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HPSC – HCS

(HARYANA PUBLIC SERVICE COMMISSION)

PRELIMS AND MAINS EXAM

Part – 5

Indian Economics + International Relation

PREFACE

Dear Aspirants, Presented Notes "**HPSC - CSE (PRE + MAINS)**" have been prepared by a team of teachers, colleagues and toppers who are expert in various subjects. These notes will help the Aspirants to the fullest extent possible in the examination of Haryana Civil Services conducted by the "**HARYANA PUBLIC SERVICE COMMISSION (HPSC).**"

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Indian Economics and IR

INDIAN ECONOMICS

Chapter – 1

General Introduction to Economics

Introduction:

- The term "Economics" originates from the Greek word "Oikonomia."
- The word "Oikonomia" is composed of two terms: "Oikos" and "Nomos."
- "Oikos" means household or family, while "Nomos" means management. Thus, "Oikonomia" is related to the study of the process of household management.

Difference between economics and economy?:-

Economics	Economy
Economics involves the study of subjects and theories.	The economy studies behavior and actions.
Economics is purely a field of study.	The economy plays a role in execution (performance).
Adam Smith is considered the father of Economics, and his book "The Wealth of Nations" elaborates on economic principles.	When we define a country in terms of all its economic activities, it is referred to as the economy.
Economics has two branches: (i) Microeconomics and (ii) Macroeconomics.	The economy is divided into three parts: Capitalist Economy, Socialist Economy, and Mixed Economy.
	The economy represents the practical aspect of economics in a specific country or region, such as the Indian economy, Chinese economy, and American economy, etc.

Branches of Economics

Economics has two branches, which are as follows:

1. **Microeconomics**
2. **Macroeconomics**

Types of Economy

A. Capitalist Economy:

- An economy where the means of production are privately owned and goods and services are produced for private profit is called a capitalist economy.
- Here, there is minimal government control over economic activities, and the private sector is more effective and independent.
- Adam Smith's "The Wealth of Nations" provides a philosophical basis for capitalism.
- Countries like the USA and Western European nations support capitalism.

Advantages or Features of Capitalism:

- Capitalism promotes innovation.
- Both capitalism and society focus on freedom and opportunity.
- Capitalism meets the needs of the population.
- Capitalism is self-regulating.
- Capitalism overall helps societies.

Disadvantages or Flaws of Capitalism:

- Inequality in the distribution of wealth and income.
- Class struggle is inevitable in a capitalist economy.
- High social costs.
- Instability of the capitalist economy.
- Unemployment and underemployment.
- Insufficient social security for the working class.

B. Socialist Economy:

- Emphasizes collective control of production and distribution.
- Achieves public welfare objectives through a regulated private sector.
- Countries like India, Bangladesh, and Brazil, among many developing nations, support socialism.
- Buddhism and Jainism oppose the accumulation of excessive resources, which aligns with the concept of socialism.
- Ashoka's edicts provide information about a welfare state, while Rudradaman's Junagadh inscription serves as evidence of the construction of Sudarshan Lake.
- Similarly, during medieval times, Firoz Shah Tughlaq's construction of canals and pension schemes for the unemployed reflect socialist initiatives.

Arguments or Advantages of Socialism

End of Exploitation:

- Socialism opposes the exploitation of workers and the poor, which is why the world's laborers and farmers support it.

Based on Social Justice:

- In a socialist system, the interests of all individuals are prioritized over those of any particular class. This system aims to eliminate the injustices of capitalists and support the establishment of a classless society with minimal inequality.

Production Goals Based on Social Needs:

- Unlike an individualistic system that focuses on personal profit, a socialist system emphasizes producing based on social needs and interests, ensuring that production benefits the majority.

Societal Control over Production:

- Socialists believe that by establishing state ownership over the means of production and distribution, inequality can be eliminated.
- Equal opportunities for advancement for everyone.
- Opposition to imperialism.

Criticisms or Arguments against Socialism

Expansion of State Functions:

- In socialism, the state has authority in both economic and political spheres, leading to an extensive area of operations. This can result in inefficient management and execution of state functions.

Reduction in Production:

- Critics argue that if the means of production are entirely controlled by society, individual motivation to work will diminish, leading to decreased productivity. Without opportunities to showcase their abilities, the quantity of goods produced will fall.

Opposition to Democracy:

- In democracy, individual existence holds a significant place, whereas in socialism, individuals become mere cogs in a vast state machinery.

Importance of Bureaucracy:

- The increase in state functions under socialism raises the significance of bureaucracy, where decisions are made by government employees, potentially leading to increased corruption.

Promotion of Violence:

- Socialism often adopts revolutionary and violent methods to achieve its goals, showing a lack of faith in peaceful approaches. This emphasis on class struggle can create discord and division within society, making complete equality impossible.

C. Mixed Economy

- In a mixed economy, some production plans are initiated directly by the state or through its nationalized industries, while others are left to private enterprises.
- This means that both the socialist sector (public sector) and the capitalist sector (private sector) coexist and complement each other.
- It can be described as a halfway house between a market economy and socialism.
- In a mixed economy, both public and private institutions exercise economic control, thus attempting to secure the benefits of both capitalism and socialism.

Advantages of Mixed Economy

Encouragement of the Private Sector:

- The most significant advantage of a mixed economy is that it encourages the private sector, providing it with ample opportunities for growth.
- This leads to an increase in capital formation within the country.

Freedom:

- In a mixed economy, there is both economic and business freedom characteristic of a capitalist system.
- Individuals have the freedom to choose any profession they like.
- Similarly, every producer can make decisions regarding production and consumption.

Optimal Use of Resources:

- Under this system, both the private and public sectors work towards the efficient use of resources.
- The public sector aims for social benefits while the private sector seeks to maximize profits through the optimal utilization of these resources.

Benefits of Economic Planning

- In a mixed economy, all the advantages of economic planning are present.

- The government takes measures to control economic fluctuations and address other economic ills.

Lower Economic Inequalities:

- While capitalism increases economic inequalities, a mixed economy allows the government to control these disparities effectively.

Competition and Efficient Production:

- The competition between the private and public sectors maintains a high level of efficiency.
- All factors of production work efficiently with the expectation of profit.

Social Welfare:

- This system prioritizes social welfare through effective economic planning.
- The government regulates the private sector.
- Production and pricing policies in the private sector are designed to maximize social welfare.

Economic Development:

- In this system, both the government and private sectors collaborate to develop socio-economic infrastructure.
- Additionally, the government implements various legislative measures to protect the interests of the poor and vulnerable sections of society.
- Therefore, for any underdeveloped country, a mixed economy is a suitable choice.

Disadvantages of Mixed Economy

Instability:

- Some economists argue that mixed economies are the most unstable.
- The public sector receives maximum benefits while the private sector remains regulated.

Inefficiency in Sectors:

- Under this system, both sectors can be ineffective.
- The private sector does not receive full freedom, leading to inefficiency.
- This can also lead to inefficiency in the public sector.
- In essence, both sectors are not only competitive but also complementary.

Delay in Economic Decisions:

- In a mixed economy, there is often a delay in decision-making, particularly in the public sector.
- Such delays become a significant obstacle to the smooth operation of the economy.

Excessive Waste:

- Another issue with the mixed economic system is the wastage of resources.
- A portion of the funds allocated for various projects in the public sector often ends up in the pockets of intermediaries.
- This leads to the misuse of resources.

Corruption and Black Market:

- Corruption and black market activities are common in this system.
- Political parties and self-serving individuals exploit the public sector for undue advantages.
- This leads to various evils such as black money, bribery, tax evasion, and other illegal activities.
- All of these ultimately contribute to bureaucratic red tape within the system.

Risk of Nationalism:

- In a mixed economy, there is a constant fear of nationalism in the private sector.
- As a result, the private sector may not utilize its resources for general benefits.

Sectors of the Economy

Primary Sector:

- This sector of the economy involves the extraction of natural resources in their raw form and accounts for the natural areas of the economy.
- It is also referred to as the sector related to agriculture and related activities.
- It includes areas such as agriculture, fishing, forestry, mining, and excavation.

Secondary Sector:

- This sector consumes products obtained from the primary sector as raw materials in its activities.
- It is also known as the industrial sector.
- Examples include manufacturing, construction, textiles, and electronics.

Tertiary Sector:

- This sector produces various types of services.
- Hence, it is also called the service sector, including activities such as trade, hotels, storage, insurance, and commerce.

8. Mixed economy means-

(A) Coexistence of large and cottage industries

(B) Cooperation of foreign countries in industrial development

(C) Coexistence of public and private sectors

(D) None of the above

Answer: (C)

9. At present, what is the position of India in the world in terms of economy?

(A) 3

(B) 4

(C) 5

(D) 7

Answer: (C)

10. Whose book is Arthashastra?

(A) Adam Smith

(B) Kautilya

(C) Magnesthese

(D) None of these

Answer: (D)

Chapter – 2

National Income

Gross Domestic Product (GDP)

- Gross Domestic Product (GDP) refers to the total value added by all entrepreneurs, whether residents or non-residents, within a country's domestic boundaries during a fiscal year.
- Similarly, the value added by the country's citizens abroad contributes to that country's GDP.

Domestic Boundaries of a Country

- **Domestic Income (or Domestic Product)**: The income generated (Factor Income) within the domestic boundaries of a country during a fiscal year is referred to as domestic income. Therefore, it is essential to understand the concept of domestic boundaries.
- **Definition of Domestic Boundaries**: In common language, the domestic boundaries of a nation refer to the geographical area within its political borders. However, in the context of national income accounting, the term is used in a broader sense.
- **Components Included:**

1. **Geographical Area**: This includes the territory of the country, which encompasses its maritime boundaries.
2. **Transport Vessels**: Aircraft and ships operated by the country's residents in various parts of the world. For example, Indian vessels operating regularly between Japan and Korea, or Air India flights between England and Canada, are considered part of India's domestic boundaries.

