africa. The fumes from the highly toxic waste caused nausea, skin rashes, fainting, diarrhoea etc. After a month seven persons were dead, twenty in hospital and twenty six thousand treated for symptoms of poisoning.

A multinational company dealing in petroleum and metals had contracted a local company of the Ivory Coast to dispose the toxic waste from its ship.

- (i) Who are the people who benefited and who did not?
 - (ii) What should be the developmental goal for this country?
3. What can be some of the developmental goals for your village, town or locality?

ACTIVITY 1

If even the idea of what constitutes development can be varied and conflicting, then certainly there can be differences about ways of developing. If you know of any such controversy, try to find out arguments advanced by different people. You may do so by talking to different persons or you may find it from newspapers and television.

HOW TO COMPARE DIFFERENT COUNTRIES OR STATES?

You might ask — if development can mean different things, how come some countries are generally called developed and others under-developed? Before we come to this, let us consider another question.

When we compare different things, they could have similarities as well as differences. Which aspects do we use to compare them? Let us look at students in the class itself. How do we compare different students? They differ in their height, health, talents and interests. The healthiest student may not be the most studious one. The most intelligent student may not be the friendliest one. So, how do we compare students? The criterion we may use depends on the purpose of comparison. We use different criterion to choose a sports team, a debate team, a music team or a team to organise a picnic. Still, if for some purpose, we have to choose the criterion for the all-round progress of children in the class, how shall we do it?

Usually we take one or more important characteristics of persons and compare them based on these characteristics. Of course, there can be differences about what are important characteristics that should form the basis of comparison: friendliness and spirit of cooperation, creativity or marks secured?

This is true of development too. **For comparing countries, their income is considered to be one of the most important attributes.** Countries with higher income are

more developed than others with less income. This is based on the understanding that more income means more of all things that human beings need. Whatever people like, and should have, they will be able to get with greater income. So, greater income itself is considered to be one important goal.

Now, what is the income of a country? Intuitively, the income of the country is the income of all the residents of the country. This gives us the total income of the country.

However, for comparison between countries, total income is not such an useful measure. Since, countries have different populations, comparing total income will not tell us what an average person is likely to earn. Are people in one country better off than others in a different country? Hence, we compare the **average income** which is the total income of the country divided by its total population. The average income is also called **per capita income**.

In World Development Reports, brought out by the World Bank, this criterion is used in classifying countries. Countries with per capita income of US\$ 12616 per annum and above in 2012, are called rich countries and those with per capita income of US\$ 1035 or less are called low-income countries. India comes in the category of low middle income countries because its per capita income in 2012 was just US\$ 1530 per annum. The rich countries, excluding countries of Middle East and certain other small countries, are generally called developed countries.

Average Income

While 'averages' are useful for comparison, they also hide disparities.

For example, let us consider two countries, A and B. For the sake of simplicity, we have assumed that they have only five citizens each. **Based on data given in Table 1.2, calculate the average income for both the countries.**

TABLE 1.2 COMPARISON OF TWO COUNTRIES

Country	Monthly incomes of citizens in 2012 (in Rupees)					Average
	I	II	III	IV	V	
Country A	9500	10500	9800	10000	10200	
Country B	500	500	500	500	48000	

Will you be equally happy to live in both these countries? Are both equally developed? Perhaps some of us may like to live in country B if we are

assured of being its fifth citizen but if it is a lottery that decides our citizenship number then perhaps most of us will prefer to live in country A. Even though both the countries have identical average income, country A is preferred because it has more equitable distribution. In this country people are neither very rich nor extremely poor. On the other hand most citizens in country B are poor and one person is extremely rich. Hence, while average income is useful for comparison it does not tell us how this income is distributed among people.

COUNTRY WITH NO RICH AND NO POOR

COUNTRY WITH RICH AND POOR

WE
MADE THE
CHAIRS
AND WE
USE
THEM.

WE
MADE THE
CHAIRS
AND HE
TOOK
THEM.

LET'S WORK THESE OUT

1. Give three examples where an average is used for comparing situations.
2. Why do you think average income is an important criterion for development? Explain.
3. Besides size of per capita income, what other property of income is important in comparing two or more societies?
4. Suppose records show that the average income in a country has been increasing over a period of time. From this, can we conclude that all sections of the economy have become better? Illustrate your answer with an example.
5. From the text, find out the per capita income level of low-income countries as per World Development Reports.
6. Write a paragraph on your notion of what should India do, or achieve, to become a developed country.

INCOME AND OTHER CRITERIA

When we looked at individual aspirations and goals, we found that people not only think of better income but also have goals such as security, respect for others, equal treatment, freedom, etc. in mind. Similarly, when we think of a nation or a region, we may, besides average income, think of other equally important attributes.

TABLE 1.3 PER CAPITA INCOME OF SELECT STATES

State	Per Capita Income for 2012–13 (in Rs)
Maharashtra	1,07,670
Kerala	88,527
Bihar	28,774

Source : Economic Survey 2013–14

What could these attributes be? Let us examine this through an example. Table 1.3 gives the per capita income of Maharashtra, Kerala and Bihar. Actually, these figures are of Per Capita Net State Domestic Product at Current Prices for 2012–13. Let us ignore what this complicated term exactly means. Roughly we can take it to be per capita income of the state. We find that of the three, Maharashtra has the highest per capita income and

Bihar is at the bottom. This means that, on an average, a person in Maharashtra earned Rs 1,07,670 in one year whereas, on an average, a person in Bihar would earn only around Rs 28,774. So, if per capita income were to be used as the measure of development, Maharashtra will be considered the most developed and Bihar the least developed state of the three. Now, let us look at certain other data pertaining to these states given in Table 1.4.

TABLE 1.4 SOME COMPARATIVE DATA ON MAHARASHTRA, KERALA AND BIHAR

State	Infant Mortality Rate per 1,000 live births (2012)	Literacy Rate %	Net Attendance Ratio (per 100 persons) secondary stage (age 14 and 15 years) 2009-10
		2011	
Maharashtra	25	82	64
Kerala	12	94	78
Bihar	43	62	35

(P) Provisional

Source : Economic Survey, 2013-14, National Sample Survey Organisation (Report No. 551)

Explanation of some of the terms used in this table:

Infant Mortality Rate (or IMR) indicates the number of children that die before the age of one year as a proportion of 100 live children born in that particular year.

Literacy Rate measures the proportion of literate population in the 7 and above age group.

Net Attendance Ratio is the total number of children of age group 14 and 15 years attending school as a percentage of total number of children in the same age group.

What does this table show? The first column of the table shows that in Kerala, out of 1000 children born, 12 died before completing one year of age but in Maharashtra the proportion of children dying within one year of birth is 25, which is more than double. On the other hand, the per capita income of Maharashtra is more than that of Kerala as shown in Table 1.3. Just think of how dear you are to your parents, think of how every one is so happy when a child is born. Now, try to think of parents whose children die before they even celebrate their first birthday. How painful it must be to these parents? Next, note the year to which this data pertains. It is 2012. So we are not talking of old times; it is more than 65 years after independence when our metro towns are full of high rise buildings and shopping malls!

The problem does not end with Infant Mortality Rate. The last column of table 1.4 shows around two-thirds of children aged 14-15 in Bihar are not attending school beyond Class 8. This means that if you went to school in Bihar more than two-thirds of your class would be missing. Those who could have been in school are not there! If this had happened to you, you would not be able to read what you are reading now.

Most babies do not get basic health care

PUBLIC FACILITIES

How is it that the average person in Maharashtra has more income than the average person in Kerala but lags behind in these crucial areas? The reason is — **money in your pocket cannot buy all the goods and services that you may need to live well.** So, income by itself is not a completely adequate indicator of material goods and services that citizens are able to use. For example, normally, your money cannot buy you a pollution-free environment or ensure that you get unadulterated medicines, unless you can afford to shift to a community that already has all these things. Money may also not be able to protect you from infectious diseases, unless the whole of your community takes preventive steps.

Actually for many of the important things in life the best way, also the cheapest way, is to provide these goods and services collectively. Just think – will it be cheaper to have collective security for the whole locality or for each house to have its own security man? What if no one, other than you, in your village or locality is interested in studying? Would you be able to study? Not unless your parents could afford to send you to some private school elsewhere. So you are actually able to study because many other children also want to study and because many people believe that the government should open schools and provide other facilities so that all children have a chance to study. Even now, in many areas, children, particularly girls, are not able to achieve secondary level schooling because government/society has not provided adequate facilities.

Kerala has a low Infant Mortality Rate because it has adequate provision of basic health and educational facilities. Similarly, in some states, the

Public Distribution System (PDS) functions well. Health and nutritional status of people of such states is certainly likely to be better.

LET'S WORK THESE OUT

1. Look at data in Table 1.3 and 1.4. Is Maharashtra ahead of Bihar in literacy rate etc. as it is in terms of per capita income?
2. Think of other examples where collective provision of goods and services is cheaper than individual provision.
3. Does availability of good health and educational facilities depend only on amount of money spent by the government on these facilities? What other factors could be relevant?
4. In Tamil Nadu, 75 per cent of the people living in rural areas use a ration shop, whereas in Jharkhand only 8 per cent of rural people do so. Where would people be better off and why?

ACTIVITY 2

Study Table 1.5 carefully and fill in the blanks in the following paragraphs. For this, you may need to make calculations based on the table.

TABLE 1.5 EDUCATIONAL ACHIEVEMENT OF RURAL POPULATION OF UTTAR PRADESH

Category	Male	Female
Literacy rate for rural population	52%	19%
Literacy rate for children in age group 10-14 years	68%	39%
Percentage of rural children aged 10-14 attending school	64%	31%

- (a) The literacy rate for all age groups, including young and old, is _____ for rural males and _____ for rural females. However, it is not just that these many adults could not attend school but that there are _____ who are currently not in school.
- (b) It is clear from the table that _____ % of rural girls and _____% of rural boys are not attending school. Therefore, illiteracy among children in the age group 10-14 is as high as _____% for rural females and _____% for rural males.
- (c) This high level of illiteracy among _____ age group, even after more than 60 years of our independence, is most disturbing. In many other states also we are nowhere near realisation of the constitutional goal of free and compulsory education for all children up to the age of 14, which was expected to be achieved by 1960.

ACTIVITY 3

One way to find out if adults are undernourished is to calculate what nutrition scientists call Body Mass Index (BMI). This is easy to calculate. Take the weight of the person in kg. Then take the height in metres. Divide the weight by the square of the height. If this figure is less than 18.5 then the person would be considered undernourished. However, if this BMI is more than 25, then a person is overweight. Do remember that this criterion is not applicable to growing children.

Let each student in a class find out the weight and height of three adult persons of different economic backgrounds such as construction workers, domestic servants, office workers, business-persons etc. Collect the data from all the students and make a combined table. Calculate their BMI. Do you find any relationship between economic background of person and her/his nutritional status?

HUMAN DEVELOPMENT REPORT

Once it is realised that even though the level of income is important, yet it is an inadequate measure of the level of development, we begin to think of other criterion. There could be a long list of such criterion but then it would not be so useful. What we need is a small number of the most important things. Health and education indicators, such as the ones we used in comparison of Kerala and Maharashtra, are among them. Over the past decade or so, health and education indicators have come to be widely used along with income as a measure of development. For instance, **Human Development Report** published by UNDP compares countries based on the educational levels of the people, their health status and per capita income. It would be interesting to look at certain relevant data regarding India and its neighbours from Human Development Report 2014.

TABLE 1.6 SOME DATA REGARDING INDIA AND ITS NEIGHBOURS FOR 2013

Country	Gross National Income (GNI) per capita (2011 PPP \$)	Life Expectancy at birth	Literacy Rate for 15+ yrs population 2005-2012	HDI Rank in the world
Sri Lanka	9250	74.3	91.2	73
India	5150	66.4	62.8	135
Myanmar	3998	65.2	92.7	150
Pakistan	4652	66.6	54.9	146
Nepal	2194	68.4	57.4	145
Bangladesh	2713	70.7	57.7	142

Source : Human Development Report, 2014

NOTES

1. HDI stands for Human Development Index. HDI ranks in above table are out of 177 countries in all.
2. Life Expectancy at birth denotes, as the name suggests, average expected length of life of a person at the time of birth.
3. Per Capita Income is calculated in dollars for all countries so that it can be compared. It is also done in a way so that every dollar would buy the same amount of goods and services in any country.

Isn't it surprising that a small country in our neighbourhood, Sri Lanka, is much ahead of India in every respect and a big country like ours has such a low rank in the world? Table 1.6 also shows that though Nepal has less than half the per capita income of India, yet it is not far behind India in life expectancy and literacy levels.

Many improvements have been suggested in calculating HDI and many new components have been

added to the Human Development Report but, by pre-fixing Human to Development, it has made it very clear that what is important in development is what is happening to citizens of a country. It is people, their health, their well being, that is most important.

Do you think there are certain other aspects that should be considered in measuring human development?

SUSTAINABILITY OF DEVELOPMENT

Suppose for the present that a particular country is quite developed. We would certainly like this level of development to go up further or at least be maintained for future generations. This is obviously desirable. However, since the second half of the twentieth century, a number of scientists have been warning that the present type, and levels, of development are not sustainable.

"We have not inherited the world from our forefathers — we have borrowed it from our children."

LET'S UNDERSTAND WHY THIS IS SO THROUGH THE FOLLOWING EXAMPLE:

Example 1: Groundwater in India

"Recent evidence suggests that the groundwater is under serious threat of overuse in many parts of the country. About 300 districts have reported a water level decline of over 4 metres during the past 20 years. Nearly one-third of the country is overusing their groundwater reserves. In another 25 years, 60 per cent of the country would be doing the same if the present way of using this resource continues. Groundwater overuse is particularly found in the agriculturally prosperous regions of Punjab and Western U.P., hard rock plateau areas of central and south India, some coastal areas and the rapidly growing urban settlements."

- Why ground water is overused?
- Can there be development without overuse?

Groundwater is an example of renewable resources. These resources are replenished by nature as in the case of crops and plants. However, even these resources may be overused. For example, in the case of groundwater, if we use more than what is being replenished by rain then we would be overusing this resource.

Non-renewable resources are those which will get exhausted after years of use. We have a fixed stock on earth which cannot be replenished. We do discover new resources that we did not know of earlier. New sources in this way add to the stock. However, over time, even this will get exhausted.

FOR EXAMPLE, CRUDE OIL THAT WE EXTRACT FROM THE EARTH IS A NON-RENEWABLE RESOURCE. HOWEVER WE MAY FIND A SOURCE OF OIL THAT WE DID NOT KNOW OF EARLIER. EXPLORATIONS ARE BEING UNDERTAKEN ALL THE TIME.

Example 2: Exhaustion of Natural Resources

Look at the following data for crude oil.

TABLE 1.7 CRUDE OIL RESERVES

Region/Country	Reserves (2013) (Thousand Million Barrels)	Number of Years Reserves will last
Middle East	808.5	78.1
United States of America	44.2	12.1
World	1687.9	53.3

Source : BP Statistical Review of World Energy, June 2014

The table gives an estimate of reserves of crude oil (column1). More important, it also tells us for how many years the stock of crude oil will last if people continue to extract it at the present rate. The reserves would last only 53 years more. This is for the world as a whole. However, different countries face different situations. Countries like India depend on importing oil from abroad because they do not have enough stocks of their own. If prices of oil increase this becomes a burden for everyone. There are countries like USA which have low reserves and hence want to secure oil through military or economic power.

The question of sustainability of development raises many fundamentally new issues about the nature and process of development.

- Is crude oil essential for the development process in a country? Discuss.
- India has to import crude oil. What problems do you anticipate for the country looking at the above situation?

Consequences of environmental degradation do not respect national or state boundaries; this issue is no longer region or nation specific. Our future is linked together. Sustainability of development is comparatively a new area of knowledge in which scientists, economists, philosophers and other

social scientists are working together.

In general, the question of development or progress is perennial. At all times as a member of society and as individuals we need to ask where we want to go, what we wish to become and what our goals are. So the debate on development continues.

EXERCISES

1. Development of a country can generally be determined by
 - (i) its per capita income
 - (ii) its average literacy level
 - (iii) health status of its people
 - (iv) all the above
2. Which of the following neighbouring countries has better performance in terms of human development than India?
 - (i) Bangladesh
 - (ii) Sri Lanka
 - (iii) Nepal
 - (iv) Pakistan
3. Assume there are four families in a country. The average per capita income of these families is Rs 5000. If the income of three families is Rs 4000, Rs 7000 and Rs 3000 respectively, what is the income of the fourth family?
 - (i) Rs 7500
 - (ii) Rs 3000
 - (iii) Rs 2000
 - (iv) Rs 6000
4. What is the main criterion used by the World Bank in classifying different countries? What are the limitations of this criterion, if any?
5. In what respects is the criterion used by the UNDP for measuring development different from the one used by the World Bank?
6. Why do we use averages? Are there any limitations to their use? Illustrate with your own examples related to development.
7. Kerala, with lower per capita income has a better human development ranking than Maharashtra. Hence, per capita income is not a useful criterion at all and should not be used to compare states. Do you agree? Discuss.
8. Find out the present sources of energy that are used by the people in India. What could be the other possibilities fifty years from now?
9. Why is the issue of sustainability important for development?

10. "The Earth has enough resources to meet the needs of all but not enough to satisfy the greed of even one person". How is this statement relevant to the discussion of development? Discuss.
11. List a few examples of environmental degradation that you may have observed around you.
12. For each of the items given in Table 1.6, find out which country is at the top and which is at the bottom.
13. The following table shows the proportion of undernourished adults in India. It is based on a survey of various states for the year 2001. Look at the table and answer the following questions.

State	Male (%)	Female (%)
Kerala	22	19
Karnataka	36	38
Madhya Pradesh	43	42
All States	37	36

- (i) Compare the nutritional level of people in Kerala and Madhya Pradesh.
- (ii) Can you guess why around 40 per cent of people in the country are undernourished even though it is argued that there is enough food in the country? Describe in your own words.

ADDITIONAL PROJECT / ACTIVITY

Invite three different speakers to talk to you about the development of your region. Ask them all the questions that come to your mind. Discuss these ideas in groups. Each group should prepare a wall chart, giving reasons about ideas that you agree or do not agree with.