- **Fishing Vessels and Platforms**: Fishing boats, oil and natural gas rigs, and floating platforms operated by the country's residents in international waters, where the country has exclusive rights to resources, are also included. For instance, Indian fishermen operating in the Indian Ocean's international waterways fall under India's domestic boundaries.
- **Diplomatic Missions**: Embassies, consulates, and military establishments located abroad

are also considered part of a country's domestic boundaries. For example, the Indian embassy in the United States is part of India's domestic boundaries, just as the U.S. embassy in India is part of the United States' domestic boundaries.

Net Domestic Product (NDP)

- To find Net Domestic Product, consumption (depreciation) of capital stock has to be subtracted from GDP.
- In the form of mathematical equation, NDP = GDP = Depreciation
- Concept of market price and factor (factor) cost
  - National income/national product can also be expressed in terms of market price or factor (factor) cost.
  - National income/product (or domestic income/product) expressed in market price is called national income at market price (or domestic income at market price).
  - Similarly, national income expressed in terms of factor (factor) cost is called national income at factor cost.

The following difference is found between these two. Market price includes two effects –

(i) Effect of subsidies due to which market price decreases.

(ii) Effect of indirect taxes due to which market price increases. Factor cost is free from the effect of subsidies or indirect taxes. Accordingly, the following equation is used to convert national income (or domestic income) at market price into national income/national product at factor cost:

- National income at market price - indirect taxes + economic = national income at factor cost
- Subsidies which reduce the market price are added to it and indirect taxes which increase the market price are subtracted from it.
- The above equation is also written in the following manner: (National income at market price - net indirect taxes = national income at factor cost) (Net indirect taxes = indirect taxes – economic aid)

Gross National Product (GNP)

- Gross National Product means the gross value of final goods and services produced by the common citizens of a country within or outside the domestic boundary of the country during a period of one year.
- It can be estimated by adding net foreign factor income to domestic product.

  (GNP = GDP + X – M)

  In which

  X = Income earned by countrymen abroad

  M = Income earned by foreigners in the country

  It is clear from the above equation that if X = M, then GNP = GDP. Similarly, under a closed economy, when X - M = 0 (zero), then GNP will be GDP.

Net National Product (NNP)

- To find out net national product, consumption (depreciation) of capital stock has to be subtracted from GNP.
- **In the form of mathematical equation-**

  (NNP = GNP – Depreciation)

National Income

- When NNP is evaluated or measured at factor cost, then it is known as national income.
- To find this, indirect taxes have to be subtracted from the Net National Product (NNP) estimated at market price, while subsidies have to be added. The value thus found is called Net National Product at Factor Cost or National Income.

Mathematical Equation:

- **Net National Product (NNP) or National Income (NI) = NNP at market prices - Indirect taxes + Subsidies**

Understanding National Income:

- National income refers to the monetary value of all final goods and services produced in a country within a year. This includes the value of all final goods and services produced by residents, whether inside or outside the country's borders. It also includes income earned from abroad. It is often referred to as national output.

Key Points about National Income:

1. National income is measured in monetary terms.
2. It only includes the value of final goods and services, not intermediate goods.
3. The value of second-hand goods is not included in national income.
4. Services provided by housewives and activities like gardening for personal use are excluded from national income.

year, estimated at the prices of the base year. It increases when there is an increase in the quantity of output in the economy.

Personal Income

- **Personal Income** is the actual income received by residents of a country. To calculate personal income, you start with national income (Net National Product at cost) and subtract corporate taxes, payments for social security provisions, business transfer payments, and net interest paid by the government.

Difference between National Income and Personal Income

1. **Scope**: National income includes income from both public and private sectors, while personal income includes only the private sector's income.
2. **Types of Income**: National income consists only of factor income (like wages and rent) and does not include transfer payments. Personal income includes factor income plus current transfers from the government and the rest of the world.
3. **Interest on National Debt**: Interest paid on national debt is not included in national income but is included in personal income.

Disposable Personal Income

- **Disposable Personal Income** is calculated by subtracting personal direct taxes from personal income:
  - **Disposable Personal Income = Personal Income - Personal Direct Taxes**

Measurement of National Income

The main methods to measure national income are:

1. **Production Method**:- This method estimates national income based on production. The economy is divided into sectors like agriculture, industry, and services. The total production of goods and services in a year is summed up, using their market prices rather than just production totals.
2. **Income Method**:- This method measures national income by adding the returns from factors of production (like wages and rents). To find the total income, the per capita net income is multiplied by the number of people in that sector. The income of all sectors is added up to find the national income, ensuring transfer payments are excluded.
3. **Expenditure Method**:- Also known as the consumption-saving method, this approach states that total income is either spent on consumption or saved. National income is the sum of total consumption and total savings. Accurate data on consumer income and savings is needed for this method, which can be hard to obtain, making it less commonly used.

- In India, a combination of the production method and the income method is used to calculate national income.

"National income and related concepts - An overview."

(Gross Domestic Product at Market Prices GDPMP)	= Market value of final goods and services produced by all producers within the domestic territory of the country in an accounting year
2. Gross National Product at Market Prices (GNPMP)	= GDPMP, + Net factor income received from abroad
3. Net National Product at Market Prices (NNPMP)	= GNPMP - Consumption or depreciation of fixed capital
4. Net Domestic Product at Market Prices (NDPMP)	= MNPMP - Net factor income received from abroad
5. Net Domestic Product or Net Domestic Income at Factor Cost (NDPpC)	= NDPPC - Indirect taxes + Subsidies
6. Gross Domestic Product at Factor Cost (GDPpC)	= NDPPC- Depreciation
7. Gross National Product at Factor Cost (GNPpC)	= GDPPC - Net factor income received from abroad
8. Net National Product or National Income at Factor Cost (NNPpC)	= GNPPC- Depreciation

Sectoral contribution to India's national income

Sectors of the Economy

Sector	Components
Primary Sector	Agriculture, Forestry, Fisheries, Mining
Secondary Sector	Manufacturing and Construction
Tertiary Sector	Trade, Transport, Communication, Banking, Insurance, Real Estate, Social and Personal Services

- Over the years, the contribution of the primary sector to national income has decreased, while the contributions of the secondary and tertiary sectors have increased.

Green National Income

- **Green National Income** is calculated by subtracting the monetary value of environmental damage caused during production processes from the total output of goods and net production in a year.

Green GDP

- **Green GDP** refers to creating an economic development index that considers environmental impacts. It indicates how much biodiversity has been harmed for economic growth and the overall effect on the environment.
- **Calculation**: Green GDP is derived by subtracting the monetary value of natural capital consumption (which includes resource depletion and environmental degradation) from the Gross Domestic Product (GDP).

Green GNP

- **Green GNP** represents the maximum possible per capita production over a given period while maintaining the country's natural resources.
- The concept of Green GNP was introduced in 1995 and includes data from 192 countries. [Green GNP = Total Growth - Natural (Environmental) Loss]

Green Index

- The **Green Index** developed by the World Bank assesses a country's wealth based on three components: produced assets, natural resources, and human resources, which help calculate per capita income.
- This index was developed in 1995.

Calculation of National Income in India

- The first estimate of Indian national income was made by Dadabhai Naoroji in 1868 in his book "Poverty and Un-British Rule in India."
- Others like Shah, Khambata, Findlay Shiraz, Wadia, and Joshi also estimated national income, but their methods lacked scientific basis and were primarily based on agricultural production.
- In 1931-32, Dr. V. K. R. V. Rao scientifically calculated national income and introduced the national income accounting system, earning him the title "Father of National Income Accounting."
- Dr. Rao used a combination of the Production Method and the Income Method for his calculations. His estimates are considered the most reliable, and the National Income Committee and the Central Statistical Organisation accepted his methods with some modifications.

Hindu Growth Rate

- The **Hindu Growth Rate** refers to the national income or real growth rate of the Indian economy.
- The concept was proposed by **Prof. Raj Krishna**.
- Before economic reforms began, the annual economic growth rate in India during the mid-1950s was **3.5%**, which is known as the Hindu Growth Rate.
- Between **1950 and 1980**, this growth rate remained around **3% to 4%**. Former minister **Arun Shourie** referred to this as the socialist growth rate.
- After the liberalization policy adopted in **1991**, India succeeded in moving beyond this growth rate.

Important Organizations Related to National Income Calculation in India

1. **Central Statistical Organisation (CSO):**
    - Established on **August 4, 1949**, under the leadership of **Prof. P.C. Mahalanobis** at the Indian Statistical Institute in Kolkata, following recommendations of a national income committee.
    - The announcement of CSO's establishment was made in **1949**, with its headquarters in **New Delhi**. The CSO is responsible for calculating national income and related aspects in India.
    - The CSO divides the Indian economy into three sectors: primary, secondary, and tertiary, as well as **14 sub-sectors**.

Chapter – 3

Banking Study

- A bank is a financial institution that accepts money from the public and provides loans to people.
- People deposit their savings for security or to earn interest and withdraw money as needed.
- Banks earn interest by lending the money they receive from deposits to traders and businesses.

Banking in India

- The first bank established in India was the Bank of Hindustan, founded by Alexandey and Company in 1770. It closed down after some time.
- Later, three presidency banks were set up by private and government shareholders: the Bank of Bengal in 1806, the Bank of Bombay in 1840, and the Bank of Madras in 1843.
- The Bank of Madras controlled these three banks. Their functions were later limited. In 1921, these banks were merged to form the Imperial Bank of India, which was renamed the State Bank of India after nationalization on July 1, 1955.
- The first limited liability Indian bank was the Awadh Commercial Bank, established in Faizabad in 1881.
- Following that, the Punjab National Bank was founded in Lahore in 1894, becoming the first fully Indian bank.

Major banks established in India and their establishment

Name of Bank	Year of establishment
The Bank of Hindustan	1770
Bank of Bengal	1806
Bank of Bombay	1840
Bank of Mudras	1843
Allahabad Bank	1865
Alliance Bank of Shimla	1881
Awadh Commercial Bank	1881
Punjab Nation Bank	1894
Bank of India	1906
Punjab & Sind Bank	1908
Bank of Baroda	1909
Central Bank of India	1911
Bank of Mysore	1913
Imperial Bank of India	1921
Reserve Bank of India	1935
State Bank of India	1955

Reserve Bank of India

- It is the central bank of India.
- The Reserve Bank of India (RBI) was established on April 1, 1935, with an authorized capital of 5 crores, based on the recommendations of the Central Banking Inquiry Committee and the RBI Act of 1934.
- The RBI was nationalized on January 1, 1949. Its first governor was Sir Osborne Smith (1935-37).
- During India's independence, the governor was Sir C.D. Deshmukh (1943-49).
- The operations of the RBI are managed by the Central Board of Directors.
- The country is divided into four regions: North, South, East, and West.
- Each region has a local board with 5 members.
- The Central Board consists of 1 governor and up to 4 deputy governors, appointed by the central government for five years.
- The current 25th governor of RBI is Shaktikant Das (since December 12, 2018).
- Local boards have offices in New Delhi, Chennai, Kolkata, and Mumbai.
- Local boards operate under the orders of the Central Board.
- The main office of the RBI is located in Mumbai, with local headquarters in New Delhi, Kolkata, and Chennai.

Functions of RBI

- The RBI has the exclusive right to issue currency notes, except for one rupee notes and coins.
- The RBI acts as the representative of the government for distributing one rupee notes and small coins in the country.
- To issue currency notes, the RBI currently follows the Minimum Reserve System. Under this system, the RBI must hold at least 200 crores worth of gold and foreign securities at all times, with the gold value being no less than 115 crores. This system was adopted by the RBI after 1957.

- **NOTE:** There is another system for printing new notes called the Fractional Reserve System, but it is not used in India. Under this system, as the value of new notes increases, the reserves must also be increased in the same proportion.
- **NOTE:** The circulation of ₹1000 notes has been discontinued since November 8, 2016.

NOTE: Coins have limited legal tender status in India, while paper notes have unlimited legal tender status. This means that coins can only be used for payments up to a certain limit. In contrast, paper notes can be used for payments without any limit.

Production of Coins

- The Government of India has five mints for producing coins, testing gold and silver, and making medals. These mints are located in Mumbai, Alipur (Kolkata), Safabad (Hyderabad), Cherlapally (Hyderabad), and Noida.
- In addition to coins, various types of medals are also produced in these mints.
- **NOTE:** The circulation of 25 paise and lower value coins has been discontinued since July 2011. This means that the 50 paise coin is now the lowest legal currency in the country.

1. India Security Press, Nashik (Maharashtra)

- The India Security Press prints postal stationery, postal and non-postal stamps, court and non-court stamps, checks for banks (RBI and SBI), bonds, national savings certificates, and securities for state governments and public sector enterprises.

2. Security Printing Press, Hyderabad

- The Security Printing Press in Hyderabad was established to meet the demand for postal stationery in southern states. It also prints central excise stamps for the entire country.

3. Currency Note Press, Nashik (Maharashtra)

- This press prints and supplies banknotes of ₹1, ₹2, ₹5, ₹10, ₹50, ₹100, ₹500, and ₹2000.

4. Bank Note Press, Dewas (Madhya Pradesh)

- The Bank Note Press in Dewas prints high-value notes of ₹20, ₹50, ₹100, ₹500, and ₹2000.
- The ink factory at this press produces ink for security papers.

5. Salboni (West Bengal) and Mysore (Karnataka)

- The Reserve Bank of India has established two new and modern currency note presses here, where currency notes are printed under the control of the Reserve Bank.

6. Security Paper Mill, Hoshangabad (Madhya Pradesh)

- The Security Paper Mill in Hoshangabad was started in 1967-68 to produce paper used for banknotes and non-judicial stamp papers.

Functions of the Reserve Bank as the Banker to the Government

- As the banker to the government, the Reserve Bank performs the following tasks:

1. Receives and pays funds on behalf of the central and state governments.
2. Accepts loans from the public on behalf of the central and state governments.
3. Transfers government funds.
4. Manages foreign exchange for the central and state governments.
5. Provides economic advice to the central and state governments.

Functions of the Reserve Bank as the Banker to Banks

- As the banker to banks, the Reserve Bank does the following:

1. Acts as the lender of last resort for commercial banks.
2. Regulates the credit policy of banks.
3. Has broad powers under the Banking Regulation Act of 1949, including inspecting scheduled banks and granting licenses for new banks.

Protecting Foreign Exchange Reserves

- The Reserve Bank also acts as the custodian of the country's foreign exchange reserves, maintaining foreign currency reserves to support international trade and stabilize exchange rates.

Arranging Agricultural Credit

- The Reserve Bank has established an Agricultural Credit Department to research issues related to agricultural credit.

Clearing House Functions

- As the central bank, the Reserve Bank provides a clearing house facility for banks, facilitating the transfer of money between member banks.

Controlling Credit

- To control credit and currency, the Reserve Bank works to balance the demand and supply of money and credit in the country, which is essential for maintaining monetary stability.

Assisting Industrial Finance

- The Reserve Bank holds substantial shares in Industrial Finance Corporations and State Finance Corporations and can provide long-term and medium-term loans when needed.

Collecting Economic Data

- The Reserve Bank collects and publishes data related to currency, credit, banking, finance, agriculture, and industrial production. This data helps in understanding various economic issues in the country.

Current Currency System of India

- The unit of the Indian currency system is the rupee, which includes both paper currency and coins. Coins and one rupee notes (signed by the Finance Secretary of the Government of India) are issued by the Government of India, while currency notes of ₹2, ₹5, ₹10, ₹20, ₹50, ₹100, ₹500, and ₹2000 are issued by the Reserve Bank of India.

Control of Credit

- The Reserve Bank employs two types of methods for credit control and regulation:
  (A) Quantitative Credit Control
  (B) Qualitative Credit Control

(A) Quantitative Methods

- These methods can affect the total money supply/credit in an economy. They do not direct or limit the flow of credit to any specific sector of the economy. The quantitative methods include:

Bank Rate	• The **bank rate** is the interest rate at which the Reserve Bank of India provides long-term loans to commercial banks. • **Impact**: Changes in the bank rate directly affect the interest rates on loans allocated by commercial banks. The Reserve Bank sets a fixed percentage of the total statutory liquidity of scheduled banks as their base quota. • Banks can borrow from the Reserve Bank at the bank rate up to the limit of this established quota. If they borrow beyond this limit, they must pay a penal rate of interest in addition to the bank rate. • An increase or decrease in the bank rate leads commercial banks to adjust the interest rates on the loans they offer accordingly. • **NOTE**: The **base rate** is the minimum interest rate at which scheduled commercial banks can offer loans. It was introduced in 2010, replacing the previously used Prime Lending Rate (PLR).
Cash Reserve Ratio (CRR)	• Each commercial bank is required to keep a certain percentage of its deposits in cash with the Reserve Bank of India. This is known as the **Cash Reserve Ratio (CRR)**. • The Reserve Bank does not pay any interest on this cash reserve to the banks. • When the Reserve Bank wants to increase the money supply, it reduces the CRR. Conversely, if it aims to decrease the money supply, it raises the CRR.
Statutory Liquidity Ratio (SLR)	• Each bank is required to maintain a certain percentage of its total deposits in cash or other liquid assets (such as gold and approved securities, including government securities). This requirement is known as the **Statutory Liquidity Ratio (SLR)**. • If the Reserve Bank wants to expand the credit supply, it reduces the SLR, allowing banks to increase their liquid funds. • Conversely, if the Reserve Bank aims to contract credit, it raises the SLR, reducing the liquid funds available to banks.
Repo Rate	• The **repo rate** is the rate at which the Reserve Bank lends short-term loans to banks, injecting additional liquidity into the economy. • Changes in the repo rate directly impact the interest rates on loans offered by commercial banks. • It is used to increase or decrease the immediate money supply. During economic slowdowns, the repo rate is lowered to boost liquidity. As the economy recovers, the repo rate is raised to reduce liquidity.

- *Indian banks have the highest number of branches in the UK (30), followed by Hong Kong (19), Singapore (17), UAE (13), and Sri Lanka (10).*
- *Currently, India has 12 public sector banks, 22 private sector banks, 44 foreign banks, 56 rural banks, 1,485 urban cooperative banks, and 9,600 rural cooperative banks.*
- ***Note:** As per the 2021-22 budget, the government is disinvesting IDBI Bank and privatizing two public banks.*
- *In 2016-17, branches of Indian banks abroad increased by 36.5%, while foreign banks' branches in India grew by 20.6%.*

Committees and Schemes Formed for Banking Sector Reforms

Narasimham Committee

- *After the nationalization of banks, all banks in India became public sector banks, but their financial condition continued to deteriorate.*
- *Banking operations almost came to a standstill, leading to a decline in both competition and quality.*
- *To reform the banking sector, a nine-member committee was formed in August 1991 under the chairmanship of former RBI Governor M. Narasimham.*
- *The committee presented its report on November 17, 1991.*

Key Recommendations of the Narasimham Committee

- *The process of bank nationalization should be stopped.*
- *All branches of banks should be fully computerized.*
- *Public sector banks and private sector banks should be given equal status without any discrimination.*
- *Weak banks should be merged with healthy banks.*
- *Some Indian banks, like SBI, should be promoted to a world-class level (this included the merger of SBI's associate banks into SBI).*
- *RBI should be allowed to free banks from restrictions on deposit rates.*
- *Profitable public banks should be permitted to list on stock exchanges.*
- *CRR (Cash Reserve Ratio) and SLR (Statutory Liquidity Ratio) should be reduced to allow banks to have more operational funds. (As a result, the RBI Amendment Act 2006 abolished maximum and minimum CRR limits and removed the minimum limit for SLR.)*
- *Asset Reconstruction Companies (ARCs) should be established to recover banks' Non-Performing Assets (NPAs).*
- *Improvements should be made in the lending to priority sectors, leaving it to banks to decide how much loan to provide to these sectors.*

Narasimham Committee II

- *This committee was formed on December 26, 1997, and presented its report to the Finance Minister on April 22, 1998.*
- *The committee aimed to review all aspects related to the financial structure, organization, operations, and procedures.*
- *It recommended full convertibility of the rupee in the capital account but emphasized strengthening and stabilizing the country's financial system first.*
- *The committee suggested improving the quality of bank assets, reducing non-performing assets (NPAs), and increasing the capital adequacy ratio.*
- *It recommended the establishment of an Asset Reconstruction Fund to acquire bad assets and recommended granting autonomy to the Board for Financial Supervision (BFS) to separate regulatory actions from RBI's oversight.*
- *Additionally, the committee suggested freeing banks from political influence, including professionals in the board of directors, and ensuring proper investigation before taking action against any bank employee.*

Damodaran Committee

- *Established in 2011, the Damodaran Committee submitted its report to the government in August 2011.*
- *Chaired by former SEBI Chairman M. Damodaran, the committee made several important recommendations for improving banking services.*
- *The report also invited public comments from the RBI.*
- *The committee suggested abolishing the concept of "minimum balance" and recommended making essential services free of charge.*
- *It provided insights on home loans and the establishment of free call centers.*

Khandelwal Committee

- *This committee was formed to improve human resources in banks.*

- The committee made the following suggestions:
  - Focus on human resource management in areas like recruitment, planning, training, future strategies, performance management, reward management, succession planning, leadership development, motivation, business perspectives in HR, salary, service conditions, and welfare.