NOTES FOR THE TEACHER

CHAPTER 2: SECTORS OF THE INDIAN ECONOMY

An economy is best understood when we study its components or sectors. Sectoral classification can be done on the basis of several criteria. In this chapter, three types of classifications are discussed: primary/secondary/tertiary; organised/unorganised; and public/private. You can create a discussion about these types by taking examples familiar to the students and relate them to their daily life. It is important to emphasise the changing roles of sectors. This can be highlighted further by drawing attention of the students to the rapid growth of service sector. While elaborating the ideas provided in the chapter, the students may need to be familiarised with a few fundamental concepts such as Gross Domestic Product, Employment etc. Since the students may find this difficult to understand, it is necessary to explain to them through examples. Several activities and exercises are suggested in the chapter to help the students understand how a person's activity could be placed — whether in the primary, secondary or tertiary, organised or unorganised, and public or private sector. You may encourage the students to talk to various working people around them (such as shop owners, casual workers, vegetable vendors, workshop mechanics, domestic workers etc.) to know more about how they live and work. Based on such information, the students can be encouraged to develop their own classification of economic activities.

Another important issue to be highlighted is about the problems caused by the changes in the roles of sectors. The chapter has taken the example of unemployment and what the government can do to solve it. The declining importance

of agriculture and growing importance of industry and services should be related to the experience of the children by taking more examples that they may observe in their day-to-day life. Information derived from the media could be used for this purpose. You may encourage the students to bring important cuttings and stories from newspapers, which could be prominently displayed in storyboards, and encourage the class to discuss these issues. While discussing the unorganised sector, the key issue of protecting the workers engaged in the sector should be highlighted. You may also encourage the students to visit persons and enterprises in the unorganised sector and get a first hand experience from real life situation.

Sources for Information

The GDP data used in this chapter pertaining to Gross Domestic Product at Factor Cost by Industry of Origin at 2004-05 prices is taken from *Economic Survey 2011*. It is a valuable source of GDP and other information relating to the Indian economy. For evaluation purposes, particularly to develop the analytical ability of learners, teachers can refer to *Economic Survey* to get data for different years.

The employment figures are based on data taken from the five-yearly surveys on employment and unemployment conducted by the National Sample Survey Organisation (NSSO). NSSO is an organisation under the Ministry of Statistics, Planning and Programme Implementation, Government of India. The website you can log onto is: <http://mospi.nic.in>. Employment data is also available from other sources such as Census of India.

CHAPTER 2

SECTORS OF THE INDIAN ECONOMY

SECTORS OF ECONOMIC ACTIVITIES

Let us look at these pictures. You will find that people are engaged in various economic activities. Some of these are activities producing goods. Some others are producing services. These activities are happening around us every minute even as we speak. How do we understand these activities? One way of doing this is to group them (classify them) using some important criterion. These groups are also called sectors.

We begin by looking at different kind of economic activities.

**Primary
(Agriculture)
Sector**

produces
natural
goods



**Secondary
(Industrial)
Sector**

produces
manufactured
goods

**Tertiary
(Service)
Sector**

helps to develop
other sectors

There are many activities that are undertaken by directly using natural resources. Take, for example, the cultivation of cotton. It takes place within a crop season. For the growth of the cotton plant, we depend **mainly, but not entirely**, on natural factors like rainfall, sunshine and climate. The product of this activity, cotton, is a natural product. Similarly, in the case of an activity like dairy, we are dependent on the biological process of the animals and availability of fodder etc. The product here, milk, also is a natural product. Similarly, minerals and ores are also natural products. When we produce a good by exploiting natural resources, it is an activity of the **primary sector**. Why primary? This is because it forms the base for all other products that we subsequently make. Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called **agriculture and related sector**.

The **secondary sector** covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. It is the next step after primary. The product is not produced by nature but has to be made and therefore some process of manufacturing is essential. This could be in a factory, a workshop or at home. For example, using cotton fibre from the plant, we

spin yarn and weave cloth. Using sugarcane as a raw material, we make sugar or *gur*. We convert earth into bricks and use bricks to make houses and buildings. Since this sector gradually became associated with the different kinds of industries that came up, it is also called as **industrial sector**.

After primary and secondary, there is a third category of activities that falls under **tertiary sector** and is different from the above two. These are activities that help in the development of the primary and secondary sectors. These activities, by themselves, do not produce a good but they are an aid or a support for the production process. For example, goods that are produced in the primary or secondary sector would need to be transported by trucks or trains and then sold in wholesale and retail shops. At times, it may be necessary to store these in godowns. We also may need to talk to others over telephone or send letters (communication) or borrow money from banks (banking) to help production and trade. Transport, storage, communication, banking, trade are some examples of tertiary activities. Since these activities generate services rather than goods, the tertiary sector is also called the **service sector**.

Service sector also includes some essential services that may not directly help in the production of goods. For example, we require teachers, doctors, and those who provide personal services such as washermen, barbers, cobblers, lawyers, and people to do administrative and accounting works. In recent times, certain new services based on information technology such as internet cafe, ATM booths, call centres, software companies etc have become important.

Economic activities, though, are grouped into three different categories, are highly **interdependent**. Let us look at some examples.

TABLE 2.1 EXAMPLES OF ECONOMIC ACTIVITIES

EXAMPLE	WHAT DOES THIS SHOW?
Imagine what would happen if farmers refuse to sell sugarcane to a particular sugar mill. The mill will have to shut down.	This is an example of the secondary or industrial sector being dependent on the primary.
Imagine what would happen to cotton cultivation if companies decide not to buy from the Indian market and import all cotton they need from other countries. Indian cotton cultivation will become less profitable and the farmers may even go bankrupt, if they cannot quickly switch to other crops. Cotton prices will fall.	
Farmers buy many goods such as tractors, pumpsets, electricity, pesticides and fertilisers. Imagine what would happen if the price of fertilisers or pumpsets go up. Cost of cultivation of the farmers will rise and their profits will be reduced.	
People working in industrial and service sector need food. Imagine what would happen if there is a strike by transporters and lorries refuse to take vegetables, milk, etc. from rural areas. Food will become scarce in urban areas whereas farmers will be unable to sell their products.	

LET'S WORK THESE OUT

- Complete the above table to show how sectors are dependent on each other.
- Explain the difference between primary, secondary and tertiary sectors using examples other than those mentioned in the text.
- Classify the following list of occupations under primary, secondary and tertiary sectors:
 - Tailor
 - Basket weaver
 - Flower cultivator
 - Milk vendor
 - Fishermen
 - Priest
 - Courier
 - Workers in match factory
 - Money lender
 - Gardener
 - Potter
 - Bee-keeper
 - Astronaut
 - Call centre employee
- Students in a school are often classified into primary and secondary or junior and senior. What is the criterion that is used? Do you think this is a useful classification? Discuss.

COMPARING THE THREE SECTORS

The various production activities in the primary, secondary and tertiary sectors produce a very large number of goods and services. Also, the three sectors have a large number of people working in them to produce these goods and services. The next step, therefore, is to see how much goods and services are produced and how many people work in each sector. In an economy there could be one or more sectors which are dominant in terms of total production and employment, while other sectors are relatively small in size.

How do we count the various goods and services and know the total production in each sector?

With so many thousands of goods and services produced, you might think this is an impossible task! Not only would the task be enormous, you might also wonder how we can add up cars and computers and nails and furniture. It won't make sense!!!

You are right in thinking so. To get around this problem, economists suggest that the values of goods and services should be used rather than adding up the actual numbers. For example, if 10,000 kgs of wheat is sold at Rs 8 per kg, the value of wheat will be Rs 80,000. The value of 5000 coconuts at Rs 10 per coconut will be Rs 50,000. Similarly, the value of goods and services in the three sectors are calculated, and then added up.

Remember, there is one precaution one has to take. Not every good (or service) that is produced and sold needs to be counted. It makes sense only to include the **final goods and services**. Take, for instance, a farmer who sells wheat to a flour mill for Rs 8 per kg. The mill grinds the wheat and sells the flour to a biscuit company for Rs 10 per kg. The biscuit company uses the flour and things such as sugar and oil to make four packets of biscuits. It sells biscuits in the market to the consumers for Rs 60 (Rs 15 per packet). Biscuits are the final goods, i.e., goods that reach the consumers.

Why are only 'final goods and services' counted? In contrast to final goods, goods such as wheat and the wheat flour in this example are intermediate goods. Intermediate goods are used up in producing final goods and services. The value of final goods **already includes** the value of all the intermediate goods that are used in making the final good. Hence, the value of Rs 60 for the biscuits (final good) already includes the value of flour (Rs 10). Similarly, the

...BUT I SHOULD BE PAID THE
FULL VALUE OF THE WHEAT
THAT I PRODUCE !

value of all other intermediate goods would have been included. To count the value of the flour and wheat separately is therefore not correct because then we would be counting the value of the same things a number of times. First as wheat, then as flour and finally as biscuits.

The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year. And the sum of production in the three sectors gives what is called the **Gross Domestic Product (GDP)** of a country. It is the value of all final goods and services produced **within a country** during a particular year. GDP shows how big the economy is.

In India, the mammoth task of measuring GDP is undertaken by a central government ministry. This Ministry, with the help of various government departments of all the Indian states and union territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP.

Historical Change in Sectors

Generally, it has been noted from the histories of many, now developed, countries that at initial stages of development, primary sector was the most important sector of economic activity.

As the methods of farming changed and agriculture sector began to prosper, it produced much more food than before. Many people could now take up other activities. There were increasing number of craft-persons and traders. Buying and selling activities increased many times. Besides, there were also transporters,

administrators, army etc. However, at this stage, most of the goods produced were natural products from the primary sector and most people were also employed in this sector.

Over a long time (more than hundred years), and especially because new methods of manufacturing were introduced, factories came up and started expanding. Those people who had earlier worked on farms now began to work in factories in large numbers. People began to use many more goods that were produced in factories at cheap rates. Secondary sector gradually became the most important in total production and employment. Hence, over time, a shift had taken place. This means that the importance of the sectors had changed.

In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries. The service sector has become the most important in terms of total production. Most of the working people are also employed in the service sector. This is the general pattern observed in developed countries.

What is the total production and employment in the three sectors in India? Over the years have there been changes similar to the pattern observed for the developed countries? We shall see in the next section.

LET'S WORK THESE OUT

1. What does the history of developed countries indicate about the shifts that have taken place between sectors?
2. Correct and arrange the important aspects for calculating GDP from this Jumble.

To count goods and services we add the numbers that are produced. We count all those that were produced in the last five years. Since we shouldn't leave out anything we add up all these goods and services.

PRIMARY, SECONDARY AND TERTIARY SECTORS IN INDIA

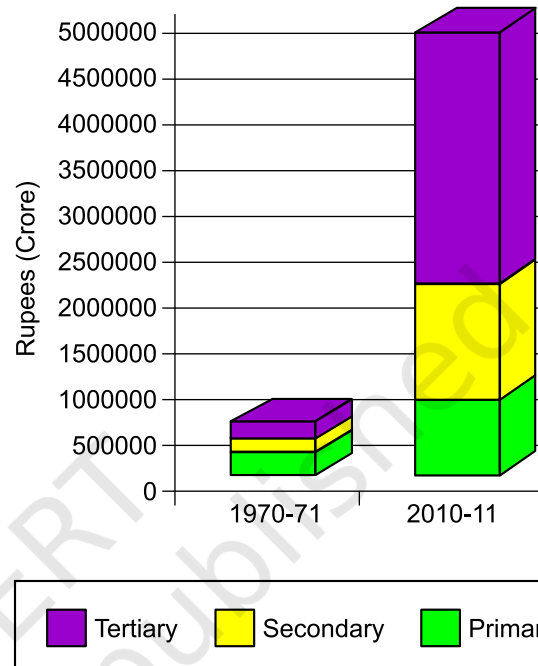
Graph 1 shows the production of goods and services in the three sectors. This is shown for two years, 1970-71 and 2010-11. You can see how the total production has grown over the forty years.

LET'S WORK THESE OUT

Answer the following questions by looking at the graph:

1. Which was the largest producing sector in 1970-71?
2. Which is the largest producing sector in 2010-11?
3. Can you say which sector has grown the most over forty years?
4. What was the GDP of India in 2011?

Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



What does the comparison between 1970-71 and 2010-11 show? What conclusions can we draw from the comparison? Let's find out.

Rising Importance of the Tertiary Sector in Production

Over the forty years between 1970-71 and 2010-11, while production in all the three sectors has increased, it has increased the most in the tertiary sector. As a result, in the year 2010-11, the tertiary sector has emerged as the largest producing sector in India replacing the primary sector.

Why is the tertiary sector becoming so important in India? There could be several reasons.

First, in any country several services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc. are required. These can be considered as *basic services*. In a developing country the government has to take responsibility for the provision of these services.

Second, the development of agriculture and industry leads to the development of services such as

transport, trade, storage and the like, as we have already seen. Greater the development of the primary and secondary sectors, more would be the demand for such services.

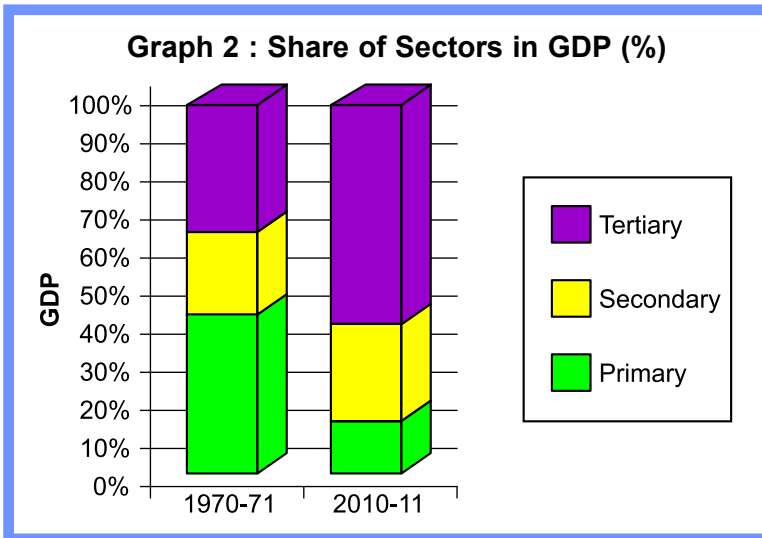
Third, as income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training etc. You can see this change quite sharply in cities, especially in big cities.

Fourth, over the past decade or so, certain new services such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly. In Chapter 4, we shall see examples of these new services and the reasons for their expansion.

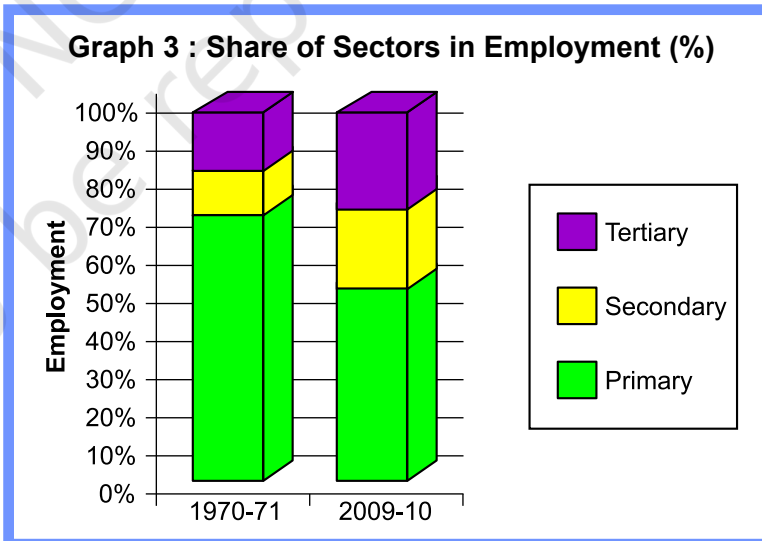
However, you must remember that not all of the service sector is growing equally well. Service sector in India employs many different kinds of people. At one end there are a limited number of services that employ highly skilled and educated workers. At the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transport persons, etc. These people barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them. Hence, only a part of this sector is growing in importance. You shall read more about this in the next section.

Where are most of the people employed?

Graph 2 presents percentage share of the three sectors in GDP. Now you can directly see the changing importance of the sectors over the forty years.



A remarkable fact about India is that while there has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment. Graph 3 shows the share of employment in the three sectors in 1970-71 and 2009-10. The primary sector continues to be the largest employer even now.



Why didn't a similar shift out of primary sector happen in case of employment? It is because not enough jobs were created in the secondary and tertiary sectors. Even

though industrial output or the production of goods went up by more than nine times during the period, employment in the industry went up by around three times. The same applies to tertiary sector as well. While production in the service sector rose by more than 14 times, employment in the service sector rose around five times.

As a result, more than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP. In contrast to this, the secondary and tertiary sectors produce three-fourth of the produce whereas they employ less than half the people. Does this mean that the workers in agriculture are not producing as much as they could?

What it means is that there are more people in agriculture than is necessary. So, even if you move a few people out, production will not be affected. In other words, workers in agricultural sector are **under-employed**.

For instance, take the case of a small farmer, Laxmi, owning about two hectares of unirrigated land dependent only on rain and growing crops like *jowar* and *arhar*. All five members of her family work in the plot throughout the year. Why? They have nowhere else to go for work. You will see that everyone is working, none remains idle, but in actual fact their **labour effort** gets divided. Each one is doing some work but no one is fully employed. This is the situation of underemployment, where people are apparently working but all of them are made to work less than their potential. **This kind of**

underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. Hence, it is also called disguised unemployment.

Now, supposing a landlord, Sukhram, comes and hires one or two members of the family to work on his land. Laxmi's family is now able to earn some extra income through wages. Since you do not need five people to look after that small plot, two people moving out does not affect production on their farm. In the above example, two people may move to work in a factory. Once again the earnings of the family would increase and they would also continue to produce as much from their land.

There are lakhs of farmers like Laxmi in India. This means that even if we remove a lot of people from agricultural sector and provide them with proper work elsewhere, agricultural production will not suffer. The incomes of the people who take up other work would increase the total family income.

This underemployment can also happen in other sectors. For example there are thousands of casual workers in the service sector in urban areas who search for daily employment. They are employed as painters, plumbers, repair persons and others doing odd jobs. Many of them don't find work everyday. Similarly, we see other people of the service sector on the street pushing a cart or selling something where **they may spend the whole day but earn very little**. They are doing this work because they do not have better opportunities.

LET'S WORK THESE OUT

1. Complete the table using the data given in Graphs 2 and 3 and answer the question that follows.

TABLE 2.2 SHARE OF PRIMARY SECTOR IN GDP AND EMPLOYMENT

	1970-71	2010-11
Share in GDP		
Share in employment		

What are the changes that you observe in the primary sector over a span of forty years?

2. Choose the correct answer:
Underemployment occurs when people
 - (i) do not want to work
 - (ii) are working in a lazy manner
 - (iii) are working less than what they are capable of doing
 - (iv) are not paid for their work
3. Compare and contrast the changes in India with the pattern that was observed for developed countries. What kind of changes between sectors were desired but did not happen in India?
4. Why should we be worried about underemployment?

How to Create More Employment?