Various Committees Formed for Banking Sector Reforms

These committees have played a crucial role in recommending measures for enhancing the efficiency and effectiveness of the banking sector in India.

Name	Year of formation	Field of work
1991	Goiporia Committee	To improve customer service
1993	Ghosh Committee	To prevent fraud in banks
1994	Nayak Committee	To provide loans to small and medium industries
1997	Tarapore Committee	For capital account convertibility in foreign exchange
1998	RV Gupta Committee	For the field of agricultural loans
1998	Khan Committee	For the quorum of universal banking
1999	Verma Committee	For problems and solutions of weak banks
2001	Reddy Committee	For improvement in the system related to small savings
2001	Khanna Committee	For changes in the framework of non-performing assets
2007	Deepak Parikh Committee	For giving suggestions in the financial matter of the based structure
2009	Subbarao Committee	For advice on monetary policy technology

Banks Board Bureau (BBB)

- The Indian government approved the establishment of the Banks Board Bureau on August 14, 2015, to make the banking system more transparent and practical.
- The BBB began its operations on March 1, 2016, under the leadership of former Comptroller and Auditor General Vinod Rai.
- The bureau will take administrative decisions related to public sector banks.
- Its primary function includes appointing top officials of these banks.
- The BBB consists of a six-member board, with three members selected by the government and the other three appointed by the banking sector.
- Over the next five years, the BBB has been assigned several responsibilities to facilitate an investment of ₹1.8 lakh crore.

Gold Monetization Scheme

- The Reserve Bank of India (RBI) issued guidelines for the Gold Monetization Scheme on October 22, 2015.
- Under this scheme, there is no maximum limit for deposits.
- A minimum deposit of 30 grams of pure gold is required.
- This scheme is intended to replace older gold deposit schemes, and deposits will be accepted only after purity testing.
- Gold can be deposited for varying terms: short-term (1-3 years), medium-term (5-7 years), and long-term (12-15 years).
- There will be a penalty for withdrawing gold before the agreed period.
- According to the RBI, short-term deposits will enhance the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).

Non-Performing Asset (NPA)

- An NPA is a borrower's account in which interest and principal repayments are overdue for 90 days. In other words, it's an asset from which the bank has not received any payment for 90 days.
- For Non-Banking Financial Companies (NBFCs), this period is 180 days.
- In the case of agricultural loans, an account is classified as an NPA if payment is not made over two consecutive crop seasons.

Definition of NPA in Agriculture

- For short-duration crops, an agricultural loan becomes an NPA if payments are not made for two check dishonor, money laundering, and committing fraud with creditors.

- **NOTE**: In 2019, the Enforcement Directorate (ED) seized assets worth approximately 329.66 crore rupees from diamond trader Nirav Modi under the Fugitive Economic Offender Act (FEO). This was the first time in the country that assets were seized under the Fugitive Economic Offender Act.

Basel Standards

- The standards set to give banks and financial institutions an international shape are called the "Basel Standards."
- These standards are recognized globally and help banks better manage financial risks and strengthen their financial position.
- The "Basel Committee on Banking Supervision" (BCBS) issues these standards. Since the committee's secretariat is located in Basel, Switzerland, at the "Bank for International Settlements" (BIS), they are known as Basel Standards.
- The Basel Committee was formed in 1974 under the BIS to supervise banking in G-10 countries. In 1988, it provided rules for the minimum capital requirements related to credit risk, known as the "Basel-I standard," which focused entirely on credit risk. In June 2004, Basel-II standards were established, setting requirements for banks to hold a certain amount of money to manage international financial risks.

Basel-III

- These standards were issued on December 3, 2010, and are the third phase of the Basel agreements.
- They focus on risk management in the banking sector (Basel-I and Basel-II were earlier versions but were less strict).
- Basel-III standards have been implemented in phases starting from March 31, 2015.
- They are a comprehensive set of measures prepared by the Basel Committee to strengthen regulation, supervision, and risk management in banking.
- Basel-III is the next step in improving the regulatory framework established under Basel-I and Basel-II. It aims to enhance banks' ability to handle financial and economic stress, improve risk management, and strengthen transparency.

Non-Banking Financial Company (NBFC)

- A non-banking financial company is an entity registered under the Companies Act of 1956, primarily engaged in lending and investing in various types of shares, securities, insurance business, and chit funds.
- NBFCs play a significant role in the Indian financial system.
- These institutions form a diverse group (excluding commercial cooperative banks) that perform financial intermediation in various ways, such as accepting deposits, providing loans and advances, raising funds directly or indirectly, lending to end consumers, and offering advances to wholesalers, retailers, and small industries.

Difference between Banks and Non-Banking Financial Companies (NBFCs)

Banks	Non-Banking Financial Companies
Banks can accept demand deposits.	NBFCs cannot accept demand deposits.
Banks are part of the payment and settlement system and can issue self-payable cheques.	NBFCs are not part of the payment and settlement system and cannot issue payable cheques on their own.
Depositors of banks are covered under the Deposit Insurance and Credit Guarantee Corporation.	Unlike banks, NBFC depositors are not entitled to the deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation.

RBI Guidelines for NBFCs

- The Reserve Bank of India (RBI) has set guidelines for private sector banks. Good-performing NBFCs (Non-Banking Financial Companies) can become private banks based on the following criteria:
  - An NBFC must have a minimum net worth of ₹200 crore, which must be increased to ₹300 crore within three years.
  - The NBFC should not be promoted by a large industrial house or be owned/controlled by government authorities.
  - The NBFC must have a credit rating of at least AAA from the previous year. It should also have a clean record in complying with RBI regulations and repaying public deposits.

4. Standard Money

- When the actual and face value of a coin are equal, like gold and silver coins.

5. Plastic Money

- Debit and credit cards issued by banks and financial institutions, allowing purchases up to the account balance (debit) or beyond it (credit).

6. Near Money

- Assets that can be quickly converted into cash, like gold and silver.

7. Hot Money

- Money that can quickly move to where potential profits are highest, typically seen in foreign currencies in stock markets.

8. Hard and Soft Currency

- Hard currency has high demand in the global market (e.g., USD, GBP).
- Soft currency has low demand and is easily available internationally.

9. Caution Money

- Security deposit required to fulfill contracts and obligations.

10. Metallic Money

- The currency made of metal is called metallic currency. The specialty of this currency is that it contains intrinsic value along with external value. External value means the face value of the currency while intrinsic value means the inherent value of the metal. Earlier precious metals like gold and silver were used as currency, while at present metals like gilt, copper etc. are used in metallic currency. Metal currency is also called coin.

11. Paper Money

- Paper currency is a promissory note written on a special type of paper [I promise to pay the bearer...... (The value of the note)] Through which the issuing authority (central bank or government) promises to pay the bearer the amount mentioned on it. It is issued under a certain legislation. It has only external value, the internal value is very low.

National Currency of India

Indian Rupee (₹):

- The official currency of India, regulated by the RBI.
- Symbol designed by D. Uday Kumar from IIT Guwahati in 2010.
- Derived from the Sanskrit word "रुप्यक," meaning silver.

Notes:-

- After the US dollar, British pound, Japanese yen and the European Union's euro, the rupee is the fifth currency that is identified by its symbol.
- The word rupee has its origin in the Sanskrit word Rup or Rupyah which means silver and Rupyakam means silver coin.
- The word rupee was first used by Sher Shah Suri during his reign in India.
- The rupee introduced by Sher Shah Suri during his reign was a silver coin weighing approximately 178 grains (11.7387 grams).
- It was in circulation even during Sher Shah's reign.
- Earlier 1 rupee (1166 grams) was divided into 16 annas (or 64 paise or 192 pies). That is, 1 anna was divided into 4 paise or 12 pies. In 1957, the rupee was decimalized. Thus, the Indian rupee was divided into 100 paise. In India, the rupee was earlier known as Naya Paisa.

Note -

- The use of the new rupee symbol on notes began in 2011.
- The value of the Indian note is written in 15 languages.
- Apart from India, the rupee is also the official currency of Indonesia, Mauritius, Nepal, Pakistan and Sri Lanka. The rupee is called a fiat currency.
- It is not that the Indian Reserve Bank can print notes of any value it wants, rather it can print notes only up to Rs 10,000. If notes of a higher value are to be printed, then it will have to make changes in the Reserve Bank of India Act, 1934. Similarly, the Reserve Bank can issue coins of a maximum denomination of Rs 1,000.

Demonetization

- **Definition**: Demonetization is when a government legally stops an old currency. After demonetization, that currency has no value and cannot be used for buying or selling anything.