From the above discussion, we can see that there continues to be considerable underemployment in agriculture. There are also people who are not employed at all. In what ways can one increase employment for people? Let us look at some of them.

Take the case of Laxmi with her two-hectare plot of un-irrigated land. The government can spend some money or banks can provide a loan, to construct a well for her family to irrigate the land. Laxmi will then be able to irrigate her land and take a second crop, wheat, during the *rabi* season. Let us suppose that one hectare of wheat can provide employment to two people for 50 days (including sowing, watering, fertiliser

application and harvesting). So, two more members of the family can be employed in her own field. Now suppose a new dam is constructed and canals are dug to irrigate many such farms. This could lead to a lot of employment generation within the agricultural sector itself reducing the problem of underemployment.

Now, suppose Laxmi and other farmers produce much more than before. They would also need to sell some of this. For this they may be required to transport their products to a nearby town. If the government invests some money in transportation and storage of crops, or makes better rural roads so that mini-trucks reach everywhere several farmers like Laxmi, who now have access to water, can continue to grow and sell these crops. This activity can provide productive employment to not just farmers but also others such as those in services like transport or trade.

Laxmi's need is not confined to water alone. To cultivate the land, she also needs seeds, fertilisers, agricultural equipments and pumpsets to draw water. Being a poor farmer, she cannot afford many of these. So she will have to borrow money from moneylenders and pay a high

rate of interest. If the local bank gives her credit at a reasonable rate of interest, she will be able to buy all these in time and cultivate her land. This means that along with water, we also need to provide cheap agricultural credit to the farmers for farming to improve. We will look at some of these needs in Chapter 3, Money and Credit.

Another way by which we can tackle this problem is to identify, promote and locate industries and services in semi-rural areas where a large number of people may be employed. For instance, suppose many farmers decide to grow *arhar* and chickpea (pulse crops). Setting up a *dal* mill to procure and process these and sell in the cities is one such example. Opening a cold storage could give an opportunity for farmers to store their products like potatoes and onions and sell them when the price is good. In villages near forest areas, we can start honey collection centres where farmers can come and sell wild honey. It is also possible to set up industries that process vegetables and agricultural produce like potato, sweet potato, rice, wheat, tomato, fruits, which can be sold in outside markets. This will provide employment in industries located in semi-rural areas and not necessarily in large urban centres.

*Gur Making in
Haryana*

What groups of people do you think are unemployed or underemployed in your area? Can you think of some measures that could be taken up for them?

Do you know that in India 46.9 per cent of the population belongs to the age group 5-29 years? Out of this, only about 52 per cent are attending educational institutions. The rest are not— they may be at home or many of them may be working as child

labourers. If these children are to attend schools, we will require more buildings, more teachers and other staff. A study conducted by the Planning Commission estimates that nearly 20 lakh jobs can be created in the education sector alone. Similarly, if we are to improve the health situation, we need many more doctors, nurses, health workers etc. to work in rural areas. These are some ways by which jobs would be created and we would also be able to address the important aspects of development talked about in Chapter 1.

Every state or region has potential for increasing the income and employment for people in that area. It could be tourism, or regional craft industry, or new services like IT. Some of these would require proper planning and support from the government. For example, the same study by the Planning Commission says that if tourism as a sector is improved, every year we can give additional employment to more than 35 lakh people.

We must realise that some of the suggestions discussed above would take a long time to implement. For the short-term, we need some quick measures. Recognising this, the central government in India made a law implementing the **Right to Work** in 200 districts of India and then extended to an additional 130

districts. The remaining districts in rural areas were brought under the act with effect from 1 April, 2008. It is called **National Rural Employment Guarantee Act 2005 (NREGA 2005)**. Under NREGA 2005, all those who are able to, and are in need of, work are guaranteed 100 days of employment in a year by the government. If the government fails in its duty to provide employment, it will give unemployment allowances to the people. The types of work that would in future help to increase the production from land will be given preference under the Act.

LET'S WORK THESE OUT

1. Why do you think NREGA 2005 is referred to as 'Right to work' ?
2. Imagine that you are the village head. In that capacity suggest some activities that you think should be taken up under this Act that would also increase the income of people? Discuss.
3. How would income and employment increase if farmers were provided with irrigation and marketing facilities?
4. In what ways can employment be increased in urban areas?

DIVISION OF SECTORS AS ORGANISED AND UNORGANISED

Let us examine another way of classifying activities in the economy. This looks at the way people are employed. What are their conditions of work? Are there any rules and regulations that are followed as regards their employment?

Kanta

Kanta works in an office. She attends her office from 9.30 a.m. to 5.30 p.m. She gets her salary regularly at the end of every month. In addition to the salary, she also gets provident fund as per the rules laid down by the government. She also gets medical and other allowances. Kanta does not go to office on Sundays. This is a paid holiday. When she joined work, she was given an appointment letter stating all the terms and conditions of work.

Kamal

Kamal is Kanta's neighbour. He is a daily wage labourer in a nearby grocery shop. He goes to the shop at 7:30 in the morning and works till 8:00 p.m. in the evening. He gets no other allowances apart from his wages. He is not paid for the days he does not work. He has therefore no leave or paid holidays. Nor was he given any formal letter saying that he has been employed in the shop. He can be asked to leave anytime by his employer.

Do you see the differences in the conditions of work between Kanta and Kamal?

Kanta works in the **organised** sector. Organised sector covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work. They are registered by the government and have to follow its rules and regulations which are given in various laws such as the Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act etc. It is called

organised because it has some formal processes and procedures. Some of these people may not be employed by anyone but may work on their own but they too have to register themselves with the government and follow the rules and regulations.

Workers in the organised sector enjoy security of employment. They are expected to work only a fixed number of hours. If they work more, they have to be paid overtime by the employer. They also get several other benefits from the employers. What are

these benefits? They get paid leave, payment during holidays, provident fund, gratuity etc. They are supposed to get medical benefits and, under the laws, the factory manager has to ensure facilities like drinking water and a safe working environment. When they retire, these workers get pensions as well.

In contrast, Kamal works in the unorganised sector. The **unorganised sector** is characterised by small and scattered units which are largely outside the control of the government. There are rules and regulations but these are not followed. Jobs here are

low-paid and often not regular. There is no provision for overtime, paid leave, holidays, leave due to sickness etc. Employment is not secure. People can be asked to leave without any reason. When there is less work, such as during some seasons, some people may be asked to leave. A lot also depends on the whims of the employer. This sector includes a large number of people who are employed on their own doing small jobs such as selling on the street or doing repair work. Similarly, farmers work on their own and hire labourers as and when they require.

LET'S WORK THESE OUT

- Look at the following examples. Which of these are unorganised sector activities?
 - A teacher taking classes in a school
 - A headload worker carrying a bag of cement on his back in a market
 - A farmer irrigating her field
 - A doctor in a hospital treating a patient
 - A daily wage labourer working under a contractor
 - A factory worker going to work in a big factory
 - A handloom weaver working in her house
- Talk to someone who has a regular job in the organised sector and another who works in the unorganised sector. Compare and contrast their working conditions in all aspects.
- How would you distinguish between organised and unorganised sectors? Explain in your own words.
- The table below shows the estimated number of workers in India in the organised and unorganised sectors. Read the table carefully. Fill in the missing data and answer the questions that follow.

TABLE 2.3 WORKERS IN DIFFERENT SECTORS (IN MILLIONS)

Sector	Organised	Unorganised	Total
Primary	2		242
Secondary	9	54	63
Tertiary	17	76	93
Total	28		
Total in Percentage			100%

- What is the percentage of people in the unorganised sector in agriculture?
- Do you agree that agriculture is an unorganised sector activity? Why?
- If we look at the country as a whole, we find that ——% of the workers in India are in the unorganised sector. Organised sector employment is available to only about ——% of the workers in India.

How to Protect Workers in the Unorganised Sector?

The organised sector offers jobs that are the most sought-after. But the employment opportunities in the organised sector have been expanding very slowly. It is also common to find many organised sector enterprises in the unorganised sector. They adopt such strategies to evade taxes and refuse to follow laws that protect labourers. As a result, a large number of workers are forced to enter the unorganised sector jobs, which pay a very low salary. They are often exploited and not paid a fair wage. Their earnings are low and not regular. These jobs are not secure and have no other benefits.

Since the 1990s, it is also common to see a large number of workers losing their jobs in the organised sector. These workers are forced to take up jobs in the unorganised sector with low earnings. Hence, besides the need for more work, there is also a need for protection and support of the workers in the unorganised sector.

Who are these vulnerable people who need protection? In the rural areas, the unorganised sector mostly comprises of landless agricultural labourers, small and marginal farmers, sharecroppers and artisans (such as weavers, blacksmiths, carpenters and goldsmiths). Nearly 80 per cent of rural households in India are in small and marginal farmer category. These farmers need to be supported through adequate facility for timely delivery of seeds, agricultural inputs, credit, storage facilities and marketing outlets.

In the urban areas, unorganised sector comprises mainly of workers in small-scale industry, casual workers in construction, trade and transport etc., and those who work as street vendors, head load workers, garment makers, rag pickers etc. Small-scale industry also needs government's support for procuring raw material and marketing of output. The casual workers in both rural and urban areas need to be protected.

We also find that majority of workers from scheduled castes, tribes and backward communities find themselves in the unorganised sector. Besides getting the irregular and low paid work, these workers also face social discrimination. Protection and support to the unorganised sector workers is thus necessary for both economic and social development.

When factories close down, many once regular workers are found selling goods or pushing a cart or doing some other odd job

LET'S RECALL

With so many activities taking place around us, one needs to use the process of classification to think in a useful manner. The criterion for classification could be many depending on what we desire to find out. The process of classification helps to analyse a situation.

In dividing the economic activities into three sectors — primary, secondary, tertiary — the criterion used was the 'nature of activity'. On the basis of this classification, we were able to analyse the pattern of total production and employment in India. Similarly, we divided the economic activities into organised and unorganised and used the classification to look at employment in the two sectors.

What was the most important conclusion that was derived from the classification exercises? What were the problems and solutions that were indicated? Can you summarise the information in the following table?

TABLE 2.4 CLASSIFYING ECONOMIC ACTIVITIES

Sector	Criteria used	Most important conclusion	Problems indicated and how they can be tackled
Primary, Secondary, Tertiary	Nature of activity		
Organised, Unorganised			

SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTORS

Another way of classifying economic activities into sectors could be on the basis of who owns assets and is responsible for the delivery of services. In the **public** sector, the government owns most of the assets and provides all the services. In the **private** sector, ownership of assets and delivery of services is in the hands of private individuals or companies. Railways or post office is an example of the public sector whereas companies like Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are privately owned.

Activities in the private sector are guided by the motive to earn profits.

To get such services we have to pay money to these individuals and companies. The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it. Modern day governments spend on a whole range of activities. What are these activities? Why do governments spend on such activities? Let's find out.

There are several things needed by the society as a whole but **which the private sector will not provide at a reasonable cost**. Why? Some of these need spending large sums of money, which is beyond the capacity

of the private sector. Also, collecting money from thousands of people who use these facilities is not easy. Even if they do provide these things they would charge a high rate for their use. Examples are construction of roads, bridges, railways, harbours, generating electricity, providing irrigation through dams etc. Thus, governments have to undertake such heavy spending and ensure that these facilities are available for everyone.

There are some activities, **which the government has to support**. The private sector may not continue their production or business unless government encourages it. For example, selling electricity at the cost of generation may push up the costs of production of goods in many industries. Many units, especially small-scale units, might have to shut down. Government here steps in by producing and supplying electricity at rates which these industries can afford. Government has to bear part of the cost.

Similarly, the Government in India buys wheat and rice from farmers at a 'fair price'. This it stores in its godowns and sells at a lower price to consumers through ration shops. You have read about this in the chapter on Food Security in Class IX. The

government has to bear some of the cost. In this way, the government supports both farmers and consumers.

There are a large number of activities which are the primary responsibility of the government. **The government must spend on these.** Providing health and education facilities for all is one example. We have discussed some of these issues in the first chapter. Running proper schools and providing quality education, particularly elementary education, is the duty of the government. India's size of illiterate population is one of the largest in the world.

Similarly, we know that nearly half of India's children are malnourished and a quarter of them are critically ill. We have read about Infant Mortality Rates. The infant mortality rate of Odisha (53) or Madhya Pradesh (56) is higher than some of the poorest regions of the world. Government also needs to pay attention to aspects of human development such as availability of safe drinking water, housing facilities for the poor and food and nutrition. It is also the duty of the government to take care of the poorest and most ignored regions of the country through increased spending in such areas.

SUMMING UP

In this chapter we have looked at ways of classifying economic activities into some meaningful groups. One way of doing this is to examine whether the activity relates to the primary, secondary or tertiary sectors. The data for India, for the last thirty years, shows that while goods and services produced in the tertiary sector contribute the most to GDP, the employment remains in the primary sector. We have also seen

what all can be done for increasing employment opportunities in the country. Another classification is to consider whether people are working in organised or unorganised sectors. Most people are working in the unorganised sectors and protection is necessary for them. We also looked at the difference between private and public activities, and why it is important for public activities to focus on certain areas.

EXERCISES

1. Fill in the blanks using the correct option given in the bracket:
 - (i) Employment in the service sector _____ increased to the same extent as production. (has / has not)
 - (ii) Workers in the _____ sector do not produce goods. (tertiary / agricultural)
 - (iii) Most of the workers in the _____ sector enjoy job security. (organised / unorganised)
 - (iv) A _____ proportion of labourers in India are working in the unorganised sector. (large / small)
 - (v) Cotton is a _____ product and cloth is a _____ product. [natural / manufactured]
 - (vi) The activities in primary, secondary and tertiary sectors are _____ [independent / interdependent]

2. Choose the most appropriate answer.
 - (a) The sectors are classified into public and private sector on the basis of:
 - (i) employment conditions
 - (ii) the nature of economic activity
 - (iii) ownership of enterprises
 - (iv) number of workers employed in the enterprise

 - (b) Production of a commodity, mostly through the natural process, is an activity in _____ sector.
 - (i) primary
 - (ii) secondary
 - (iii) tertiary
 - (iv) information technology

 - (c) GDP is the total value of _____ produced during a particular year.
 - (i) all goods and services
 - (ii) all final goods and services
 - (iii) all intermediate goods and services
 - (iv) all intermediate and final goods and services

 - (d) In terms of GDP the share of tertiary sector in 2010-11 is _____
 - (i) between 20 to 30 per cent
 - (ii) between 30 to 40 per cent
 - (iii) between 50 to 60 per cent
 - (iv) 70 per cent

3. Match the following:

Problems faced by farming sector

Some possible measures

- | | |
|---|---|
| 1. Unirrigated land | (a) Setting up agro-based mills |
| 2. Low prices for crops | (b) Cooperative marketing societies |
| 3. Debt burden | (c) Procurement of food grains by government |
| 4. No job in the off season | (d) Construction of canals by the government |
| 5. Compelled to sell their grains to the local traders soon after harvest | (e) Banks to provide credit with low interest |

4. Find the odd one out and say why.

- (i) Tourist guide, dhobi, tailor, potter
- (ii) Teacher, doctor, vegetable vendor, lawyer
- (iii) Postman, cobbler, soldier, police constable
- (iv) MTNL, Indian Railways, Air India, SAHARA Airlines, All India Radio

5. A research scholar looked at the working people in the city of Surat and found the following.

Place of work	Nature of employment	Percentage of working people
In offices and factories registered with the government	Organised	15
Own shops, office, clinics in marketplaces with formal license		15
People working on the street, construction workers, domestic workers		20
Working in small workshops usually not registered with the government		

Complete the table. What is the percentage of workers in the unorganised sector in this city?

- 6. Do you think the classification of economic activities into primary, secondary and tertiary is useful? Explain how.
- 7. For each of the sectors that we came across in this chapter why should one focus on employment and GDP? Could there be other issues which should be examined? Discuss.
- 8. Make a long list of all kinds of work that you find adults around you doing for a living. In what way can you classify them? Explain your choice.
- 9. How is the tertiary sector different from other sectors? Illustrate with a few examples.
- 10. What do you understand by disguised unemployment? Explain with an example each from the urban and rural areas.
- 11. Distinguish between open unemployment and disguised unemployment.
- 12. "Tertiary sector is not playing any significant role in the development of Indian economy." Do you agree? Give reasons in support of your answer.

13. Service sector in India employs two different kinds of people. Who are these?
14. Workers are exploited in the unorganised sector. Do you agree with this view? Give reasons in support of your answer.
15. How are the activities in the economy classified on the basis of employment conditions?
16. Compare the employment conditions prevailing in the organised and unorganised sectors.
17. Explain the objective of implementing the NREGA 2005.
18. Using examples from your area compare and contrast that activities and functions of private and public sectors.
19. Discuss and fill the following table giving one example each from your area.

	Well managed organisation	Badly managed organisation
Public sector		
Private Sector		

20. Give a few examples of public sector activities and explain why the government has taken them up.
21. Explain how public sector contributes to the economic development of a nation.
22. The workers in the unorganised sector need protection on the following issues : wages, safety and health. Explain with examples.
23. A study in Ahmedabad found that out of 15,00,000 workers in the city, 11,00,000 worked in the unorganised sector. The total income of the city in this year (1997-1998) was Rs 60,000 million. Out of this Rs 32,000 million was generated in the organised sector. Present this data as a table. What kind of ways should be thought of for generating more employment in the city?
24. The following table gives the GDP in Rupees (Crores) by the three sectors:

Year	Primary	Secondary	Tertiary
1950	80,000	19,000	39,000
2011	8,18,000	12,49,000	28,18,000

- (i) Calculate the share of the three sectors in GDP for 1950 and 2011.
- (ii) Show the data as a bar diagram similar to Graph 2 in the chapter.
- (iii) What conclusions can we draw from the bar graph?

NOTES FOR THE TEACHER

CHAPTER 3 : MONEY AND CREDIT

Money is a fascinating subject and full of curiosities. It is important to capture this element for the students. The history of money and how various forms were used at different times is an interesting story. At this stage the purpose is to allow students to realise the social situation in which these forms were used. Modern forms of money are linked to the banking system. This is the central idea of the first part of the chapter.

The present situation in India, where newer forms of money are slowly spreading with computerisation of the banking system, offers many opportunities to students to explore on their own. We need not get into a formal discussion of the 'functions of money' but let it come up as questions. There are certain areas that are not covered such as 'creation of money' (money multiplier) or the backing of the modern system that may be discussed if you desire.