3. National Mission on Sustainable Habitat:

The National Mission on Sustainable Habitat aims to promote energy efficiency as a key component of urban planning, including:

- Expanding the existing Energy Conservation Building Code (ECBC),
- Focusing more on urban waste management and recycling, including electricity generation from waste,
- Strengthening enforcement of automotive fuel economy standards and using pricing measures to encourage the purchase of energy-efficient vehicles,
- Providing incentives for the use of public transport.

4. National Water Mission:

The National Water Mission focuses on improving water-use efficiency by 20% through pricing and other measures, considering the likelihood of severe water scarcity in the future due to climate change.

5. National Mission for Sustaining the Himalayan Ecosystem:

The aim of the National Mission for Sustaining the Himalayan Ecosystem is to preserve biodiversity, forest cover, and other ecological values in the Himalayan region. It is estimated that global warming will reduce the size of glaciers in this region, which are a key source of India's water supply.

6. Green India Mission:

The Green India Mission aims to undertake afforestation on 6 million hectares of degraded forest land and increase forest cover in India from 23% to 33%.

7. National Mission for Sustainable Agriculture:

The National Mission for Sustainable Agriculture aims to promote climate adaptation in agriculture through the development of climate-resilient crops, the expansion of weather-based insurance systems, and the development of agricultural practices.

Important Questions:

Question 1: What is the concept of Sustainable Development Goals (SDGs)? List all the SDGs.
Question 2: Comment on the Sustainable Development Goals India Index.
Question 3: Define sustainable development.
Question 4: What is climate change? Explain.

Chapter – 17

Agriculture

- Agriculture is the mainstay of Indian economy and social system. On one hand, it affects most of the Indian population, on the other hand, it is also affected by Indian climate, soil and other institutional factors.
- India is an agricultural country. Even now, more than half of the population here is dependent on agriculture for their sustenance. Although the contribution of agriculture in the gross national product has decreased from 60% in 1951 to 14.7% in 2014-15, its role is still important, as it is the source of employment for 52% of the population. The progress and achievement of the industrial sector also depend on agricultural raw material.
- Out of the total geographical area of 328.726 million hectares of India, 195.10 million hectares are cultivated in 2009-2010, while out of this 141.36% million hectares area is Net Sowing Area i.e. 46.29% i.e. actually agriculture is done here. Net sowing area has increased rapidly in the last 60 years. In the year 1950-51, only 118.75 million hectares area was under it.
- The agriculture sector provides employment to more than 90% of the total labor force of the unorganized sector.

- According to the Labor Force Survey, 45% people are dependent on agriculture.
- In the year 2021 - 22, the growth rate in the agriculture sector has been 3.9%.
- Whereas in 2020 - 21 this growth rate was 3.6%.

In Punjab, Haryana, West Bengal, Uttar Pradesh, Bihar, Karnataka, and Maharashtra, over 55% of the reported area is found to be pure sowing area. These regions are considered leading in agriculture in the country.

Different Types of Farming:

- **Aeroponics:** Growing plants in the air.
- **Apiculture:** Beekeeping.
- **Horticulture:** Gardening.
- **Floriculture:** Flower farming.
- **Olericulture:** Vegetable farming.
- **Pomology:** Fruit farming.
- **Viticulture:** Grape farming.
- **Vermiculture:** Earthworm farming.

- **Pisciculture:** Fish farming.
- **Sericulture:** Silk production.
- **Moriculture:** Cultivating mulberry trees (for silk production).

Other types and patterns of agriculture:-

There are differences in geographical conditions in India. Similarly, climate differences are also seen in different regions. Due to this, many types of farming / methods of agriculture are prevalent in India -

- **Jhum agriculture -** In the northeastern region, it is done by burning forests.
- **Intensive agriculture -** More use of agricultural inputs.
- Intensive agriculture is also called intensive agriculture, in which many crops are sown in a year on the same land. This type of agriculture can be seen in densely populated areas in India. Generally, an area with crop intensity of more than 200% is considered an intensive agricultural area.
- **Extensive agriculture** - Agriculture done in large plots (holdings).
- **Plantation agriculture** - Agriculture done in gardens along the hill slopes. Plantation agriculture is a type of agriculture done completely for commercial purposes, in which cash crops are produced.
- **Subsistence agriculture** - For the purpose of livelihood.
- **Mixed agriculture** - Animal husbandry along with agriculture.
- **Sustainable agriculture** - Agriculture done according to the principles of ecology
- **Mixed agriculture** - Growing two or more crops simultaneously or animal husbandry along with the production of crops is also mixed agriculture.
- **Shifting agriculture:** - In this, first of all a section of the forest is cleared with an axe and the trees and bushes are burnt. After that agriculture is done for a few years. When the fertility of the land is exhausted, it is abandoned and the same process is done at some other place. This is also called slash and burn or bush fallow agriculture. The size of the fields is small and many crops are cultivated simultaneously.

Intercropping - Growing two or more crops simultaneously on a fixed pattern.

Crop rotation - Crop rotation for different crop combinations based on maturity.

Crop Seasons in India

The physical structure, climatic conditions, and soil diversity of India encourage the cultivation of various types of crops. In the northern and central parts of the country, there are three main crop seasons known as Kharif, Rabi, and Zaid.

1. **Kharif:** These are the monsoon crops, sown with the onset of the southwest monsoon in June-July and harvested by September-October. This includes tropical crops such as Rice, Sorghum, Millet, Maize, Jute, Peanuts, Cotton, Flax, Tobacco, Moong, Urad, and Cowpeas.
2. **Rabi:** These crops are generally sown in October and harvested in March. The cooler temperatures during this time help temperate and sub-tropical crops. This season requires more irrigation. Major crops include Wheat, Barley, Chickpeas, Peas, Mustard, and Rapeseed.
3. **Zaid:** Zaid is a short-term summer crop sown in April between the Rabi and Kharif seasons and harvested by June. This season supports the cultivation of vegetables and melons, cucumbers, bitter gourds, and other crops with irrigation. Pulses like moong and kulthi are also grown during this time. However, such distinct crop seasons are not found in the southern parts of the country. Here, the maximum temperature throughout the year supports the sowing of tropical crops, provided there is sufficient humidity. Therefore, in areas where adequate irrigation facilities are available, the same crop can be grown three times in one agricultural year.

Agricultural season	**Major Crops**
Northern Indian states / Southern India	Rice, Cotton, Millet, Rice, Ragi, Maize, Sorghum, Arhar (Tur) and Groundnut
Kharif (June to September)	Wheat, Gram, Ridge Gourd, Mustard, Barley Rice,Maize, Ragi,
Rabi (October to March)	Vegetables, Fruits, Rice, Fodder, Fodder Crops

provides the best conditions for rubber cultivation. India produces about 1.7% of the world's natural rubber and ranks among the leading countries in yield per hectare. Major producing states include Kerala, Tamil Nadu, and Karnataka.

15. Tobacco

- Tobacco is a temperate plant requiring temperatures between 15°C to 38°C, annual rainfall of about 50 cm, and loamy sandy soil.
- The process of drying tobacco leaves is called curing, which enhances their color, aroma, and elasticity. The top three producing states are Andhra Pradesh, Gujarat, and Karnataka. India is the fourth largest exporter of tobacco and the second largest consumer after China, producing 8% of the world's total tobacco.

16. Coconut

- Coconut is a tropical plant requiring temperatures between 20°C to 25°C, more than 150 cm of rainfall, and a coastal climate without frost or drought.
- It can be grown in various soils, including hilly areas at altitudes up to 800-1000 meters. Coconut is used for oil, soap production, and ghee. India is the third largest producer of coconuts in the world, after Indonesia and the Philippines, with 83.2% of the area in Kerala, Tamil Nadu, and Karnataka.

Diseases and symptoms of major crops		
Crops	Diseases	Symptoms
Rice	Blast	Brown boat-shaped spots appear on the leaves
Wheat	Rust	Yellow, brown or black spots appear on the leaves
Sugarcane	Grassy shoot, Red rot	Small red spots appear on the central vein of the leaf
Gram	Burst	The inner part of the sugarcane turns red
Arhar	Stem rot	Several thin pods emerge from the stem

Green Revolution:-

The father of the word Green Revolution is Prof. Gad who coined this word in 1967 on the subject of food crisis in third world country. Green Revolution was started by Norman Borlaug after the 1942 famine in Mexico. The father of Indian Green Revolution was Swaminathan who started the pilot project of Green Revolution in 1961 in 8 districts under IAAP program, which spread to 112 districts in 1967 as IAAP program, but Green Revolution was started in the Annual Plan 1967 under the leadership of Lal Bahadur Shastri as HYB program or package program.

Meaning - Green Revolution means unexpected intelligence in the production of food grains in third world countries or developing countries, which leads to freedom from problems like famine, famine, malnutrition and attainment of self sufficiency and participation in world trade respectively.
'Green Revolution' proved to be a boon for the newly developed nations, because population explosion had created severe food crisis. According to Sudhir Base, Green Revolution is not a figment of imagination but a reality which laid the foundation of Indian economy and freed India from the image of Begging Bowl.

Basis of Green Revolution:-

(1) HYV (High Yielding Varieties) The combined form of Japanese and Mexican Beta wheat species was called HYV. It was also used in India.
For example- Sonalika, Sujata, 1008, Poorna, H4B C Seed (Kalyan)

Hy-6 Seed - Advantage- Bona species, its roots are dense. It has a long period of prosperity. It depends on chemical fertilizers and irrigation.

- Irrigation
- Chemical fertilizers
- Weedicide
- Use of pesticides
- Land reform
- Mechanization
- Rural electrification
- MSP, Subsidy Loan, Adds, Debt waiver
- Banking, finance
- Marketing of Agro-Product
- Research and development
- Agricultural education and establishment of agricultural universities

agricultural productivity, particularly in regions previously impacted by the Green Revolution.

Results of the Green Revolution

Advantages (Benefits)

1. **Increase in PCI**: There was an increase in per capita income, leading to an improvement in living standards.
2. **Self-sufficiency**: By the fourth phase, there was a significant increase in food self-sufficiency and demand-supply balance.
3. **Self-Reliance**: Surpluses from agriculture led to advancements in research, science, and indigenous (local) technology and capital investment, especially during the fifth five-year plan, promoting industrialization and the development of agriculture-based industries.
   - **External Processing Industries**: Growth in industries related to agricultural processing.
   - **Backward Linkages**: Development of industries that support agriculture, such as demand for seeds.
   - **Forward Linkages**: Utilization of agricultural products in various industries.
4. **Control over Crisis**: Effective management of famine, drought, and malnutrition.
5. **GDP Growth**: Increased participation in global trade.
6. **Trade Deficit**: Increased exports.
7. **Employment Generation**: More jobs created in agriculture.

Disadvantages (Drawbacks)

According to Vandana Shiva, the Green Revolution has led to regional disparities and inter-state and inter-regional inequalities. Even slight production increases in each state could not match the overall gains from the Green Revolution.

- **Rise of Capitalist Agriculture**: The emergence of commercialized agriculture.
- **Class Divisions**: Increased social inequality.
- **Marginal and Small Farmers**: Many small farmers became landless laborers.
- **Rural Indebtedness**: Increased debt among farmers.
- **Rural Unemployment**: Mechanization led to job losses in rural areas.

Social Impact

1. **Dowry System**: Increased prevalence of dowry in society.
2. **Rural Disability**: Disabilities caused in rural areas due to machinery.
3. **Loss of Rural Tranquility**: Decreased peace in rural communities.
4. **Social Harmony Deterioration**: Decline in social cohesion.
5. **Consumer Society Emergence**: A shift towards a consumer-oriented economy.

Environmental Impact

- **Soil System Related:**
  - **Salinization**: Reduction in soil fertility.
  - **Soil Erosion**: Loss of topsoil due to excessive use of fertilizers and pesticides.
  - **Nutrient Depletion**: Harmful effects from nitrogen increase, affecting ecological balance.
- **Water System Impact:**
  - **Contamination**: Increased levels of arsenic and lead due to tube well irrigation.
  - **Groundwater Pollution**: Toxicity affecting underground water.
  - **Decreased Water Levels**: Over-extraction of water leading to lower water tables.
  - **Saltwater Intrusion**: Sea water entering land areas.
- **Agricultural Ecosystem Impact:**
  - **Deforestation**: Significant loss of forest cover.
  - **Loss of Biodiversity**: Due to the use of herbicides.
  - **Increased Pest Attacks**: Locusts attacking crops, which were previously forest-dependent.
  - **Reduction in Grazing Land**: Less land available for grazing.
- **Pollution**: Increased water pollution, soil pollution, and noise pollution.

The Green Revolution has had profound effects on agriculture and society in India, necessitating future plans focused on sustainable development and inclusivity.

Major Industries

Important Industries of India

1. Iron and Steel Industry

- The first successful industry in the country was established in 1874 in Kulti, West Bengal.
- In 1907, Jamshedji Tata founded the Tata Iron and Steel Company in Sakchi (now Jamshedpur), which started producing steel in 1913.
- In 1908, the Indian Iron and Steel Company was established at a place called Hirapur in the Damodar River Valley, West Bengal.
- In 1923, the Vishveshwarya Iron and Steel Plant was established in Bhadravati, Karnataka.
- In 1937, the Steel Corporation of Bengal was founded in Burnpur.
- The factories in Burnpur, Hirapur, and Kulti established in 1953 are known as IISCO (Indian Iron and Steel Company).
- During the Second Five-Year Plan (1956-62), three new factories were set up: Bhilai (Madhya Pradesh, with the help of Russia), Durgapur (West Bengal, with the help of Britain), and Rourkela (Odisha, with the help of West Germany). These factories were placed under Hindustan Steel Limited.
- In the Third Five-Year Plan, a steel plant was established in Bokaro (Jharkhand) with the help of the Soviet Union, and production started in 1974.
- During the Fourth Five-Year Plan, steel factories were established in Salem (Tamil Nadu), Visakhapatnam (Andhra Pradesh), and Vijayanagar (Karnataka).
- In 1978, the Steel Authority of India (SAIL) was established for the development of the iron and steel industry in the public sector. Currently, the factories in Durgapur, Rourkela, Bokaro, Bhilai, and Salem come under SAIL.
- The first phase of the steel plant being built by POSCO India, a subsidiary of South Korea's POSCO, in Odisha was completed in 2010.
- Major steel companies in the world include Mittal Steel, Arcelor, Nippon Steel, POSCO, JFE Steel, Shanghai Baosteel, US Steel, Nucor, Corus, and Reva.

2. Cement Industry

- The production and consumption of cement is an indicator of a country's development. The real development of the cement industry in India began in 1914 with the establishment of a cement factory in Porbandar (Gujarat).
- In 1934, the Associated Cement Companies Ltd. (ACC) was established.
- Rajasthan is the largest cement-producing state in India.
- **The major cement-producing states in India are:**
  - **Rajasthan:** Jaipur, Lakheri, Churu, Beawar, Sikar, Chittorgarh, Sawai Madhopur.
  - **Madhya Pradesh:** Satna, Katni, Jabalpur, Banmore (Gwalior), Ratlam, Neemuch.
  - **Chhattisgarh:** Durg, Jamul, Tilda, Mandhar, Alkatra, Raipur.
  - **Uttar Pradesh:** Mirzapur, Chukn, Chopan.
  - **Jharkhand:** Japla, Khelari, Kalyanpur, Sindri, Jhikpani, Chaibasa, Banjari.
  - **Odisha:** Rajgangpur, Hirakud.
  - **Andhra Pradesh:** Krishna, Vijayawada, Mancherial, Machheria, Panayam, Masulipatnam, Guntur.
  - **Karnataka:** Bhojpur, Bhadravati, Bagalkot, Bangalore, Bijapur, Gulbarga.
  - **Tamil Nadu:** Dalmiyapuram, Madhukarai, Thulakapatti, Tirunelveli.
  - **Kerala:** Kottayam.
  - **Gujarat:** Porbandar, Dwarka, Sikka (Jamnagar), Bhavnagar, Sewaliyam, and Ranaya.
  - **Punjab:** Surajpur.
  - **Haryana:** Charkhi Dadri, Surajpur, Dalmia Dadri.
  - **Bihar:** Dalmianagar.

3. Aluminium Industry

- The first aluminum factory in the country was established in 1937 near Asansol, West Bengal, in Jayanagar (J.K.) Nagar.
- Currently, aluminum factories are located in Puri (Bihar), Alwaye (Kerala), Belur (West Bengal), Hirakud (Odisha), Renukoot (Uttar Pradesh), Mysore (Karnataka), Korba (Chhattisgarh), Koyna (Maharashtra), and Belgaum (Karnataka).

Chapter – I

India's Foreign Policy

Kautilya's Arthashastra and Indian Foreign Policy

Mandala Theory – Kautilya described the policy adopted by different states towards other states in his Mandala Theory. In ancient times, many small states existed in India. Powerful kings used to expand their empire through war. States sometimes also entered into agreements with other states for security. According to Kautilya, a king who expands his empire through war and victory should increase the number of friends as compared to his enemies, so that the enemies can be controlled. On the other hand, weak states should be cautious of powerful neighbouring states. They should join with states of similar level and form a group or Mandala to avoid the expansion policy of powerful states.

➢ **Six Principles of Foreign Policy**

Kautilya described six types of policies for managing foreign relations:

1. **Treaty (Sandi)**:
   - A treaty can be made with an equally powerful or stronger king to maintain peace.
   - For self-defense, a treaty can also be made with an enemy, but the goal is to weaken that enemy over time.
2. **War (Vigraha)**:
   - This involves preparing for war against an enemy.
3. **Attack without Declaration (Yana)**:
   - This means preparing to attack without formally declaring war.
4. **Neutrality (Asana)**:
   - This policy is based on remaining neutral and not taking sides.
5. **Seeking Refuge (Sanśraya)**:
   - This involves a king seeking refuge with another king for self-defense.
6. **Double Policy (Dvaidhibhava)**:
   - This is the strategy of making a peace treaty with one king while waging war against another.

➢ **Medieval Foreign Policy**

- The southern states of India along the western coast maintained diplomatic relations with coastal states in the Arabian Sea and the Indian Ocean in Africa.
- Eastern coastal states maintained relations with Sri Lanka, Burma, Thailand, Indonesia, and Malaya.
- Afghan and Turkish rulers in India had diplomatic ties with Central Asia, Persia, the Arab world, Asia Minor, Greece, the Levant, Tibet, and China.
- The Mughals established diplomatic relations with neighboring countries, as well as the Portuguese, French, and British.
- During Akbar's reign, India was the largest economy and played a significant role in economic diplomacy.
- A theme adopted to increase Indian influence was "hard diplomacy," where territory was consolidated and gained through battles.
- In Northern India, Mughals, Arabs, and Turks invaded to acquire wealth and strengthen new states.
- In Southern India, the Chola, Chera, and Pandya kingdoms used strong armies and navies for their diplomatic advancements.
- "Soft diplomacy" was also practiced, involving ambassadors sent by kings and trade to strengthen relationships.

➢ **Foreign Policy during British Rule**

- The Industrial Revolution in England led to the discovery of new maritime and trade routes.
- Captain Hawkins and Sir Thomas Roe arrived at the court of Emperor Jahangir in India to promote trade.
- The exploration of India began in 1498 when the Portuguese navigator Vasco da Gama arrived.
- English, French, Portuguese, and Dutch traders came to India.
- They established fortified factories and eventually made India a colony.
- Raw materials were exported from India to Britain, while finished goods were imported from Britain to India.
- Organizations like the East Indian Association, the Swadeshi Seva Home in Vancouver, and the United India House in Seattle strengthened Indian nationalist diplomacy against British India.
- Raja Mahendra Pratap Singh established a provisional government for India in Kabul.