Credit is a crucial element in economic life and it is therefore important to first understand this in a conceptual manner. What are the aspects that one looks at in any credit arrangement and how this affects people is the main focus of the second part of the chapter. The world around us offers a tremendous variety of such arrangements and it would be ideal to explain these aspects of credit from situations that are

familiar to your students. The other crucial issue of credit is its availability to all, especially the poor, and on reasonable terms. We need to emphasise that this is a right of the people and without which a large section of them would be kept out of the development process. There are many innovative interventions, such as that of Grameen Bank, that students may be made familiar with but it is important to realise that we don't have answers to all questions. We need to find new ways and this is one of the social challenges that developing countries face.

Sources for Information

The data on formal and informal sector credit used in this chapter is drawn from the survey on rural debt by the National Sample Survey Organisation (*All India Debt and Investment Survey, 70th Round 2013*, conducted by NSSO). The information and data on Grameen Bank is taken from newspaper reports and websites. In order to get the details of bank-related statistics or a particular detail of a bank, you can log on to the websites of Reserve Bank of India (www.rbi.org) and the concerned banks. Data on self-help groups is provided on the website of National Bank for Agriculture and Rural Development (NABARD) (www.nabard.org).

CHAPTER 3

MONEY AND CREDIT

MONEY AS A MEDIUM OF EXCHANGE

The use of money spans a very large part of our everyday life. Look around you and you would easily be able to identify several transactions involving money in any single day. Can you make a list of these? In many of these transactions, goods are being bought and sold with the use of money. In some of these transactions, services are being exchanged with money. For some, there might not be any actual transfer of money taking place now but a promise to pay money later.

Have you ever wondered why transactions are made in money? The reason is simple. A person holding money can easily exchange it for any commodity or service that he or she might want. Thus everyone prefers to receive payments in money and then exchange the money for things that they want. Take the case of a shoe manufacturer. He wants to sell shoes in the market and buy wheat. The shoe manufacturer will first exchange shoes that he has produced for money, and then exchange the money for wheat. Imagine how much more

difficult it would be if the shoe manufacturer had to directly exchange shoes for wheat without the use of money. He would have to look for a wheat growing farmer who not only wants to sell wheat but also wants to buy the shoes in exchange. That is, both parties have to agree to sell and buy each others commodities.

I'LL GIVE YOU SHOES FOR YOUR WHEAT.

I DON'T NEED SHOES. I NEED CLOTHES.

This is known as **double coincidence of wants**.

What a person desires to sell is exactly what the other wishes to buy. In a barter system where goods are directly exchanged without the use of money, double coincidence of wants is an essential feature.

I WANT SHOES, BUT I DON'T HAVE WHEAT.

In contrast, in an economy where money is in use, money by providing the crucial intermediate step eliminates the need for double coincidence of wants. It is no longer necessary for the shoe manufacturer to look for a farmer who will buy his shoes and at the same time sell him

wheat. All he has to do is find a buyer for his shoes. Once he has exchanged his shoes for money, he can purchase wheat or any other commodity in the market. Since money acts as an intermediate in the exchange process, it is called a **medium of exchange**.

LET'S WORK THESE OUT

1. How does the use of money make it easier to exchange things?
2. Can you think of some examples of goods / services being exchanged or wages being paid through barter?

MODERN FORMS OF MONEY

Early punch-marked coins (may be 2500 years old)

Gupta coins

Tughlaq coin

Gold Mohar from Akbar's reign

Modern coin

We have seen that money is something that can act as a medium of exchange in transactions. Before the introduction of coins, a variety of objects was used as money. For example, since the very early ages, Indians used grains and cattle as money. Thereafter came the use of metallic coins — gold, silver, copper coins — a phase which continued well into the last century.

Currency

Modern forms of money include currency — paper notes and coins. Unlike the things that were used as money earlier, modern currency is not made of precious metal such as gold, silver and copper. And unlike grain and cattle, they are neither of everyday use. The modern currency is without any use of its own.

Then, why is it accepted as a medium of exchange? It is accepted as a medium of exchange because the currency is authorised by the government of the country.

In India, the Reserve Bank of India issues currency notes on behalf of the central government. As per Indian law, no other individual or

organisation is allowed to issue currency. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual in India can legally refuse a payment made in rupees. Hence, the rupee is widely accepted as a medium of exchange.

Deposits with Banks

The other form in which people hold money is as deposits with banks. At a point of time, people need only some currency for their day-to-day needs. For instance, workers who receive their salaries at the end of each month have extra cash at the beginning of the month. What do people do with this extra cash? They deposit it with the banks by opening a bank account in their name. Banks accept the deposits and also pay an amount as interest on the deposits. In this way people's money is safe with the banks and it earns an amount as interest. People also have the provision to withdraw the money as and when they require. Since the deposits in the bank accounts can be withdrawn on demand, these deposits are called demand deposits.

Demand deposits offer another interesting facility. It is this facility which lends it the essential characteristics of money (that of a medium of exchange). You would have heard of payments being

made by cheques instead of cash. For payment through cheque, the payer who has an account with the bank, makes out a cheque for a specific amount. A cheque is a paper instructing the bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued.

LET US TRY AND UNDERSTAND HOW CHEQUE PAYMENTS ARE MADE AND REALISED WITH AN EXAMPLE.

Cheque Payments

A shoe manufacturer, M. Salim has to make a payment to the leather supplier and writes a cheque for a specific amount. This means that the shoe manufacturer instructs his bank to pay this amount to the leather supplier. The leather supplier takes this cheque, and deposits it in his own account in the bank. The money is transferred from one bank account to another bank account in a couple of days. The transaction is complete without any payment of cash.

Account number

Bank branch code

Cheque number

Coding used by banks

Thus we see that demand deposits share the essential features of money. The facility of cheques against demand deposits makes it possible to directly settle payments without the use of cash. Since demand deposits are accepted widely as a means of payment, along with currency, they constitute money in the modern economy.

You must remember the role that the banks play here. But for the banks, there would be no demand deposits and no payments by cheques against these deposits. The modern forms of money — currency and deposits — are closely linked to the working of the modern banking system.

LET'S WORK THESE OUT

1. M. Salim wants to withdraw Rs 20,000 in cash for making payments. How would he write a cheque to withdraw money?
2. Tick the correct answer.
After the transaction between Salim and Prem,
 - (i) Salim's balance in his bank account increases, and Prem's balance increases.
 - (ii) Salim's balance in his bank account decreases and Prem's balance increases.
 - (iii) Salim's balance in his bank account increases and Prem's balance decreases.
3. Why are demand deposits considered as money?

LOAN ACTIVITIES OF BANKS

Let us take the story of banks further. What do the banks do with the deposits which they accept from the public? There is an interesting mechanism at work here. Banks keep only a small proportion of their deposits as cash with themselves. For example, banks in India these days hold about 15 per cent of their deposits as cash. This is kept as provision to pay the depositors who might come to withdraw money from the bank on any given day. Since, on any particular day, only some of its many depositors come to withdraw cash, the bank is able to manage with this cash.

Banks use the major portion of the deposits to extend loans. There is a

huge demand for loans for various economic activities. We shall read more about this in the following sections. Banks make use of the deposits to meet the loan requirements of the people. In this way, banks mediate between those who have surplus funds (the depositors) and those who are in need of these funds (the borrowers). Banks charge a higher interest rate on loans than what they offer on deposits. The difference between what is charged from borrowers and what is paid to depositors is their main source of income.

What do you think would happen if all the depositors went to ask for their money at the same time?

DEPOSITORS

People make deposits

People make withdrawals and get interest

BORROWERS

People take loans

People repay loans with interest

TWO DIFFERENT CREDIT SITUATIONS

A large number of transactions in our day-to-day activities involve credit in some form or the other. Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment. Let us see how credit works through the following two examples.

(1) Festival Season

It is festival season two months from now and the shoe manufacturer, Salim, has received an order from a large trader in town for 3,000 pairs of shoes to be delivered in a month time. To complete production on time, Salim has to hire a few more workers for stitching and pasting work. He has to purchase the raw materials. To meet these expenses, Salim obtains loans from two sources. First, he asks the leather supplier to supply leather

now and promises to pay him later. Second, he obtains loan in cash from the large trader as advance payment for 1000 pairs of shoes with a promise to deliver the whole order by the end of the month.

At the end of the month, Salim is able to deliver the order, make a good profit, and repay the money that he had borrowed.

In this case, Salim obtains credit to meet the working capital needs of production. The credit helps him to meet the ongoing expenses of production, complete production on time, and thereby increase his earnings. **Credit therefore plays a vital and positive role in this situation.**

(2) Swapna's Problem

Swapna, a small farmer, grows groundnut on her three acres of land. She takes a loan from the moneylender to meet the expenses of cultivation, hoping that her harvest would help repay the loan. Midway through the season the crop is hit by pests and the crop fails. Though Swapna sprays her crops with expensive pesticides, it makes little difference. She is unable to repay the moneylender and the debt grows over the year into a large amount. Next year, Swapna takes a fresh loan for cultivation. It is a normal crop this year. But the earnings are not enough to cover the old loan. She is caught in debt. She has to sell a part of the land to pay off the debt.

In rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity, repair of equipment, etc. There is a minimum stretch of three to four months between the time when the farmers buy these inputs and when they sell the crop. Farmers usually take crop loans at the beginning of the season and repay the loan after harvest. Repayment of the loan is crucially dependent on the income from farming.

In Swapna's case, the failure of the crop made loan repayment impossible. She had to sell part of the land to repay the loan. Credit, instead of helping Swapna improve her earnings, left her worse off. This is an example of what is commonly called debt-trap. **Credit in this case pushes the borrower into a situation from which recovery is very painful.**

In one situation credit helps to increase earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap. To repay her loan she has to sell a portion of her land. She is clearly much worse off than before. Whether credit would be useful or not, therefore, depends on the risks in the situation and whether there is some support, in case of loss.

LET'S WORK THESE OUT

1. Fill the following table.

	Salim	Swapna
Why did they need credit?		
What was the risk?		
What was the outcome?		

- Supposing Salim continues to get orders from traders. What would be his position after 6 years?
- What are the reasons that make Swapna's situation so risky? Discuss factors – pesticides; role of moneylenders; climate.

TERMS OF CREDIT

Every loan agreement specifies an interest rate which the borrower must pay to the lender along with the

repayment of the principal. In addition, lenders may demand collateral (security) against loans.

Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid. If the borrower fails to repay the loan, the lender has the right to sell the asset or collateral to obtain payment. Property such as land titles, deposits with banks, livestock are some common examples of collateral used for borrowing.

A House Loan

Megha has taken a loan of Rs 5 lakhs from the bank to purchase a house. The annual interest rate on the loan is 12 per cent and the loan is to be repaid in 10 years in monthly instalments. Megha had to submit to the bank, documents showing her employment records and salary before the bank agreed to give her the loan. The bank retained as collateral the papers of the new house, which will be returned to Megha only when she repays the entire loan with interest.

Fill the following details of Megha's housing loan.

Loan amount (in Rupees)	
Duration of loan	
Documents required	
Interest rate	
Mode of repayment	
Collateral	

Interest rate, collateral and documentation requirement, and the mode of repayment together comprise what is called the **terms of credit**. The terms of credit vary substantially from one credit arrangement to another. They may vary depending on the nature of the lender and the borrower. The next section will provide examples of the varying terms of credit in different credit arrangements.

LET'S WORK THESE OUT

1. Why do lenders ask for collateral while lending?
2. Given that a large number of people in our country are poor, does it in any way affect their capacity to borrow?
3. Fill in the blanks choosing the correct option from the brackets.

While taking a loan, borrowers look for easy terms of credit. This means _____ (low/high) interest rate, _____ (easy/tough) conditions for repayment, _____ (less/more) collateral and documentation requirements.

Variety of Credit Arrangements

Example of a Village

Rohit and Ranjan had finished reading about the terms of credit in class. They were eager to know the various credit arrangements that existed in their area: who were the people who provided credit? Who were the borrowers? What were the terms of credit? They decided to talk to some people in their village. Read what they record...

15th Nov, 2006.

We head directly for the fields where most farmers and labourers would be working at this time of the day. The fields are planted with potato crops. We first meet Shyamal, a small farmer in Sonpur, a small irrigated village.

Shyamal tells us that every season he needs loans for cultivation on his 1.5 acres of land. Till a few years back, he would borrow money from the village moneylender at an interest rate of five per cent per month (60% per annum). For the last few years, Shyamal has been borrowing from an agricultural trader in the village at an interest rate of three per cent per month. At the beginning of the cropping season, the trader supplies the farm inputs on credit, which is to be repaid when the crops are ready for harvest.

Besides the interest charge on the loan, the trader also makes the farmers promise to sell the crop to him. This way the trader can ensure that the money is repaid promptly. Also, since the crop prices are low after the harvest, the trader is able to make a profit from buying the crop at a low price from the farmers and then selling it later when the price has risen.

We next meet Arun who is supervising the work of one farm labourer. Arun has seven acres of land. He is one of the few persons in Sonpur to receive bank loan for cultivation. The interest rate on the loan is 8.5 per cent per annum, and can be repaid anytime in the next three years. Arun plans to repay the loan after harvest by selling a part of the crop. He then intends to store the rest of the potatoes in a cold storage and apply for a fresh loan from the bank against the cold storage receipt. The bank offers this facility to farmers who have taken crop loan from them.

Rama is working in a neighbouring field. She works as an agricultural labourer. There are several months in the year when Rama has no work, and needs credit to meet the daily expenses. Expenses on sudden illnesses or functions in the family are also met through loans. Rama has to depend on her employer, a medium landowner in Sonpur, for credit. The landowner charges an interest rate of 5 per cent per month. Rama repays the money by working for the landowner. Most of the time, Rama has to take a fresh loan, before the previous loan has been repaid. At present, she owes the landowner Rs 5,000. Though the landowner doesn't treat her well, she continues to work for him since she can get loans from him when in need. Rama tells us that the only source of credit for the landless people in Sonpur are the landowner-employers.

Loans from Cooperatives

Besides banks, the other major source of cheap credit in rural areas are the cooperative societies (or cooperatives). Members of a cooperative pool their resources for cooperation in certain areas. There are several types of cooperatives possible such as farmers cooperatives, weavers cooperatives, industrial workers cooperatives, etc. Krishak Cooperative functions in a village not very far away from Sonpur. It has 2300 farmers as members. It accepts deposits from its members. With these deposits as collateral, the Cooperative has obtained a large loan from the bank. These funds are used to provide loans to members. Once these loans are repaid, another round of lending can take place.

Krishak Cooperative provides loans for the purchase of agricultural implements, loans for cultivation and agricultural trade, fishery loans, loans for construction of houses and for a variety of other expenses.

LET'S WORK THESE OUT

1. List the various sources of credit in Sonpur.
2. Underline the various uses of credit in Sonpur in the above passages.
3. Compare the terms of credit for the small farmer, the medium farmer and the landless agricultural worker in Sonpur.
4. Why will Arun have a higher income from cultivation compared to Shyamal?
5. Can everyone in Sonpur get credit at a cheap rate? Who are the people who can?
6. Tick the correct answer.
 - (i) Over the years, Rama's debt
 - will rise.
 - will remain constant.
 - will decline.
 - (ii) Arun is one of the few people in Sonpur to take a bank loan because
 - other people in the village prefer to borrow from the moneylenders.
 - banks demand collateral which everyone cannot provide.
 - interest rate on bank loans is same as the interest rate charged by the traders.
7. Talk to some people to find out the credit arrangements that exist in your area. Record your conversation. Note the differences in the terms of credit across people.

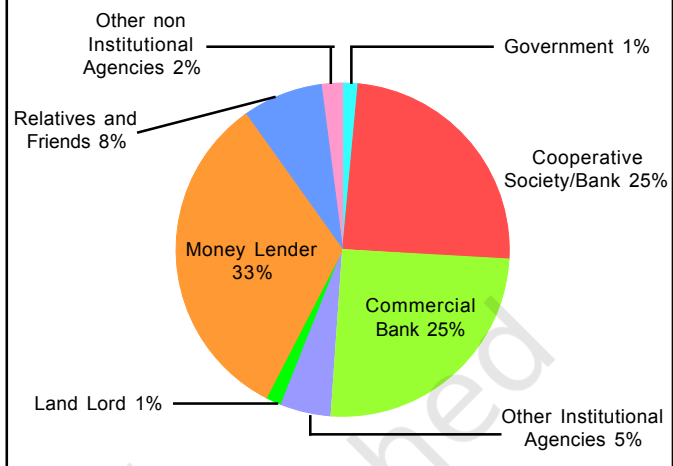
FORMAL SECTOR CREDIT IN INDIA

We have seen in the above examples that people obtain loans from various sources. The various types of loans can be conveniently grouped as **formal sector loans** and **informal sector loans**. Among the former are loans from banks and cooperatives. The informal lenders include moneylenders, traders, employers, relatives and friends, etc. In Graph 1 you can see the various sources of credit to rural households in India. Is more credit coming from the formal sector or the informal sector?

The Reserve Bank of India supervises the functioning of formal sources of loans. For instance, we have seen that the banks maintain a minimum cash balance out of the deposits they receive. The RBI monitors the banks in actually maintaining cash balance. Similarly,

BUT WHY SHOULD
A BANK WANT US TO
HAVE A HIGHER INCOME?

Graph 1 : Sources of Credit per Rs 1000 of Rural Households in India in 2012



the RBI sees that the banks give loans not just to profit-making businesses and traders but also to small cultivators, small scale industries, to small borrowers etc. Periodically, banks have to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc.

There is no organisation which supervises the credit activities of lenders in the informal sector. They can lend at whatever interest rate they

choose. There is no one to stop them from using unfair means to get their money back.

Compared to the formal lenders, most of the informal lenders charge a much higher interest on loans. Thus, the cost to the borrower of informal loans is much higher.

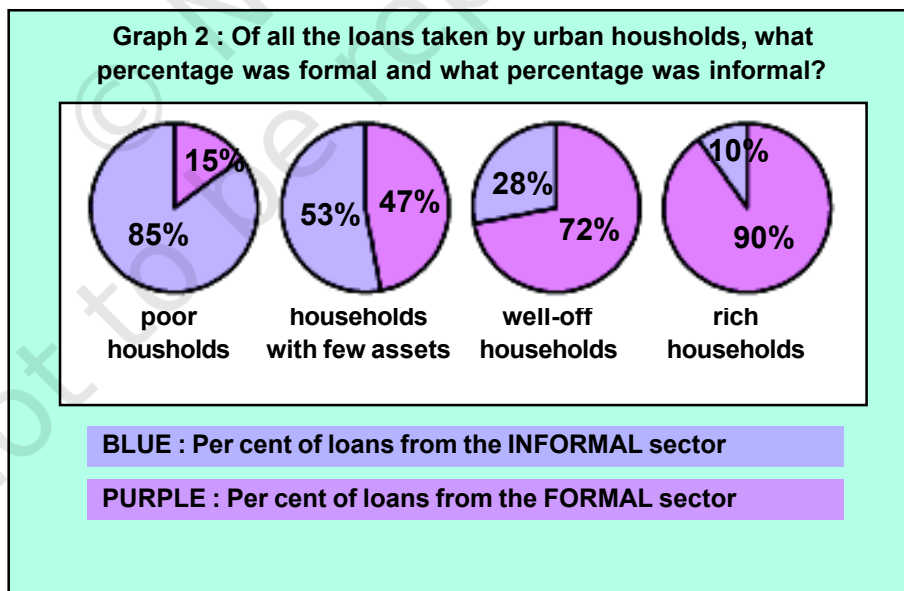
Higher cost of borrowing means a larger part of the earnings of the borrowers is used to repay the loan. Hence, borrowers have less income left for themselves (as we saw for Shyamal in Sonpur). In certain cases, the high interest rate for borrowing can mean that the amount to be repaid is greater than the income of the borrower. This could lead to increasing debt (as we saw for Rama in Sonpur) and debt trap. Also, people who might wish to start an enterprise by borrowing may not do so because of the high cost of borrowing.