- ***Terrorism***

- ***Vulnerability of Border Areas:*** *The border regions are highly sensitive to terrorist infiltration, with groups like Jamaat-ul-Mujahideen Bangladesh (JMB) attempting to expand their operations in India.*
- ***Designation as a Terrorist Group:*** *JMB is listed as a terrorist organization by Bangladesh, India, Malaysia, and the UK.*
- ***Recent Legal Actions:*** *The National Investigation Agency (NIA) recently filed a charge sheet against six members of JMB in a special court in Bhopal.*

➢ ***Growing Chinese Influence in Bangladesh***

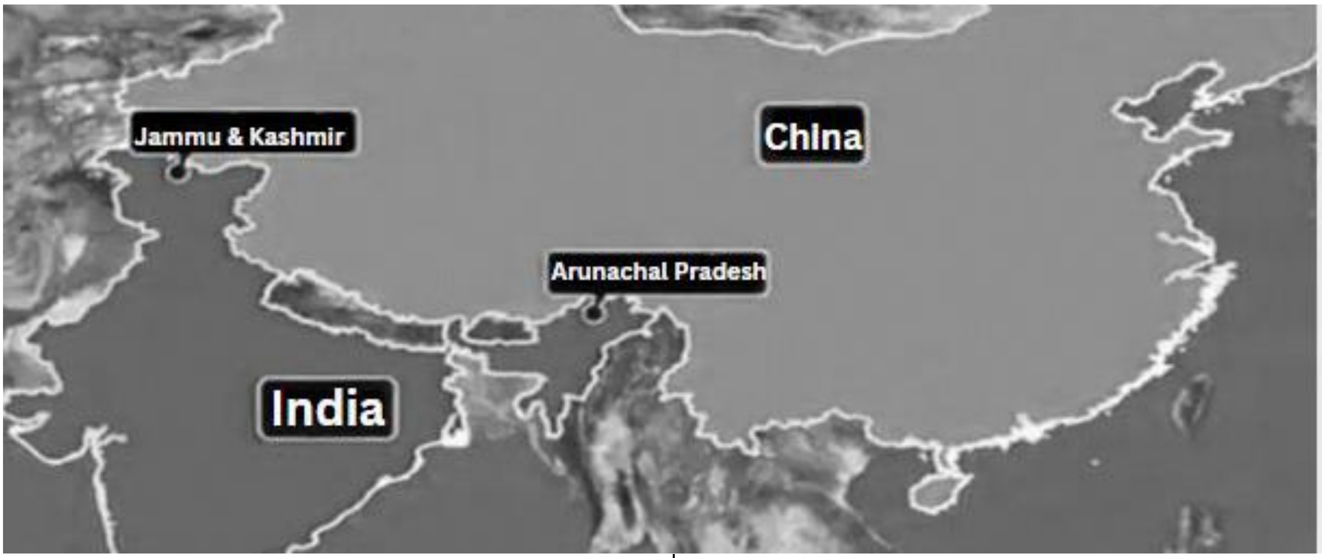
- ***China's Belt and Road Initiative:*** *Bangladesh is an active participant in China's BRI, which India is not part of.*
- ***Military Imports:*** *Bangladesh has imported military equipment from China, including submarines, raising concerns for India's national security.*

Way Forward

- ***Addressing the Teesta Dispute:*** *The West Bengal government and the central government should collaborate to establish mutual understanding and cooperative federalism to resolve the Teesta water-sharing issue.*
- ***Enhanced Connectivity:*** *There is a need to strengthen coastal connectivity, road, rail, and inland waterways to improve communication in the region.*
- ***Energy Security:*** *Given the ongoing global energy crisis, India and Bangladesh must cooperate in utilizing clean and green energy to achieve energy self-sufficiency in South Asia.*

India-China Relations

- ***Historical Background:*** *The People's Republic of China (PRC) was established in October 1949, and India was the first non-communist country to set up an embassy in the PRC. Diplomatic relations between India and China were established on April 1, 1950. In 1954, both countries jointly articulated the principles of Panchsheel (the Five Principles of Peaceful Coexistence).*
- ***70th Anniversary:*** *On April 1, 2020, India and China marked the 70th anniversary of their diplomatic relations, established in 1950.*
- ***High-Level Visits:*** *Chinese Premier Zhou Enlai visited India in June 1954, and Prime Minister Jawaharlal Nehru visited China in October 1954. Zhou made further visits to India in January 1957 and April 1960.*
- ***1962 Conflict:*** *The India-China conflict on October 20, 1962, severely impacted bilateral relations. Diplomatic relations were restored in August 1976.*
- ***Revival of Political Contacts:*** *In February 1979, then-Foreign Minister Atal Bihari Vajpayee's visit revived high-level political contacts. Chinese Foreign Minister Huang Hua visited India in June 1981.*
- ***Rajiv Gandhi's Visit:*** *Prime Minister Rajiv Gandhi visited China in December 1988. During this visit, both sides agreed to develop and expand bilateral relations across all areas, seek a fair, reasonable, and mutually acceptable solution to the border question, and establish a Joint Economic Group (JEG) and a Joint Working Group (JWG).*
- ***Key Agreements:*** *Premier Li Peng visited India in December 1991, and Prime Minister P.V. Narasimha Rao visited China in September 1993. During this visit, an agreement was signed to maintain peace along the Line of Actual Control (LAC) in the India-China border area, emphasizing respect for the status quo and the need to clarify the LAC.*
- ***Presidential Visits:*** *President R. Venkatraman visited China in May 1992, marking India's first state visit to China. In November 1996, President Jiang Zemin's visit to India was the first by a Chinese head of state, during which four agreements were signed, including one on confidence-building measures (CBMs) in military exchanges.*
- ***Strengthening Political Relations:*** *Political relations between India and China are further strengthened through various mechanisms, including close and regular dialogues among strategic and foreign policy think tanks.*



- **India - China Border Dispute**

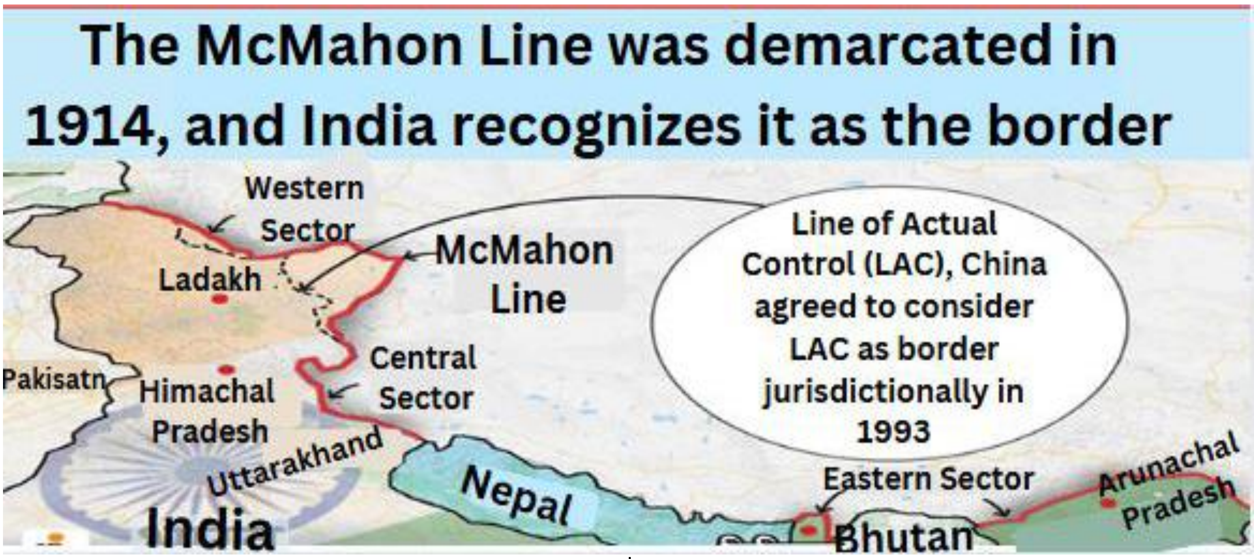
India - China borders can be divided into three regions:

1. **Western Sector - Disputed**: This area includes Aksai Chin, which was originally part of Jammu and Kashmir. China claims this region as part of its autonomous Xinjiang region. After the 1962 war, it has been administered by China. Aksai Chin is the second largest border area between India and China, covering approximately 38,000 square kilometers, although it is largely uninhabited. While India claims the entire Aksai Chin region along with the Shaksgam Valley (an area ceded to China by Pakistan), China opposes Indian control over the Daulat Beg Oldi region located south of Aksai Chin.
2. **Central Sector - Undisputed**: Although China has recognized India's sovereignty over Sikkim and initiated trade through the Nathu La pass, the Doklam standoff poses a potential for conflict.
3. **Eastern Sector - Disputed**: This includes the border in Arunachal Pradesh, which China still claims as its territory. This region, formerly known as the North East Frontier Agency, covers approximately 90,000 square kilometers and is the largest disputed area. During the 1962 war, the People's Liberation Army temporarily occupied this territory but later declared a unilateral ceasefire, withdrawing while respecting the international border (McMahon Line). However, China has continued to assert its claim over this area. Presently, it is believed that China maintains control over significant parts of Arunachal Pradesh. Notably, the recent visit of the Dalai Lama to the Tawang Monastery has become a contentious bilateral issue due to these claims.

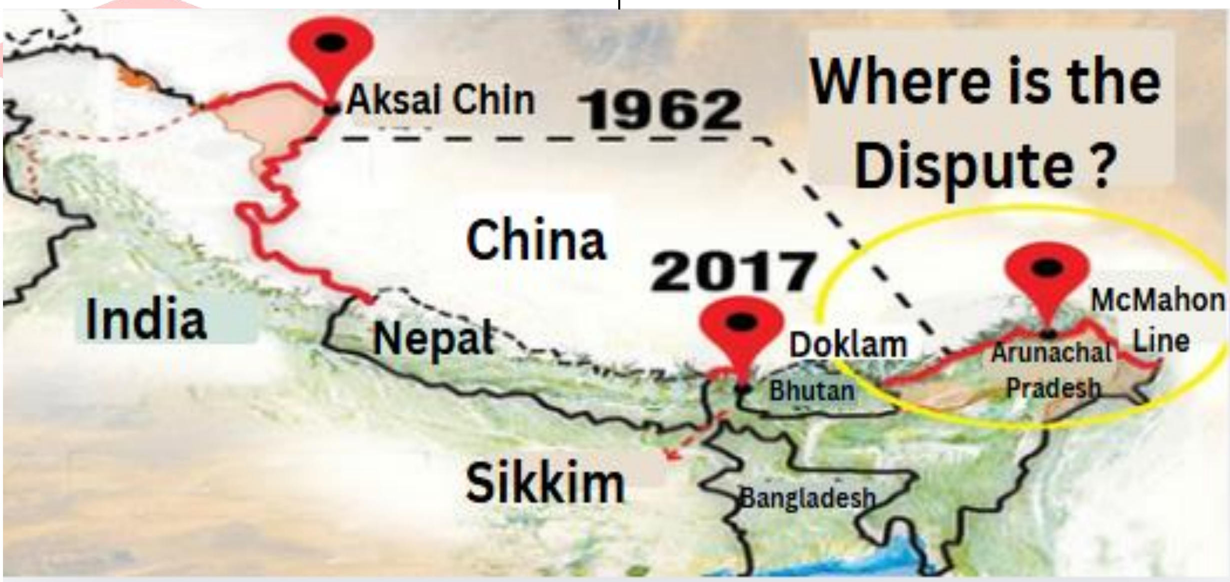
- **Johnson Line vs. McDonald Line**
- **Johnson Line**: This line is India's accepted demarcation, marking Aksai Chin as Indian territory.
- **McDonald Line**: This line represents China's position, designating Aksai Chin as Chinese territory.

- **1962 India-China War**
- The war was sparked by the dispute over the sovereignty of Aksai Chin and Arunachal Pradesh, but underlying factors included China's perception of a threat from India's governance in Tibet.
- The conflict escalated during the summer of 1962 with various skirmishes and military incidents between India and China.
- On October 20, 1962, the People's Liberation Army (PLA) of China launched an attack on India, crossing the McMahon Line in Arunachal Pradesh and advancing in Ladakh.
- Until the outbreak of war, India believed that war was unlikely and had made minimal preparations.
- After a month-long conflict, China declared a unilateral ceasefire on November 19, 1962, having made significant territorial gains on both fronts. India suffered a major defeat and was taken by surprise.
- China achieved its goal of controlling Aksai Chin, while its troops in the eastern sector withdrew north of the McMahon Line.

Post-War India-China Border Tensions



- *There have been several instances of Chinese soldiers entering Indian territory and vice versa.*
- *Despite these tensions, the India-China border has largely remained peaceful, with the exception of 1967, when armed conflicts occurred at Nathu La and Chola.*
- *The Nathu La conflict began when the PLA attacked Indian outposts, lasting for five days, and the Chola conflict occurred on the same day.*
- *The outcome was more favorable for India, as Indian forces were able to push back the Chinese troops, leading to the 1967 conflicts being viewed as a success for India.*



➢ ***Agreements and Initiatives to Resolve Border Disputes***

1. ***Shimla Agreement of 1914:***
   - *A conference was held in Shimla in 1914 to define the border between Tibet and northeastern India, involving representatives from Tibet, China, and British India.*
   - *After discussions, the agreement was signed by British India and Tibet, but the Chinese officials did not sign.*
   - *India currently recognizes the McMahon Line, as agreed upon in the Shimla conference, as the legal border between India and China. However, China rejects both the Shimla Agreement and the McMahon Line, arguing that Tibet was not a sovereign state and therefore could not enter into treaties.*
2. ***Panchsheel Agreement of 1954:***
   - *The Panchsheel principles clearly expressed the desire to respect each other's sovereignty and territorial integrity.*
   - *Despite the long journey from the 1962 war to the current tensions, the principles aimed to serve as a shield against any arising disputes.*

Dear Aspirants, here are the our results in differents exams (Proof Video Link)

RAS PRE. 2021 - https://shorturl.at/qBJ18 (74 प्रश्न , 150 में से)

RAS Pre 2023 - https://shorturl.at/tGHRT (96 प्रश्न , 150 में से)

UP Police Constable 2024 - http://surl.li/rbfyn (98 प्रश्न , 150 में से)

Rajasthan CET Gradu. Level - https://youtu.be/gPqDNlc6UR0

Rajasthan CET 12th Level - https://youtu.be/oCa-CoTFu4A

RPSC EO / RO - https://youtu.be/b9PKjl4nSxE

VDO PRE. - https://www.youtube.com/watch?v=gXdAk856W18&t=202s

Patwari - https://www.youtube.com/watch?v=X6mKGdtXyu4&t=2s

PTI 3rd grade - https://www.youtube.com/watch?v=iA_MemKKgEk&t=5s

SSC GD – 2021 - https://youtu.be/2gzzfJyt6vI

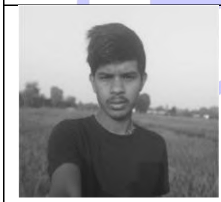
EXAM (परीक्षा)	DATE	हमारे नोट्स में से आये हुए प्रश्नों की संख्या
MPPSC Prelims 2023	17 दिसम्बर	63 प्रश्न (100 में से)
RAS PRE. 2021	27 अक्तूबर	74 प्रश्न आये
RAS Mains 2021	October 2021	52% प्रश्न आये

RAS Pre. 2023	01 अक्टूबर 2023	96 प्रश्न (150 मेंसे)
SSC GD 2021	16 नवम्बर	68 (100 में से)
SSC GD 2021	08 दिसम्बर	67 (100 में से)
RPSC EO/RO	14 मई (1st Shift)	95 (120 में से)
राजस्थान S.I. 2021	14 सितम्बर	119 (200 में से)
राजस्थान S.I. 2021	15 सितम्बर	126 (200 में से)
RAJASTHAN PATWARI 2021	23 अक्तूबर (1st शिफ्ट)	79 (150 में से)
RAJASTHAN PATWARI 2021	23 अक्तूबर (2nd शिफ्ट)	103 (150 में से)
RAJASTHAN PATWARI 2021	24 अक्तूबर (2nd शिफ्ट)	91 (150 में से)
RAJASTHAN VDO 2021	27 दिसंबर (1st शिफ्ट)	59 (100 में से)
RAJASTHAN VDO 2021	27 दिसंबर (2nd शिफ्ट)	61 (100 में से)
RAJASTHAN VDO 2021	28 दिसंबर (2nd शिफ्ट)	57 (100 में से)
U.P. SI 2021	14 नवम्बर 2021 1st शिफ्ट	91 (160 में से)
U.P. SI 2021	21नवम्बर2021 (1st शिफ्ट)	89 (160 में से)
Raj. CET Graduation level	07 January 2023 (1st शिफ्ट)	96 (150 में से)
Raj. CET 12th level	04 February 2023 (1st शिफ्ट)	98 (150 में से)
UP Police Constable	17 February 2024 (1st शिफ्ट)	98 (150 में से)

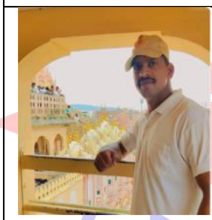
& Many More Exams like UPSC, SSC, Bank Etc.

Our Selected Students

Approx. 137+ students selected in different exams. Some of them are given below -

Photo	Name	Exam	Roll no.	City
	**Mohan Sharma S/O Kallu Ram**	Railway Group - d	114195120370022	PratapNagar Jaipur
	**Mahaveer singh**	Reet Level- 1	1233893	Sardarpura Jodhpur
	**Sonu Kumar Prajapati S/O Hammer shing prajapati**	SSC CHSL tier-1	2006018079	Teh.- Biramganj, Dis.- Raisen, MP
N.A	**Mahender Singh**	EO RO (81 Marks)	N.A.	teh nohar , dist Hanumangarh
	**Lal singh**	EO RO (88 Marks)	13373780	Hanumangarh
N.A	**Mangilal Siyag**	SSC MTS	N.A.	ramsar, bikaner

	**MONU S/O KAMTA PRASAD**	SSC MTS	3009078841	kaushambi (UP)
	**Mukesh ji**	RAS Pre	1562775	newai tonk
	**Govind Singh S/O Sajjan Singh**	RAS	1698443	UDAIPUR
	**Govinda Jangir**	RAS	1231450	Hanumangarh
N.A	**Rohit sharma s/o shree Radhe Shyam sharma**	RAS	N.A.	Churu
	**DEEPAK SINGH**	RAS	N.A.	Sirsi Road , Panchyawala
N.A	**LUCKY SALIWAL s/o GOPALLAL SALIWAL**	RAS	N.A.	AKLERA , JHALAWAR
N.A	**Ramchandra Pediwal**	RAS	N.A.	diegana , Nagaur

	**Monika jangir**	RAS	N.A.	jhunjhunu
	**Mahaveer**	RAS	1616428	village- gudaram singh, teshil-sojat
N.A	**OM PARKSH**	RAS	N.A.	Teshil- mundwa Dis- Nagaur
N.A	**Sikha Yadav**	High court LDC	N.A.	Dis- Bundi
	**Bhanu Pratap Patel s/o bansi lal patel**	Rac batalian	729141135	Dis.- Bhilwara
N.A	**mukesh kumar bairwa s/o ram avtar**	3rd grade reet level 1	1266657	JHUNJHUN U
N.A	**Rinku**	EO/RO (105 Marks)	N.A.	District: Baran
N.A.	**Rupnarayan Gurjar**	EO/RO (103 Marks)	N.A.	sojat road pali
	**Govind**	SSB	4612039613	jhalawad

	**Jagdish Jogi**	EO/RO (84 Marks)	N.A.	tehsil bhinmal, jhalore.
	**Vidhya dadhich**	RAS Pre.	1158256	kota
	**Sanjay**	Haryana PCS	96379 	Jind (Haryana)

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