For these reasons, banks and cooperative societies need to lend more. This would lead to higher incomes and many people could then borrow cheaply for a variety of needs. They could grow crops, do business, set up small-scale industries etc. They could set up new industries or trade in goods. **Cheap and affordable credit is crucial for the country's development.**

Formal and Informal Credit: Who gets what?

Graph 2 shows the importance of formal and informal sources of credit for people in urban areas. The people are divided into four groups, from poor to rich, as shown in the figure. You can see that 85 per cent of the loans taken by poor households in the urban areas are from informal sources. Compare this with the rich urban households. What do you find? Only 10 per cent of their loans are from informal sources, while 90 per cent are from formal sources. A similar pattern is also found in rural areas. The rich households are availing cheap credit from formal lenders whereas the poor households have to pay a large amount for borrowing.

What does all this suggest? First, the formal sector still meets only about half of the total credit needs of the rural people. The remaining credit needs are met from informal sources.



Most loans from informal lenders carry a very high interest rate and do little to increase the income of the borrowers. **Thus, it is necessary that banks and cooperatives increase their lending particularly in the rural areas, so that the dependence on informal sources of credit reduces.**

Secondly, while formal sector loans need to expand, it is also necessary that everyone receives these loans. At present, it is the richer households who receive formal credit whereas the poor have to depend on the informal sources. It is important that the formal credit is distributed more equally so that the poor can benefit from the cheaper loans.

LET'S WORK THESE OUT

1. What are the differences between formal and informal sources of credit?
2. Why should credit at reasonable rates be available for all?
3. Should there be a supervisor, such as the Reserve Bank of India, that looks into the loan activities of informal lenders? Why would its task be quite difficult?
4. Why do you think that the share of formal sector credit is higher for the richer households compared to the poorer households?

A worker stitching a quilt

DO YOU THINK A BANK
WILL GIVE ME A
LOAN?

SELF-HELP GROUPS FOR THE POOR

In the previous section we have seen that poor households are still dependent on informal sources of credit. Why is it so? Banks are not present everywhere in rural India. Even when they are present, getting a loan from a bank is much more difficult than taking a loan from informal sources. As we saw for Megha, bank loans require proper

documents and collateral. Absence of collateral is one of the major reasons which prevents the poor from getting bank loans. Informal lenders such as moneylenders, on the other hand, know the borrowers personally and hence are often willing to give a loan without collateral. The borrowers can, if necessary, approach the moneylenders even without repaying

their earlier loans. However, the moneylenders charge very high rates of interest, keep no records of the transactions and harass the poor borrowers.

In recent years, people have tried out some newer ways of providing loans to the poor. The idea is to organise rural poor, in particular women, into small Self Help Groups (SHGs) and pool (collect) their savings. A typical SHG has 15-20 members, usually belonging to one neighbourhood, who meet and save regularly. Saving per member varies from Rs 25 to Rs 100 or more, depending on the ability of the people to save. Members can take small loans from the group itself to meet their needs. The group charges interest on these loans but this is still less than what the moneylender charges. After a year or two, if the group is regular in savings, it becomes eligible for availing loan from the bank. Loan is sanctioned in the name of the group and is meant to create self-employment opportunities for the members. For instance, small loans are provided to the members for releasing mortgaged land, for meeting working capital needs (e.g. buying seeds, fertilisers, raw materials like bamboo and cloth), for housing materials, for acquiring assets like sewing machine, handlooms, cattle, etc.

Most of the important decisions regarding the savings and loan activities are taken by the group members. The group decides as regards the loans

to be granted — the purpose, amount, interest to be charged, repayment schedule etc. Also, it is the group which is responsible for the repayment of the loan. Any case of non-repayment of loan by any one member is followed up seriously by other members in the group. Because of this feature, banks are willing to lend to the poor women when organised in SHGs, even though they have no collateral as such.

Thus, the SHGs help borrowers overcome the problem of lack of collateral. They can get timely loans for a variety of purposes and at a reasonable interest rate. Moreover, SHGs are the building blocks of organisation of the rural poor. Not only does it help women to become financially self-reliant, the regular meetings of the group provide a platform to discuss and act on a variety of social issues such as health, nutrition, domestic violence, etc.

A women's self-help group meeting in Gujarat

Grameen Bank of Bangladesh

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

“If credit can be made available to the poor people on terms and conditions that are appropriate and reasonable these millions of small people with their millions of small pursuits can add up to create the biggest development wonder.”

*Professor Muhammad Yunus,
the founder of Grameen Bank,
and recipient of 2006 Nobel Prize for Peace*

SUMMING UP

In this chapter we have looked at the modern forms of money and how they are linked with the banking system. On one side are the depositors who keep their money in the banks and on the other side are the borrowers who take loans from these banks. Economic activities require loans or credit. Credit, as we saw can have a positive impact, or in certain situations make the borrower worse off.

Credit is available from a variety of sources. These can be either formal sources or informal sources. Terms of

credit vary substantially between formal and informal lenders. At present, it is the richer households who receive credit from formal sources whereas the poor have to depend on the informal sources. It is essential that the total formal sector credit increases so that the dependence on the more expensive informal credit becomes less. Also, the poor should get a much greater share of formal loans from banks, cooperative societies etc. Both these steps are important for development.

EXERCISES

1. In situations with high risks, credit might create further problems for the borrower. Explain.
2. How does money solve the problem of double coincidence of wants? Explain with an example of your own.
3. How do banks mediate between those who have surplus money and those who need money?
4. Look at a 10 rupee note. What is written on top? Can you explain this statement?
5. Why do we need to expand formal sources of credit in India?
6. What is the basic idea behind the SHGs for the poor? Explain in your own words.
7. What are the reasons why the banks might not be willing to lend to certain borrowers?

8. In what ways does the Reserve Bank of India supervise the functioning of banks? Why is this necessary?
9. Analyse the role of credit for development.
10. Manav needs a loan to set up a small business. On what basis will Manav decide whether to borrow from the bank or the moneylender? Discuss.
11. In India, about 80 per cent of farmers are small farmers, who need credit for cultivation.
 - (a) Why might banks be unwilling to lend to small farmers?
 - (b) What are the other sources from which the small farmers can borrow?
 - (c) Explain with an example how the terms of credit can be unfavourable for the small farmer.
 - (d) Suggest some ways by which small farmers can get cheap credit.
12. Fill in the blanks:
 - (i) Majority of the credit needs of the _____ households are met from informal sources.
 - (ii) _____ costs of borrowing increase the debt-burden.
 - (iii) _____ issues currency notes on behalf of the Central Government.
 - (iv) Banks charge a higher interest rate on loans than what they offer on _____.
 - (v) _____ is an asset that the borrower owns and uses as a guarantee until the loan is repaid to the lender.
13. Choose the most appropriate answer.
 - (i) In a SHG most of the decisions regarding savings and loan activities are taken by
 - (a) Bank.
 - (b) Members.
 - (c) Non-government organisation.
 - (ii) Formal sources of credit does not include
 - (a) Banks.
 - (b) Cooperatives.
 - (c) Employers.

ADDITIONAL PROJECT / ACTIVITY

The following table shows people in a variety of occupations in urban areas. What are the purposes for which the following people might need loans? Fill in the column.

Occupations	Reason for needing a Loan
Construction worker	
Graduate student who is computer literate	
A person employed in government service	
Migrant labourer in Delhi	
Household maid	
Small trader	
Autorickshaw driver	
A worker whose factory has closed down	

Next, classify the people into two groups based on whom you think might get a bank loan and those who might not. What is the criterion that you have used for classification?

NOTES FOR THE TEACHER

CHAPTER 4 : GLOBALISATION AND THE INDIAN ECONOMY

Most regions of the world are getting increasingly interconnected. While this interconnectedness across countries has many dimensions — cultural, political, social and economic — this chapter looks at globalisation in a more limited sense. It defines globalisation as the integration between countries through foreign trade and foreign investments by multinational corporations (MNCs). As you will notice, the more complex issues of portfolio investment have been left out.

If we look at the past thirty years or so, we find that MNCs have been a major force in the globalisation process connecting distant regions of the world. Why are the MNCs spreading their production to other countries and what are the ways in which they are doing so? The first part of the chapter discusses this. Rather than relying on quantitative estimates, the rapid rise and influence of the MNCs has been shown through a variety of examples, mainly drawn from the Indian context. Note that the examples are an aid to explain a more general point. While teaching, the emphasis should be on the ideas and examples are to be used as illustrations. You can also creatively use comprehension passages like the one given after Section II to test and reinforce new concepts.

Integration of production and integration of markets is a key idea behind understanding the process of globalisation and its impact. This has been dealt with at length in this chapter, highlighting the role of MNCs in the process. You have to ensure that the students grasp this idea with sufficient clarity, before moving on to the next topic.

Globalisation has been facilitated by several factors. Three of these have been highlighted: rapid improvements in technology, liberalisation

of trade and investment policies and, pressures from international organisations such as the WTO. Improvement in technology is a fascinating area for students and you may, with a few directions, encourage them to do their own explorations. While discussing liberalisation, you have to keep in mind that the students are unaware of what India was like in the pre-liberalisation era. A role-play could be conceived to compare and contrast the pre and post-liberalisation era. Similarly, international negotiations under WTO and the uneven balances in power are interesting subjects that can be covered in a discussion mode rather than as lectures.

The final section covers the impact of globalisation. To what extent has globalisation contributed to the development process? This section draws on the topics covered in Chapters 1 and 2 (for example, what is a fair development goal), which you can refer to. Also, examples and activities drawn from the local environment are a must while discussing this section. This might include contexts that have not been covered in the chapter, such as the impact of imports on local farmers, etc. Collective brainstorming sessions can be conducted to analyse such situations.

Sources for Information

The call for a fairer globalisation has been given, among others, by the International Labour Organisation — www.ilo.org. Another interesting resource is the WTO website <http://www.wto.org>. It gives access to the variety of agreements that are being negotiated at the WTO. For company related information, most MNCs have their own websites. If you want to critically look at the MNCs, one recommended website is www.corporatewatch.org.uk.

CHAPTER 4

GLOBALISATION AND THE INDIAN ECONOMY

As consumers in today's world, some of us have a wide choice of goods and services before us. The latest models of digital cameras, mobile phones and televisions made by the leading manufacturers of the world are within our reach. Every season, new models of automobiles can be seen on Indian roads. Gone are the days when Ambassador and Fiat were the only cars on Indian roads. Today, Indians are buying cars produced by nearly all the top companies in the world. A similar explosion of brands can be seen for many other goods: from shirts to televisions to processed fruit juices.

Such wide-ranging choice of goods in our markets is a relatively recent phenomenon. You wouldn't have found such a wide variety of goods in Indian markets even two decades back. **In a matter of years, our markets have been transformed!**

How do we understand these rapid transformations? What are the factors that are bringing about these changes? And, how are these changes affecting the lives of the people? We shall dwell on these questions in this chapter.

PRODUCTION ACROSS COUNTRIES

Until the middle of the twentieth century, production was largely organised within countries. What crossed the boundaries of these countries were raw materials, food stuff and finished products. Colonies such as India exported raw materials and food stuff and imported finished goods. Trade was the main channel connecting distant countries. This was before large companies called

multinational corporations (MNCs) emerged on the scene. A MNC is a company that owns or controls production in more than one nation. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. This is done so that the cost of production is low and the MNCs can earn greater profits. Consider the following example.

Spreading of Production by an MNC

A large MNC, producing industrial equipment, designs its products in research centres in the United States, and then has the components manufactured in China. These are then shipped to Mexico and Eastern Europe where the products are assembled and the finished products are sold all over the world. Meanwhile, the company's customer care is carried out through call centres located in India.

This is a call centre in Bangalore, equipped with telecom facilities and access to Internet to provide information and support to customers abroad.

In this example the MNC is not only selling its finished products globally, but more important, **the goods and services are produced globally**. As a result, **production is organised in increasingly complex ways**. The production process is divided into small parts and spread out across the globe. In the above example, China provides the advantage of being a cheap manufacturing location. Mexico and Eastern Europe are useful

for their closeness to the markets in the US and Europe. India has highly skilled engineers who can understand the technical aspects of production. It also has educated English speaking youth who can provide customer care services. And all this probably can mean 50-60 per cent cost-savings for the MNC! The advantage of spreading out production across the borders to the multinationals can be truly immense.

LET'S WORK THIS OUT

Complete the following statement to show how the production process in the garment industry is spread across countries.

The brand tag says 'Made in Thailand' but they are not Thai products. We dissect the manufacturing process and look for the best solution at each step. We are doing it globally. In making garments, the company may, for example, get cotton fibre from Korea,

INTERLINKING PRODUCTION ACROSS COUNTRIES

In general, MNCs set up production where it is close to the markets; where there is skilled and unskilled labour available at low costs; and where the availability of other factors of production is assured. In addition, MNCs might look for government policies that look after their interests. You will read more about the policies later in the chapter.

Having assured themselves of these conditions, MNCs set up factories and offices for production. The money that is spent to buy assets such as land, building, machines and other equipment is called **investment**. Investment made by MNCs is called **foreign investment**. Any investment is made with the hope that these assets will earn profits.

At times, MNCs set up production jointly with some of the local companies of these countries. The benefit to the local company of such joint production is two-fold. First, MNCs can provide money for additional investments, like buying new machines for faster production. Second, MNCs might bring with them the latest technology for production.

WE WILL SHIFT THIS FACTORY TO ANOTHER COUNTRY. IT HAS BECOME EXPENSIVE HERE!

But the most common route for MNC investments is to buy up local companies and then to expand production. MNCs with huge wealth can quite easily do so. To take an example, *Cargill Foods, a very large American MNC, has bought over smaller Indian companies such as Parakh Foods. Parakh Foods had built a large marketing network in various parts of India, where its brand was well-reputed. Also, Parakh Foods had four oil refineries, whose control has now shifted to Cargill. Cargill is now the largest producer of edible oil in India, with a capacity to make 5 million pouches daily!*

In fact, many of the top MNCs have wealth exceeding the entire budgets of the developing country governments. With such enormous wealth, imagine the power and influence of these MNCs!

There's another way in which MNCs control production. Large MNCs in developed countries place orders for production with small producers. Garments, footwear, sports items are examples of industries where production is carried out by a large number of small producers around the world.

Women at home in Ludhiana making footballs for large MNCs

Jeans produced in developing countries being sold in USA for Rs 6500 (\$145)

The products are supplied to the MNCs, which then sell these under their own brand names to the customers. These large MNCs have tremendous power to determine price, quality, delivery, and labour conditions for these distant producers.

Thus, we see that there are a variety of ways in which the MNCs are spreading their production and interacting with local producers in various countries across the globe. By setting up partnerships with local companies, by using the local companies for supplies, by closely competing with the local companies or buying them up, MNCs are exerting a strong influence on production at these distant locations. As a result, **production in these widely dispersed locations is getting interlinked.**

LET'S WORK THESE OUT

Ford Motors, an American company, is one of the world's largest automobile manufacturers with production spread over 26 countries of the world. Ford Motors came to India in 1995 and spent Rs. 1700 crore to set up a large plant near Chennai. This was done in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks. By the year 2004, Ford Motors was selling 27,000 cars in the Indian markets, while 24,000 cars were exported from India to South Africa, Mexico and Brazil. The company wants to develop Ford India as a component supplying base for its other plants across the globe.

Read the passage on the left and answer the questions.

1. Would you say Ford Motors is a MNC? Why?
2. What is foreign investment? How much did Ford Motors invest in India?
3. By setting up their production plants in India, MNCs such as Ford Motors tap the advantage not only of the large markets that countries such as India provide, but also the lower costs of production. Explain the statement.
4. Why do you think the company wants to develop India as a base for manufacturing car components for its global operations? Discuss the following factors:
 - (a) cost of labour and other resources in India
 - (b) the presence of several local manufacturers who supply auto-parts to Ford Motors
 - (c) closeness to a large number of buyers in India and China
5. In what ways will the production of cars by Ford Motors in India lead to interlinking of production?
6. In what ways is a MNC different from other companies?
7. Nearly all major multinationals are American, Japanese or European, such as Nike, Coca-Cola, Pepsi, Honda, Nokia. Can you guess why?

Cars made by Indian workers being transported to be sold abroad by MNCs.

FOREIGN TRADE AND INTEGRATION OF MARKETS

For a long time foreign trade has been the main channel connecting countries. In history you would have read about the trade routes connecting India and South Asia to markets both in the East and West and the extensive trade that took place along these routes. Also, you would remember that it was trading interests which attracted various trading companies such as the East India Company to India. What then is the basic function of foreign trade?

To put it simply, foreign trade creates an opportunity for the producers to reach beyond the domestic markets, i.e., markets of their own countries. Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries of the world. Similarly, for the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.

Let us see the effect of foreign trade through the example of Chinese toys in the Indian markets.

Chinese Toys in India

Chinese manufacturers learn of an opportunity to export toys to India, where toys are sold at a high price. They start exporting plastic toys to India. Buyers in India now have the option of choosing between Indian and the Chinese toys. Because of the cheaper prices and new designs, Chinese toys become more popular in the Indian markets. Within a year, 70 to 80 per cent of the toy shops have replaced Indian toys with Chinese toys. Toys are now cheaper in the Indian markets than earlier.

What is happening here? As a result of trade, Chinese toys come into the Indian markets. In the competition between Indian and Chinese toys, Chinese toys prove better. Indian buyers have a greater choice of toys and at lower prices. For the Chinese toy makers, this provides an opportunity to expand business. The opposite is true for Indian toy makers. They face losses, as their toys are selling much less.

In general, with the opening of trade, goods travel from one market to another. Choice of goods in the markets rises. Prices of similar goods in the two markets tend to become equal. And, producers in the two countries now closely compete against each other even though they are separated by thousands of miles! **Foreign trade thus results in connecting the markets or integration of markets in different countries.**

Small traders of readymade garments facing stiff competition from both the MNC brands and imports.

LET'S WORK THESE OUT

1. What was the main channel connecting countries in the past? How is it different now?
2. Distinguish between foreign trade and foreign investment.
3. In recent years China has been importing steel from India. Explain how the import of steel by China will affect.
 - (a) steel companies in China.
 - (b) steel companies in India.
 - (c) industries buying steel for production of other industrial goods in China.
4. How will the import of steel from India into the Chinese markets lead to integration of markets for steel in the two countries? Explain.

WHAT IS GLOBALISATION?

In the past two to three decades, more and more MNCs have been looking for locations around the world which would be cheap for their production. Foreign investment by MNCs in these countries has been rising. At the same time, foreign trade between countries has been rising rapidly. A large part of the foreign trade is also controlled by MNCs. For instance, the car manufacturing plant of Ford Motors in India not only produces cars for the Indian markets, it also exports cars to other developing countries and exports car components for its many factories around the world. Likewise, activities of most MNCs involve substantial trade in goods and also services.

GLOBALISATION
IS FUN!

BE CAREFUL! THAT'S
OUR WORLD YOU'RE
PLAYING WITH!
SOMEDAY YOU'LL
HAVE TO PAY THE
PRICE!

The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. **Globalisation is this process of rapid integration or interconnection between countries.** MNCs are playing a major role in the globalisation process. **More and more goods and services, investments and technology are moving between countries.** Most regions of the world are in closer

contact with each other than a few decades back.

Besides the movements of goods, services, investments and technology, there is one more way in which the countries can be connected. This is through the movement of people between countries. People usually move from one country to another in search of better income, better jobs or better education. In the past few decades, however, there has not been much increase in the movement of people between countries due to various restrictions.

LET'S WORK THESE OUT

1. What is the role of MNCs in the globalisation process?
2. What are the various ways in which countries can be linked?
3. Choose the correct option.
Globalisation, by connecting countries, shall result in
 - (a) lesser competition among producers.
 - (b) greater competition among producers.
 - (c) no change in competition among producers.

...WE'VE SEEN GREAT IMPROVEMENTS
IN TRANSPORTATION...

FACTORS THAT HAVE ENABLED GLOBALISATION

Technology

Rapid improvement in technology has been one major factor that has stimulated the globalisation process. For instance, the past fifty years have seen several improvements in transportation technology. This has made much faster delivery of goods across long distances possible at lower costs.

Containers for transport of goods

Goods are placed in containers that can be loaded intact onto ships, railways, planes and trucks. Containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets. Similarly, the cost of air transport has fallen. This has enabled much greater volumes of goods being transported by airlines.

Even more remarkable have been the developments in **information and communication technology**. In recent times, technology in the areas of telecommunications, computers, Internet has been changing rapidly. Telecommunication facilities (telegraph, telephone including mobile phones, fax) are used to contact one another around the world, to access information instantly, and to communicate from remote areas. This has been facilitated by satellite communication devices. As you would be aware, computers have now entered almost every field of activity. You might have also ventured into the

amazing world of internet, where you can obtain and share information on almost anything you want to know. Internet also allows us to send instant electronic mail (e-mail) and talk (voice-mail) across the world at negligible costs.

...BUT WHERE IS THE ELECTRICITY?..

Information and communication technology (or IT in short) has played a major role in spreading out **production of services** across countries. Let us see how.

Using IT in Globalisation

A news magazine published for London readers is to be designed and printed in Delhi. The text of the magazine is sent through Internet to the Delhi office. The designers in the Delhi office get orders on how to design the magazine from the office in London using telecommunication facilities. The designing is done on a computer. After printing, the magazines are sent by air to London. Even the payment of money for designing and printing from a bank in London to a bank in Delhi is done instantly through the Internet (e-banking)!

LET'S WORK THESE OUT

1. In the above example, underline the words describing the use of technology in production.
2. How is information technology connected with globalisation? Would globalisation have been possible without expansion of IT?

IT LOOKS LIKE A VERY NICE MAGAZINE. BUT WHY ISN'T MY TEXTBOOK PRINTED LIKE THIS? I CAN HARDLY READ THE WORDS IN MY BOOK!

NO, MY CHILD! THIS PRINTING PRESS IS NOT FOR ORDINARY INDIANS!

Liberalisation of foreign trade and foreign investment policy

Let us return to the example of imports of Chinese toys in India. Suppose the Indian government puts a tax on import of toys. What would happen? Those who wish to import these toys would have to pay tax on this. Because of the tax, buyers will have to pay a higher price on imported toys. Chinese toys will no longer be as cheap in the Indian markets and imports from China will automatically reduce. Indian toy-makers will prosper.

Tax on imports is an example of **trade barrier**. It is called a barrier because some restriction has been set up. Governments can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.

The Indian government, after Independence, had put barriers to foreign trade and foreign investment. This was considered necessary to protect the producers within the country from foreign competition. Industries were just coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to come up. Thus, India allowed imports

of only essential items such as machinery, fertilisers, petroleum etc. Note that all developed countries, during the early stages of development, have given protection to domestic producers through a variety of means.

Starting around 1991, some far-reaching changes in policy were made in India. The government decided that the time had come for Indian producers to compete with producers around the globe. It felt that competition would improve the performance of producers within the country since they would have to improve their quality. This decision was supported by powerful international organisations.

Thus, barriers on foreign trade and foreign investment were removed to a large extent. This meant that goods could be imported and exported easily and also foreign companies could set up factories and offices here.

Removing barriers or restrictions set by the government is what is known as liberalisation. With liberalisation of trade, businesses are allowed to make decisions freely about what they wish to import or export. The government imposes much less restrictions than before and is therefore said to be more liberal.

LET'S WORK THESE OUT

1. What do you understand by liberalisation of foreign trade?
2. Tax on imports is one type of trade barrier. The government could also place a limit on the number of goods that can be imported. This is known as quotas. Can you explain, using the example of Chinese toys, how quotas can be used as trade barriers? Do you think this should be used? Discuss.

WORLD TRADE ORGANISATION

We have seen that the liberalisation of foreign trade and investment in India was supported by some very powerful international organisations. These organisations say that all barriers to foreign trade and investment are harmful. There should be no barriers. Trade between countries should be 'free'. All countries in the world should liberalise their policies.

World Trade Organisation (WTO) is one such organisation whose aim is to liberalise international trade. Started at the initiative of the developed countries, WTO establishes

rules regarding international trade, and sees that these rules are obeyed. Nearly 160 countries of the world are currently members of the WTO (as on June 2014).

Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers. An example of this is the current debate on trade in agricultural products.

Debate on Trade Practices

You have seen in Chapter 2, that the agriculture sector provides the bulk of employment and a significant portion of the GDP in India. Compare this to a developed country such as the US with the share of agriculture in GDP at 1% and its share in total employment a tiny 0.5%! And yet this very small percentage of people who are engaged in agriculture in the US receive massive sums of money from the US government for production and for exports to other countries. Due to this massive money that they receive, US farmers can sell the farm products at abnormally low prices. The surplus farm products are sold in other country markets at low prices, adversely affecting farmers in these countries.

*Developing countries are, therefore, asking the developed country governments, "We have reduced trade barriers as per WTO rules. But you have ignored the rules of WTO and have continued to pay your farmers vast sums of money. You have asked our governments to stop supporting our farmers, but you are doing so yourselves. **Is this free and fair trade?"***

A typical cotton farm in USA consists of thousands of acres owned by a huge corporation that will sell cotton abroad at lowered prices.

LET'S WORK THESE OUT

1. Fill in the blanks.

WTO was started at the initiative of _____ countries. The aim of the WTO is to _____. WTO establishes rules regarding _____ for all countries, and sees that _____. In practice, trade between countries is not _____. Developing countries like India have _____, whereas developed countries, in many cases, have continued to provide protection to their producers.

2. What do you think can be done so that trade between countries is more fair?
3. In the above example, we saw that the US government gives massive sums of money to farmers for production. At times, governments also give support to promote production of certain types of goods, such as those which are environmentally friendly. Discuss whether these are fair or not.

IMPACT OF GLOBALISATION IN INDIA

In the last twenty years, globalisation of the Indian economy has come a long way. What has been its effect on the lives of people? Let us look at some of the evidence.

Globalisation and greater competition among producers - both local and foreign producers - has been of advantage to consumers, particularly the well-off sections in the urban areas. There is greater choice before these consumers who now enjoy improved quality and lower prices for several products. As a result, these people today, enjoy much higher standards of living than was possible earlier.

Among producers and workers, the impact of globalisation has not been uniform.

Firstly, **MNCs** have increased their investments in India over the past 20 years, which means investing in India has been beneficial for them. MNCs have been interested in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas. These products have a large number of well-off buyers. In these industries and services, new jobs have been created. Also, local companies supplying raw materials, etc. to these industries have prospered.

Steps to Attract Foreign Investment

In recent years, the central and state governments in India are taking special steps to attract foreign companies to invest in India. Industrial zones, called Special Economic Zones (SEZs), are being set up. SEZs are to have world class facilities: electricity, water, roads, transport, storage, recreational and educational facilities. Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.

Government has also allowed **flexibility** in the labour laws to attract foreign investment. You have seen in Chapter 2 that the companies in the organised sector have to obey certain rules that aim to protect the workers'

rights. In the recent years, the government has allowed companies to ignore many of these. Instead of hiring workers on a regular basis, companies hire workers 'flexibly' for short periods when there is intense pressure of work. This is done to reduce the cost of labour for the company. However, still not satisfied, foreign companies are demanding more flexibility in labour laws.

NOW, WE
ARE READY
TO INVEST!

Secondly, several of the **top Indian companies** have been able to benefit from the increased competition. They have invested in newer technology and production methods and raised their production standards. Some have gained from successful collaborations with foreign companies.

Moreover, globalisation has enabled some large Indian companies to emerge as multinationals themselves! Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts)

are some Indian companies which are spreading their operations worldwide.

Globalisation has also created new opportunities for companies providing services, particularly those involving IT. The Indian company producing a magazine for the London based company and call centres are some examples. Besides, a host of services such as data entry, accounting, administrative tasks, engineering are now being done cheaply in countries such as India and are exported to the developed countries.

LET'S WORK THESE OUT

1. How has competition benefited people in India?
2. Should more Indian companies emerge as MNCs? How would it benefit the people in the country?
3. Why do governments try to attract more foreign investment?
4. In Chapter 1, we saw what may be development for one may be destructive for others. The setting of SEZs has been opposed by some people in India. Find out who are these people and why are they opposing it.

Small producers: Compete or perish

For a large number of small producers and workers globalisation has posed major challenges.

Rising Competition

Ravi did not expect that he would have to face a crisis in such a short period of his life as industrialist. Ravi took a loan from the bank to start his own company producing capacitors in 1992 in Hosur, an industrial town in Tamil Nadu. Capacitors are used in many electronic home appliances including tube lights, television etc. Within three years, he was able to expand production and had 20 workers working under him.

His struggle to run his company started when the government removed restrictions on imports of capacitors as per its agreement at WTO in 2001. His main clients, the television companies,

used to buy different components including capacitors in bulk for the manufacture of television sets. However, competition from the MNC brands forced the Indian television companies to move into assembling activities for MNCs. Even when some of them bought capacitors, they would prefer to import as the price of the imported item was half the price charged by people like Ravi.

Ravi now produces less than half the capacitors that he produced in the year 2000 and has only seven workers working for him. Many of Ravi's friends in the same business in Hyderabad and Chennai have closed their units.

Batteries, capacitors, plastics, toys, tyres, dairy products, and vegetable oil are some examples of industries where the small manufacturers have been hit hard due to competition. Several of the units have shut down rendering many workers jobless. The small industries in India employ the largest number of workers (20 million) in the country, next only to agriculture.

LET'S WORK THESE OUT

1. What are the ways in which Ravi's small production unit was affected by rising competition?
2. Should producers such as Ravi stop production because their cost of production is higher compared to producers in other countries? What do you think?
3. Recent studies point out that small producers in India need three things to compete better in the market (a) better roads, power, water, raw materials, marketing and information network (b) improvements and modernisation of technology (c) timely availability of credit at reasonable interest rates.
 - Can you explain how these three things would help Indian producers?
 - Do you think MNCs will be interested in investing in these? Why?
 - Do you think the government has a role in making these facilities available? Why?
 - Can you think of any other step that the government could take? Discuss.

Competition and Uncertain Employment

Globalisation and the pressure of competition have substantially changed the lives of workers. Faced with growing competition, most employers these days prefer to employ workers 'flexibly'. This means that workers' jobs are no longer secure.

Let us see how the workers in the garment export industry in India are having to bear this pressure of competition.

Factory workers folding garments for export. Though globalisation has created opportunities for paid work for women, the condition of employment shows that women are denied their fair share of benefits.

Large MNCs in the garment industry in Europe and America order their products from Indian exporters. These large MNCs with worldwide network look for the cheapest goods in order to maximise their profits. To get these large orders, Indian garment exporters try hard to cut their own costs. As cost of raw materials cannot be reduced, exporters try to cut labour costs. Where earlier a factory used to employ workers on a permanent basis, now they employ workers only on a temporary basis so that they do not have to pay workers for the whole year. Workers also have to put in very long working hours and work night shifts on a regular basis during the peak season. Wages are low and workers are forced to work overtime to make both ends meet.

While this competition among the garment exporters has allowed the MNCs to make large profits, workers are denied their fair share of benefits brought about by globalisation.

A Garment Worker

35 year old Sushila has spent many years as a worker in garment export industry of Delhi. She was employed as a 'permanent worker' entitled to health insurance, provident fund, overtime at a double rate, when Sushila's factory closed in the late 1990s. After searching for a job for six months, she finally got a job 30 km. away from where she lives. Even after working in this factory for several years, she is a temporary worker and earns less than half of what she was earning earlier. Sushila leaves her house every morning, seven days a week at 7:30 a.m. and returns at 10 p.m. A day off from work means no wage. She has none of the benefits she used to get earlier. Factories closer to her home have widely fluctuating orders and therefore pay even less.

The conditions of work and the hardships of the workers described above have become common to many industrial units and services in India. Most workers, today, are employed in the unorganised sector. Moreover, increasingly conditions of work in the organised sector have come to resemble the unorganised sector. Workers in the organised sector such as Sushila no longer get the protection and benefits that they enjoyed earlier.

LET'S WORK THESE OUT

1. In what ways has competition affected workers, Indian exporters and foreign MNCs in the garment industry?
2. What can be done by each of the following so that the workers can get a fair share of benefits brought by globalisation?
 - (a) government
 - (b) employers at the exporting factories
 - (c) MNCs
 - (d) workers.
3. One of the present debates in India is whether companies should have flexible policies for employment. Based on what you have read in the chapter, summarise the point of view of the employers and workers.

THE STRUGGLE FOR A FAIR GLOBALISATION

The above evidence indicates that not everyone has benefited from globalisation. People with education, skill and wealth have made the best use of the new opportunities. On the other hand, there are many people who have not shared the benefits.

Since globalisation is now a reality, the question is how to make globalisation more 'fair'? Fair globalisation would create opportunities for all, and also ensure that the benefits of globalisation are shared better.

The government can play a major role in making this possible. Its policies must protect the interests, not only of the rich and the powerful, but all the people in the country. You have read about some of the possible steps that the government can take. For instance, the government can ensure

that labour laws are properly implemented and the workers get their rights. It can support small producers to improve their performance till the time they become strong enough to compete. If necessary, the government can use trade and investment barriers. It can negotiate at the WTO for 'fairer rules'. It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

In the past few years, massive campaigns and representation by people's organisations have influenced important decisions relating to trade and investments at the WTO. This has demonstrated that people also can play an important role in the struggle for fair globalisation.

A demonstration against WTO in Hong Kong, 2005

SUMMING UP

In this chapter, we looked at the present phase of globalisation. Globalisation is the process of rapid integration of countries. This is happening through greater foreign trade and foreign investment. MNCs are playing a major role in the globalisation process. More and more MNCs are looking for locations around the world that are cheap for their production. As a result, production is being organised in complex ways.

Technology, particularly IT, has played a big role in organising production across countries. In addition, liberalisation of trade and

investment has facilitated globalisation by removing barriers to trade and investment. At the international level, WTO has put pressure on developing countries to liberalise trade and investment.

While globalisation has benefited well-off consumers and also producers with skill, education and wealth, many small producers and workers have suffered as a result of the rising competition. Fair globalisation would create opportunities for all, and also ensure that the benefits of globalisation are shared better.

EXERCISES

1. What do you understand by globalisation? Explain in your own words.
2. What were the reasons for putting barriers to foreign trade and foreign investment by the Indian government? Why did it wish to remove these barriers?
3. How would flexibility in labour laws help companies?
4. What are the various ways in which MNCs set up, or control, production in other countries?
5. Why do developed countries want developing countries to liberalise their trade and investment? What do you think should the developing countries demand in return?
6. "The impact of globalisation has not been uniform." Explain this statement.
7. How has liberalisation of trade and investment policies helped the globalisation process?
8. How does foreign trade lead to integration of markets across countries? Explain with an example other than those given here.
9. Globalisation will continue in the future. Can you imagine what the world would be like twenty years from now? Give reasons for your answer.
10. Supposing you find two people arguing: One is saying globalisation has hurt our country's development. The other is telling, globalisation is helping India develop. How would you respond to these arguments?

11. Fill in the blanks.

Indian buyers have a greater choice of goods than they did two decades back. This is closely associated with the process of _____. Markets in India are selling goods produced in many other countries. This means there is increasing _____ with other countries. Moreover, the rising number of brands that we see in the markets might be produced by MNCs in India. MNCs are investing in India because _____. While consumers have more choices in the market, the effect of rising _____ and _____ has meant greater _____ among the producers.

12. Match the following.

- | | |
|--|--------------------------------------|
| (i) MNCs buy at cheap rates from small producers | (a) Automobiles |
| (ii) Quotas and taxes on imports are used to regulate trade | (b) Garments, footwear, sports items |
| (iii) Indian companies who have invested abroad | (c) Call centres |
| (iv) IT has helped in spreading of production of services | (d) Tata Motors, Infosys, Ranbaxy |
| (v) Several MNCs have invested in setting up factories in India for production | (e) Trade barriers |

13. Choose the most appropriate option.

- (i) The past two decades of globalisation has seen rapid movements in
 - (a) goods, services and people between countries.
 - (b) goods, services and investments between countries.
 - (c) goods, investments and people between countries.
- (ii) The most common route for investments by MNCs in countries around the world is to
 - (a) set up new factories.
 - (b) buy existing local companies.
 - (c) form partnerships with local companies.
- (iii) Globalisation has led to improvement in living conditions
 - (a) of all the people
 - (b) of people in the developed countries
 - (c) of workers in the developing countries
 - (d) none of the above

ADDITIONAL ACTIVITY / PROJECT

- I. Take some branded products that we use everyday (soaps, toothpaste, garments, electronic goods, etc.). Check which of these are produced by MNCs.
- II. Take any Indian industry or service of your choice. Collect information and photographs from newspapers, magazine clippings, books, television, internet, interviews with people on the following aspects of the industry.
 - (i) Various producers/companies in the industry
 - (ii) Is the product exported to other countries
 - (iii) Are there MNCs among the producers
 - (iv) Competition in the industry
 - (v) Conditions of work in the industry
 - (vi) Has there been any major change in the industry in the past fifteen years
 - (vii) Problems that people in the industry face.

NOTES FOR THE TEACHER

CHAPTER 5 : CONSUMER RIGHTS

This chapter proposes to discuss the issue of consumer rights within the context of the ways markets operate in our country. There are many aspects of unequal situations in a market and poor enforcement of rules and regulations. Hence, there is a need to sensitise learners and encourage them to participate in the consumer movement. This chapter provides case histories – how some consumers were exploited in a real life situation and how legal institutions helped consumers in getting compensated and in upholding their rights as consumers. The case histories would enable the students to link these narratives to their life experiences. We have to enable students to understand that the awareness of being a well-informed consumer arose out of consumer movement and active participation of people through their struggles over a long period. This chapter also provides details of a few organisations helping consumers in different ways. Finally it ends with some critical issues of the consumer movement in India.

Aspects of Teaching / Sources of Information

This chapter has questions, case studies and activities. It would be preferred that students discuss these in groups orally. Some of these could be answered in writing individually.

While carrying out each activity you could start with a brainstorming session about the activity. Similarly there are many opportunities for role-play in this chapter and this could be a useful way to share their experiences and

understand the issues at a deeper level. Making posters collectively is another way to think about these issues. This lesson contains activities, which require visits – visit to consumer protection councils, consumer organisations, consumer court, retail shops, market places, etc. Organise the visits to maximise learners' experience. Have a discussion with them about the purpose of the visit, things they need to do beforehand and things that need to be collected and the task (report/ project / article, etc.) they would carry out after the visit. As part of this chapter, the learners may do letter-writing and speaking activities. We may have to be sensitive to the language aspect of exercises.

This chapter contains materials collected from authenticated websites, books, newspapers and magazines. For example, <http://www.mca.gov.in> is a website of Central Government Ministry of Consumer Affairs. Another website www.cuts-international.org is the website of a consumer organisation working in India for more than 20 years. It publishes a variety of materials to create consumer awareness in India. They need to be shared among learners so that they can also collect materials as part of their activities. For example, case histories were taken from newspaper clippings and consumers who fought in consumer courts. Let learners collect and read such materials from different sources: consumer protection councils, consumer courts and internet.

CHAPTER 5

CONSUMER RIGHTS

The collage you see below contains some news clippings of consumer court verdicts. Why did the people go to the consumer court in these cases? These verdicts came about because some people persisted and struggled to get justice. In what ways were they denied justice? More importantly,

what are the ways in which they can exercise their rights as consumers to get a fair deal from the sellers when they felt they had been denied a just treatment?


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THE CONSUMER IN THE MARKETPLACE

We participate in the market both as producers and consumers. As producers of goods and services we could be working in any of the sectors discussed earlier such as agriculture, industry, or services. Consumers participate in the market when they purchase goods and services that they need. These are the final goods that people as consumers use.

In the preceding chapters we discussed the need for rules and regulations or steps that would promote development. These could be for the protection of workers in the unorganised sector or to protect people from high interest rates charged by moneylenders in the informal sector. Similarly, rules and regulations are also required for protecting the environment.

For example, moneylenders in the informal sector that you read about in Chapter 3 adopt various tricks to bind the borrower: they could make the producer sell the produce to them at a low rate in return for a timely loan; they could force a small farmer like Swapna to sell her land to pay back the loan. Similarly, many people who work in the unorganised sector have to work at a low wage and accept conditions that are not fair and are also often harmful to their health. To prevent such exploitation, we have talked of rules and regulations for their protection. There are organisations that have struggled for long to ensure that these rules are followed.



THEY PURPOSELY MADE IT
SO IT WOULD FALL APART
AFTER A FEW MONTHS SO
THAT I WILL BUY A NEW ONE!

Likewise, rules and regulations are required for the protection of the consumers in the marketplace. Individual consumers often find themselves in a weak position. Whenever there is a complaint regarding a good or service that had been bought, the seller tries to shift all the responsibility on to the buyer. Their position usually is – “If you didn’t like what you bought, please go elsewhere”. As if the seller has no responsibility once a sale is completed! The consumer movement, as we shall discuss later, is an effort to change this situation.

Exploitation in the marketplace happens in various ways. For example, sometimes traders indulge in unfair trade practices such as when shopkeepers weigh less than what they should or when traders add charges that were not mentioned before, or when adulterated/defective goods are sold.

Markets do not work in a fair manner when producers are few and powerful whereas consumers purchase in small amounts and are scattered. This happens especially when large companies are producing these goods. These companies with huge wealth, power and reach can manipulate the market in various ways. At times false information is passed on through the media, and other sources to attract consumers. For example, a company for years sold powder milk for babies all over

the world as the most scientific product claiming this to be better than mother's milk. It took years of struggle before the company was forced to accept that it had been making false claims. Similarly, a long battle had to be fought with court cases to make cigarette-manufacturing companies accept that their product could cause cancer. Hence, there is a need for rules and regulations to ensure protection for consumers.

EVERYONE KNOWS
TOBACCO KILLS PEOPLE,
BUT WHO CAN SAY THAT
TOBACCO COMPANIES
SHOULD NOT BE FREE
TO SELL TOBACCO?

LET'S WORK THESE OUT

1. What are the various ways by which people may be exploited in the market?
2. Think of one example from your experience where you thought that there was some 'cheating' in the market. Discuss in the classroom.
3. What do you think should be the role of government to protect consumers?

CONSUMER MOVEMENT

The consumer movement arose out of dissatisfaction of the consumers as many unfair practices were being indulged in by the sellers. There was no legal system available to consumers to protect them from exploitation in the marketplace. For a long time, when a consumer was not happy with a particular brand product or shop, he or she generally avoided buying that brand product, or would stop purchasing from that shop. It was presumed that it was the responsibility of consumers to be careful while buying a commodity or service. It took many years for organisations in India, and around the world, to create awareness amongst people. This has also shifted the responsibility of ensuring

quality of goods and services on the sellers.

In India, the consumer movement as a 'social force' originated with the necessity of protecting and promoting the interests of consumers against unethical and unfair trade practices. Rampant food shortages, hoarding, black marketing, adulteration of food and edible oil gave birth to the consumer movement in an organised form in the 1960s. Till the 1970s, consumer organisations were largely engaged in writing articles and holding exhibitions. They formed consumer groups to look into the malpractices in ration shops and overcrowding in the road passenger transport. More recently, India witnessed an upsurge in the number of consumer groups.

Consumers International

In 1985 United Nations adopted the UN Guidelines for Consumer Protection. This was a tool for nations to adopt measures to protect consumers and for consumer advocacy groups to press their governments to do so. At the international level, this has become the foundation for consumer movement. Today, Consumers International has become an umbrella body to over 220 member organisations from over 115 countries.

Because of all these efforts, the movement succeeded in bringing pressure on business firms as well as government to correct business conduct which may be unfair and against the interests of consumers at large. A major step taken in 1986 by the Indian government was the enactment of the Consumer Protection Act 1986, popularly known as COPRA. You will learn more about COPRA later.

LET'S WORK THESE OUT

1. What could have been the steps taken by consumer groups?
2. There may be rules and regulations but they are often not followed. Why? Discuss.

SAFETY IS EVERYONE'S RIGHT

Reji's Suffering

Reji Mathew, a healthy boy studying in Class IX, was admitted in a private clinic in Kerala for removal of tonsils. An ENT surgeon performed the tonsillectomy operation under general anaesthesia. As a result of improper anaesthesia Reji showed symptoms of some brain abnormalities because of which he was crippled for life.

His father filed a complaint in the State Consumer Disputes Redressal Commission claiming compensation of Rs 5,00,000 for medical negligence and deficiency, in service. The State Commission, saying that the evidence was not sufficient, dismissed it. Reji's father appealed again in the National Consumer Disputes Redressal Commission located in New Delhi. The National Commission after looking into the complaint, held the hospital responsible for medical negligence and directed it to pay the compensation.

Reji's suffering shows how a hospital, due to negligence by the doctors and staff in giving anaesthesia, crippled a student for life. While using many goods and services, we as consumers, have the right to be protected against the marketing of goods and delivery of services that are hazardous to life and property. Producers need to strictly follow the required safety rules and regulations. There are many goods and services that we purchase that require special attention to safety. For example, pressure cookers have a safety valve which, if it is defective, can cause a serious accident. The manufacturers of the safety valve have to ensure high quality. You also need public or government action to see that this quality is maintained. However, we do find bad quality products in the market because the supervision of these rules is weak and the consumer movement is also not strong enough.

LET'S WORK THESE OUT

1. For the following (you can add to the list) products/services discuss what safety rules should be observed by the producer?
(a) LPG cylinder (b) cinema theatre (c) circus (d) medicines (e) edible oil (f) marriage pandal (g) a high-rise building.
2. Find out any case of accident or negligence from people around you, where you think that the responsibility lay with the producer. Discuss.

Information about goods and services

When you buy any commodity, you will find certain details given on the packing. These details are about ingredients used, price, batch number, date of manufacture, expiry date and the address of the manufacturer. When we buy medicines, on the packets, you might find 'directions for proper use' and information relating to side effects and risks associated with usage of that medicine. When you buy garments, you will find information on 'instructions for washing'.

Why is it that rules have been made so that the manufacturer displays this information? It is because consumers have the **right to be informed** about the particulars of goods and services that they purchase. Consumers can then complain and ask for compensation or replacement if the product proves to be defective in any manner. For example, if we buy a

product and find it defective well within the expiry period, we can ask for a replacement. If the expiry period was not printed, the manufacturer would blame the shopkeeper and will not accept the responsibility. If people sell medicines that have expired severe action can be taken against them. Similarly, one can protest and complain if someone sells a good at more than the printed price on the packet. This is indicated by 'MRP' — maximum retail price. In fact consumers can bargain with the seller to sell at less than the MRP.

In recent times, the right to information has been expanded to cover various services provided by the Government. In October 2005, the Government of India enacted a law, popularly known as RTI (Right to Information) Act, which ensures its citizens all the information about the functions of government departments. The effect of the RTI Act can be understood from the following case.

Waiting...

Amritha, an engineering graduate after submitting all the certificates and attending the interview for a job in a government department, did not receive any news of the result. The officials also refused to comply with her queries. She therefore filed an application using the RTI Act saying that it was her right to know the result in a reasonable time so that she could plan her future. She was not only informed about the reasons for delay in the declaration of results but also got her call letter for appointment as she performed well in the interview.

LET'S WORK THESE OUT

1. When we buy commodities we find that the price charged is sometimes higher or lower than the Maximum Retail Price printed on the pack. Discuss the possible reasons. Should consumer groups do something about this?
2. Pick up a few packaged goods that you want to buy and examine the information given. In what ways are they useful? Is there some information that you think should be given on those packaged goods but is not? Discuss.
3. People make complaints about the lack of civic amenities such as bad roads or poor water and health facilities but no one listens. Now the RTI Act gives you the power to question. Do you agree? Discuss.

When choice is denied

A Refund

Abirami, a student of Ansari Nagar, joined a two-year course at a local coaching institute for professional courses in New Delhi. At the time of joining the course, she paid the fees Rs 61,020 as lumpsum for the entire course of two years.

However, she decided to opt out of the course at the end of one year as she found that the quality of teaching was not up to the mark. When she asked for a refund of the fee for one year, it was denied to her.

When she filed the case in the District Consumer Court, the Court directed the Institute to refund Rs 28,000 saying that she had the right to

choose. The Institute again appealed in the State Consumer Commission. The State Commission upheld the district court's direction and further fined the institute Rs 25,000 for a frivolous appeal. It also directed the institute to

pay Rs 7000 as compensation and litigation cost.

The State Commission also restrained all the educational and professional institutions in the state from charging fees from students for the entire duration of the course in advance and that too at one go. Any violation of this order may invite penalties and imprisonment, the commission said.

What do we understand from this incident? Any consumer who receives a service in whatever capacity, regardless of age, gender and nature of service, has the **right to choose** whether to continue to receive the service.

Suppose you want to buy toothpaste, and the shop owner says that she can sell the toothpaste only

if you buy a tooth brush. If you are not interested in buying the brush, your right to choice is denied. Similarly, sometimes gas supply dealers insist that you have to buy the stove from them when you take a new connection. In this way many a times you are forced to buy things that you may not wish to and you are left with no choice.

LET'S WORK THIS OUT

The following are some of the catchy advertisements of products that we purchase from the market. Which of the following offers would really benefit consumers? Discuss.

- 15 gm more in every 500 gm pack.
- Subscribe for a newspaper with a gift at the end of a year.
- Scratch and win gifts worth Rs 10 lakhs.
- A milk chocolate inside a 500 gram glucose box.
- Win a gold coin inside a pack.
- Buy shoes worth Rs 2000 and get one pair of shoes worth Rs 500 free.

Where should consumers go to get justice?

Read again the cases of Reji Mathew and Abirami given earlier in the chapter.

These are some examples in which consumers are denied their rights. Such instances occur quite often in our country. Where should these consumers go to get justice?

Consumers have the **right to seek redressal** against unfair trade practices and exploitation. If any damage is done to a consumer, she has the right to get compensation

depending on the degree of damage. There is a need to provide an easy and effective public system by which this can be done.

You might be interested in knowing how an aggrieved person gets his or her compensation. Let us take the case of Prakash. He had sent a money-order to his village for his daughter's marriage. The money did not reach his daughter at the time when she needed it nor did it reach months later. Prakash filed a case in a district level consumer court in New Delhi. All the steps he undertook are illustrated here.

1. PRAKASH GOES TO THE POST OFFICE TO SEND MONEY ORDER TO HIS DAUGHTER

2. PRAKASH COMES TO KNOW THAT THE MONEY HAS NOT REACHED HIS DAUGHTER

3. PRAKASH ENQUIRES ABOUT THE MONEY ORDER IN THE POST OFFICE

4. THE POST OFFICE DOES NOT RESPOND TO THE QUERY SATISFACTORILY

5. PRAKASH GOES TO THE LOCAL CONSUMER PROTECTION COUNCIL FOR ADVICE

6. PRAKASH GOES TO A CONSUMER COURT TO FILE A CASE.. HE FILLS A REGISTRATION FORM

CONSUMER DISPUTES REDRESSAL FORUM II
DEPARTMENT OF SALES
14/15, Connaught Place,
New Delhi 110029

REGISTRATION NO. 231000 DATE: 20.1.2000

Name of Complainant: MR. PRAKASH PANDEY
14/15, CONNAUGHT PLACE,
NEW DELHI

Name of respondent (i) POST OFFICE
KANUNJ, HAUZ KHAS,
NEW DELHI

(ii) _____
(iii) _____
(iv) _____

Value of claim: ₹ 4,000/-
Value: _____
Subject: DEFICIENCY IN SERVICE

(Signature of complainant)

7. HE HIMSELF PLEADS THE CASE IN THE COURT

8. THE COURT JUDGE VERIFIES THE DOCUMENTS

9. THE JUDGE ANNOUNCES THE COURT VERDICT.

The consumer movement in India has led to the formation of various organisations locally known as consumer forums or consumer protection councils. They guide consumers on how to file cases in the consumer court. On many occasions, they also represent individual consumers in the consumer courts. These voluntary organisations also receive financial support from the government for creating awareness among the people.

If you are living in a residential colony, you might have noticed name boards of Resident Welfare Associations. If there is any unfair trade practice meted out to their members they take up the case on their behalf.

Under COPRA, a three-tier quasi-judicial machinery at the district, state and national levels was set up for redressal of consumer disputes. The district level court deals with the cases involving claims upto Rs 20 lakhs, the state level courts between Rs 20 lakhs and Rs 1 crore and the national level court deals with cases involving claims exceeding Rs 1 crore. If a case is dismissed in district level court, the consumer can also appeal in state and then in National level courts.

Thus, the Act has enabled us as consumers to have the **right to represent** in the consumer courts.

LET'S WORK THIS OUT

Arrange the following in the correct order.

- (a) Arita files a case in the District Consumer Court.
- (b) She engages a professional person.
- (c) She realises that the dealer has given her defective material.
- (d) She starts attending the court proceedings.
- (e) She goes and complains to the dealer and the Branch office, to no effect.
- (f) She is asked to produce the bill and warranty before the court.
- (g) She purchases a wall clock from a retail outlet.
- (h) Within a few months, the dealer was ordered by the court to replace her old wall clock with a brand new one at no extra cost.

LEARNING TO BECOME WELL-INFORMED CONSUMERS

When we as consumers become conscious of our rights, while purchasing various goods and services, we will be able to discriminate and make informed choices. This calls for acquiring the knowledge and skill to become a well-informed consumer. How do we become conscious

of our rights? Look at the posters on the right and in the previous page. What do you think?

The enactment of COPRA has led to the setting up of separate departments of Consumer Affairs in central and state governments. The posters that you have seen are one example through which government spread information about legal process which people can use. You might also be seeing such advertisements on television channels.

ISI and Agmark

While buying many commodities, on the cover, you might have seen a logo with the letters ISI, Agmark or Hallmark. These logos and certification help consumers get assured of quality while purchasing the goods and services. The organisations that monitor and issue these certificates allow producers to use their logos provided they follow certain quality standards.

Though these organisations develop quality standards for many products, it is not compulsory for all the producers to follow standards. However, for some products that affect the health and safety of consumers or of products of mass consumption like LPG cylinders, food colours and additives, cement, packaged drinking water, it is mandatory on the part of the producers to get certified by these organisations.

LET'S WORK THESE OUT

1. Look at the posters and cartoons in this chapter. Think of any particular commodity and the aspects that need to be looked at as a consumer. Design a poster for this.
2. Find out the nearest consumer court for your area.
3. What is the difference between consumer protection council and consumer court?
4. The Consumer Protection Act 1986 ensures the following as rights which every consumer in India should possess
 - (i) Right to choice.
 - (ii) Right to information.
 - (iii) Right to redressal.
 - (iv) Right to representation.
 - (v) Right to safety.
 - (vi) Right to consumer education.

Categorise the following cases under different heads and mark against each in brackets.

- (a) Lata got an electric shock from a newly purchased iron. She complained to the shopkeeper immediately. ()
 - (b) John is dissatisfied with the services provided by MTNL/BSNL/TATA INDICOM for the past few months. He files a case in the District Level Consumer Forum. ()
 - (c) Your friend has been sold a medicine that has crossed the expiry date and you are advising her to lodge a complaint ().
 - (d) Iqbal makes it a point to scan through all the particulars given on the pack of any item that he buys. ()
 - (e) You are not satisfied with the services of the cable operator catering to your locality but you are unable to switch over to anybody else. ()
 - (f) You realise that you have received a defective camera from a dealer. You are complaining to the head office persistently ().
5. If the standardisation ensures the quality of a commodity, why are many goods available in the market without ISI or Agmark certification?
 6. Find out the details of who provides Hallmark and ISO certification.

TAKING THE CONSUMER MOVEMENT FORWARD

India has been observing 24 December as the National Consumers' Day. It was on this day that the Indian Parliament enacted the Consumer Protection Act in 1986. India is one of the countries that have exclusive courts for consumer redressal.

The consumer movement in India has made some progress in terms of numbers of organised groups and

their activities. There are today more than 700 consumer groups in the country of which only about 20-25 are well organised and recognised for their work.

However, the consumer redressal process is becoming cumbersome, expensive and time consuming. Many a time, consumers are required to engage lawyers. These cases require

time for filing and attending the court proceedings etc. In most purchases cash memos are not issued hence evidence is not easy to gather. Moreover most purchases in the market are small retail sales. The existing laws also are not very clear on the issue of compensation to consumers injured by defective products. After more than 25 years of the enactment of COPRA, consumer awareness in India is spreading but slowly. Besides this the enforcement

of laws that protect workers, especially in the unorganised sectors is weak. Similarly, rules and regulations for working of markets are often not followed.

Nevertheless, there is scope for consumers to realise their role and importance. It is often said that consumer movements can be effective only with the consumers' active involvement. It requires a voluntary effort and struggle involving the participation of one and all.

EXERCISES

1. Why are rules and regulations required in the marketplace? Illustrate with a few examples.
2. What factors gave birth to the consumer movement in India? Trace its evolution.
3. Explain the need for consumer consciousness by giving two examples.
4. Mention a few factors which cause exploitation of consumers.
5. What is the rationale behind the enactment of Consumer Protection Act 1986?
6. Describe some of your duties as consumers if you visit a shopping complex in your locality.
7. Suppose you buy a bottle of honey and a biscuit packet. Which logo or mark you will have to look for and why?
8. What legal measures were taken by the government to empower the consumers in India?
9. Mention some of the rights of consumers and write a few sentences on each.
10. By what means can the consumers express their solidarity?
11. Critically examine the progress of consumer movement in India.
12. Match the following.

(i) Availing details of ingredients of a product	(a) Right to safety
(ii) Agmark	(b) Dealing with consumer cases
(iii) Accident due to faulty engine in a scooter	(c) Certification of edible oil and cereals
(iv) District Consumer Court	(d) Agency that develop standards for goods and services
(v) Consumers International	(e) Right to information
(vi) Bureau of Indian Standards	(f) Global level institution of consumer welfare organisations
13. Say True or False.
 - (i) COPRA applies only to goods.
 - (ii) India is one of the many countries in the world which has exclusive courts for consumer redressal.

- (iii) When a consumer feels that he has been exploited, he must file a case in the District Consumer Court.
- (iv) It is worthwhile to move to consumer courts only if the damages incurred are of high value.
- (v) Hallmark is the certification maintained for standardisation of jewellery.
- (vi) The consumer redressal process is very simple and quick.
- (vii) A consumer has the right to get compensation depending on the degree of the damage.

ADDITIONAL PROJECTS / ACTIVITIES

1. Your school organises a consumer awareness week. As the Secretary of the Consumer Awareness Forum, draft a poster covering all the consumer rights. You may use the clues and ideas given in the poster on page 84 and 85. This activity can be done with the help of your English teacher.
2. Mrs. Krishna bought a colour television (CTV) against six months warranty. The CTV stopped working after three months. When she complained to the dealer / shop where it was purchased, they sent an engineer to set it right. The CTV continues to give trouble and Mrs Krishna no longer gets any reply to the complaint she made to the dealer / shop. She decides to write to the Consumer Forum in her area. Write a letter on her behalf. You may discuss with your partner / group members before you write it.
3. Establish a consumer club in your school. Organise mock consumer awareness workshops like monitoring bookshops, canteen, and shops in your school area.
4. Prepare posters with catchy slogans like:
 - An alert consumer is a safe consumer
 - Buyers, Beware
 - Consumers be cautious
 - Be aware of your rights
 - As consumers, assert your right
 - Arise, awake and stop not till _____ (Complete it)
5. Interview 4-5 persons in your neighbourhood and collect varied experiences regarding how they have been victims of such exploitation and their responses.
6. Conduct a survey in your locality by supplying the following questionnaire to get an idea as to how alert they are as consumers.

For each question, tick one.

	Always	Sometimes	Never
	A	B	C
1. When you buy some item, do you insist on a bill?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you keep the bill carefully?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. If you realise that you have been tricked by the shop-keeper, have you bothered to complain to him?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Have you been able to convince him that you've been cheated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you simply grumble to yourself reconciling that it is your fate that you are often being victimised so and it is nothing new?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Do you look for ISI mark, expiry date etc.?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. If the expiry date mentioned is just a month or so away, do you insist on a fresh packet?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Do you weigh the new gas cylinder/old newspapers yourself before buying/selling?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Do you raise an objection if a vegetable seller uses stones in place of the exact weight?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Do excessively bright coloured vegetables arouse your suspicion?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Are you brand-conscious?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Do you associate high price with good quality (to reassure yourself that after all you have not paid a higher price just like that)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Do you unhesitatingly respond to catchy offers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Do you compare the price paid by you with those of others?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Do you strongly believe that your shopkeeper never cheats a regular customer like you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Do you favour 'home delivery' of provision items without any doubt regarding weight etc.?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Do you insist on 'paying by meter' when you travel by auto?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Note

- (i) You are extremely aware as a consumer if your answers for Qns. 5, 12, 13, 15 and 16 are (C) and for the rest (A).
- (ii) If your answers are (A) for Qns. 5, 12, 13, 15 and 16 and the rest (C), then you have to wake up as consumer.
- (iii) If your answer is (B) for all the questions – you are somewhat aware.

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Notes

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UNDERSTANDING ECONOMIC DEVELOPMENT

SOCIAL SCIENCE TEXTBOOK FOR CLASS X



राष्ट्रीय शैक्षिक अनुसंधान और प्रशिक्षण परिषद्
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FOREWORD

The National Curriculum Framework (NCF), 2005, recommends that children's life at school must be linked to their life outside the school. This principle marks a departure from the legacy of bookish learning, which continues to shape our system, and causes a gap between the school, home and community. The syllabi and textbooks developed on the basis of NCF signify an attempt to implement this basic idea. They also attempt to discourage rote learning and the maintenance of sharp boundaries between different subject areas. We hope these measures will take us significantly further in the direction of a child-centered system of education outlined in the National Policy on Education (1986).

The success of this effort depends on the steps that school principals and teachers will take to encourage children to reflect on their own learning and to pursue imaginative activities and questions. We must recognise that, given space, time and freedom, children generate new knowledge by engaging with the information passed on to them by adults. Treating the prescribed textbook as the sole basis of examination is one of the key reasons why other resources and sites of learning are ignored. Inculcating creativity and initiative is possible if we perceive and treat children as participants in learning, not as receivers of a fixed body of knowledge.

These aims imply considerable change in school routines and mode of functioning. Flexibility in the daily time-table is as necessary as rigour in implementing the annual calendar so that the required number of teaching days are actually devoted to teaching. The methods used for teaching and evaluation will also determine how effective this textbook proves for making children's life at school a happy experience, rather than a source of stress or boredom. Syllabus designers have tried to address the problem of curricular burden by restructuring and reorienting knowledge at different stages with greater consideration for child psychology and the time available for teaching. The textbook attempts to enhance this endeavour by giving higher priority and space to opportunities for contemplation and wondering, discussion in small groups, and activities requiring hands-on experience.

The National Council of Educational Research and Training (NCERT) appreciates the hard work done by the textbook development committee responsible for this book. We wish to thank the Chairperson of the advisory committee for textbooks in Social Sciences, at the secondary level, Professor Hari Vasudevan and the Chief Advisor for this book, Professor Tapas Majumdar for guiding the work of this committee. Several teachers contributed to the development of this

textbook; we are grateful to their principals for making this possible. We are indebted to the institutions and organisations, which have generously permitted us to draw upon their resources, material and personnel. We are especially grateful to the members of the National Monitoring Committee, appointed by the Department of Secondary and Higher Education, Ministry of Human Resource Development under the Chairpersonship of Professor Mrinal Miri and Professor G.P. Deshpande, for their valuable time and contribution. As an organisation committed to systemic reform and continuous improvement in the quality of its products, NCERT welcomes comments and suggestions which will enable us to undertake further revision and refinement.

New Delhi
20 November 2006

Director
National Council of Educational
Research and Training

A FEW INTRODUCTORY WORDS FOR TEACHERS

This book introduces you to a simplified view of the process of development in the Indian economy. In Economics, we usually try to look at development as a process of change in the economic life of the people, as producers or consumers of goods and services. Sometimes, development is studied mainly as a phenomenon that acquired significance only with the growth of the modern industrial civilisation. This is because the state of development (or underdevelopment) of a country has often depended on outcomes of wars and conquests and on colonial exploitation of one country by another. However, in this book, we have not emphasised on the external factors. We have taken a long view of the process of development: a process that could have started before any external factors intervened or interrupted it. The process of development may also restart after such interruptions, and continue on independent lines after the period of subjugation ends. This has happened in the case of our own country, India.

In this book the first beginnings of development are seen in terms of the emergence of agriculture, manufacturing and services as three distinct sectors of the economy. We have also tried to look at economic development not in isolation but as part of a more general concept of human development that includes the development of health and education and other indicators that, along with income, broadly define the quality of life of a people.

In the first chapter, we will study how people actually perceive development and how it can be measured. There are various measures available for this purpose. We will look at the extent to which some of the important developmental indicators help in understanding development and how the process may affect different people differently.

Development as a process had probably started quite early in history. To begin with, perhaps no country could be distinguished as developed in the sense that we understand development. Perhaps the process would have started in most human settlements when people started living in relative peace and in more or less fixed habitations without which agriculture would not have been possible on any significant scale. Once agriculture began and developed, the extraction of other natural products, like mineral ores, probably was started. This latter process of recovering stones and other minerals is called 'quarrying'.

Humans learnt to use the non-food products like wood from trees and the minerals obtained from quarrying as raw materials for making their tools, weapons, utensils, fishing nets and so on. These were the first human-made products called 'artefacts'. Economists called the process of making the artefacts 'manufacture' as distinguished from 'agriculture (including quarrying)' that covered the gathering, cultivating or extracting of purely natural products such as fruit, rice or minerals.

The separation of productive activities between the two distinct sectors of agriculture including quarrying (also called the Primary Sector) and





manufacture (also called the Secondary Sector) was probably the first visible manifestation of economic development. This separation came about through the process of “division of labour” as Adam Smith, regarded as the father of economics had called it. The process is briefly explained below.



At first every person, or at least members of every household, presumably, had to do *everything all by themselves*. Then at some point the advantage of ‘division of labour’ must have been felt. Humans found out with experience that production became more efficient if some people concentrated on learning how to fish, others on how to till the soil, still others on how to produce pottery, or trap or hunt animals and birds for food and so on. This was also ‘development’ of a kind. Then there emerged specialists who were not themselves producing any good at all: they were people specialising in *teaching* others how to do these things better. There were also doctors who healed people when they were injured or had fallen ill. Naturally division of labour between people increased the productivity of all the people and the economy grew.



The second chapter will look at the way economic activities in a modern economy can be classified and understood within the framework of primary, secondary and tertiary sectors. The discussion here is focussed on India and the changes that have occurred in the three sectors over the past decades. Besides this, it also provides two other ways of classifying economic activities — organised and unorganised, and private and public sectors. The relevance of additional ways of classification for understanding the problems and challenges of the modern Indian economy is illustrated using real life examples and case studies.



The third chapter initiates the learners into the world of money — its role in a modern economy, forms and its linkage with various institutions such as banks. Then the chapter moves on to discuss the role of banks and other institutions in providing credit to the people. Issues stressed in the discussion on credit are (a) pervasiveness of credit in economic life across a very large section of the population (b) the preponderance of informal credit in India and (c) role of credit in creating either a self-sustaining *virtuous cycle* of productive investment, higher income streams, higher standards of living leading to more productive investments contributing to development, or a *vicious cycle* of indebtedness, poverty and debt-trap leading to increased poverty. These ideas are presented through case studies.



Globalisation is an important phenomenon, which has influenced development and people around the world in various ways. The fourth chapter focuses on a particular dimension of globalisation that is economic in nature — the complex organisation of production. How multinational companies facilitate globalisation through trade and investment is also explained. Some important factors and institutions that facilitate globalisation also find place in this chapter. In the end, the chapter appraises the impacts of globalisation (positive and negative) on the Indian economy.

Labour is the source of all wealth

The process of development leads to not only higher levels of production in different sectors of the economy, but has some down sides too. The examples and case studies in this chapter and elsewhere try to examine whether the benefits of development are spreading to all people (producers big and small, workers in the organised or unorganised sectors, consumers belonging to all

income groups, men and women and so on) or are being confined to only some privileged sections.

Our final chapter presents a relevant study of how, and to what extent, we can protect the rights of citizens as consumers. During the process of rapid development and emergence of new brands and advertisement campaigns by unscrupulous producers, consumers are often at the receiving end of business malpractices. After tracing the historical root of the consumer movement and through various real-life instances, this chapter tells of different inexpensive consumer protection mechanisms evolved over the years. It also offers details of how people can now assert some of their rights at very little expense at the special consumer courts that operate outside the existing cumbersome, expensive and time-consuming legal procedures.

Features of this Textbook

The purpose of the book is to understand the economic life around us and also to think about what we would mean by economic development for people. There are many examples and case-studies that we have used both as an aid for conceptual clarity and to relate these ideas to real life. These have to be read and used keeping this overall objective in view.

The chapters start with **Note for the teacher**. Teachers could read this page before they start teaching a chapter. It contains the details of (i) the broad approach and content of the chapter; (ii) some pointers to how the chapter could be taught; and (iii) sources for additional details relating to different topics.

There are several internal exercises in **Let's work this out**, given after each section in the chapters. This contains a few questions to review the section and open-ended questions and activities that can be taken up within and outside the classroom. Some of the internal exercises should be done in the discussion mode. Students can discuss these in groups and present their conclusions and the answers may be put up for debate with the entire class. This will require more time but it is essential as this allows students to explore and learn from each other. The intention is to allow for more interaction than is usually observed but there is no fixed formula for doing this. Each teacher would find his or her own ways and we would like to express our faith in their abilities to do so.

We have used many reference materials while preparing this book. Besides these, many news clippings, reports from government and non-government organisations were also used. Some of them are mentioned in the **Note for the teacher** and some in **Suggested Readings** given at the end of this book.

It is important that **additional information and readings** be brought into classroom discussion. This could be in the form of short surveys, interviews with people around, reference books, or newspaper clippings etc. These should then be used for reflection and creative expression by students themselves in the form of making charts, wallpaper displays, skits, debates etc.

Evaluation

While addressing the need for reforms in education, the *National Curriculum Framework 2005* and the *Position Paper of the National Focus Group on*



Examination Reforms call for a change in the way questions are asked in examinations. The questions asked in this book make a departure from an evaluation pattern that encourages rote-memorisation to one that inculcates creative thinking, imagination, reflection and hones the analytical ability of learners. Based on the examples shown here, teachers can formulate additional questions.

Questions that test the understanding of core concepts

- (a) GDP is the total value of _____ produced during a particular year.
- (i) all goods and services
 - (ii) all final goods and services
 - (iii) all intermediate goods and services
 - (iv) all intermediate and final goods and services
- (b) Analyse the role of credit for development.
- (c) In what ways will the production of cars by Ford Motors in India lead to interlinking of production?
- (d) How would flexibility in labour laws help companies?

Questions to assess analytical abilities, interpretation and coherent presentation

- (a) The following table gives the GDP in Rupees (crores) by the three sectors:

Year	primary	secondary	tertiary
1950	80,000	19,000	39,000
2000	3,14,000	2,80,000	5,55,000

- (i) Calculate the share of the three sectors in GDP for 1950 and 2000.
 - (ii) Show the data as a bar diagram similar to Graph 2 in the chapter 2.
 - (iii) What conclusions can we draw from the bar graph?
- (b) In India, about 80 per cent of farmers are small farmers, who need credit for cultivation.
- (i) Why might banks be unwilling to lend to small farmers?
 - (ii) What are the other sources from which small farmers can borrow?
 - (iii) Explain with an example how the terms of credit can be unfavourable for the small farmer.
 - (iv) Suggest some ways by which small farmers can get cheap credit.

Questions to test reflective thinking

- (a) Look at the picture (high rise buildings with slums around). What should be the developmental goals for such an area?

- (b) "The Earth has enough resources to meet the needs of all but not enough to satisfy the greed of even one person". How is this statement relevant to the discussion of development? Discuss.
- (c) "Tertiary sector is not playing any significant role in the development of Indian economy". Do you agree? Give reasons in support of your answer.
- (d) People make complaints about the lack of civic amenities such as bad roads or poor water and health facilities but no one listens. Now the RTI Act gives you the power to question. Do you agree? Discuss.

Questions that test the ability to apply concepts and ideas to real life problems / situations

- (a) What can be some of the developmental goals for your village, town or locality?
- (b) Students in a school are often classified into primary and secondary or junior and senior. What is the criterion used here? Do you think this is useful classification?
- (c) In what ways can employment be increased in urban areas?
- (d) What do you understand by disguised unemployment? Explain with an example each from the urban and rural areas.
- (e) Describe some of your duties as consumers if you visit a shopping complex in your locality.

It is also necessary to develop questions that require students to draw from one or more areas of the syllabus for making relevant connections between materials from different chapters. For instance, in Chapter 4 one question links to Chapter 1— *In chapter 1, we saw what may be development for one may be destructive for others. The setting of SEZs has been opposed by some people in India. Find out who are these people and why are they opposing it.*

We hope that you along with your students would look at this textbook itself in a critical manner and send us your critique, questions, clarification, etc. to the following address. AND we could continue this discussion further.

PROGRAMME COORDINATOR

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TEXTBOOK DEVELOPMENT COMMITTEE

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a ¹**[SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC]** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the ²[unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)

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