Module I

1

MACRO ECONOMIC OVERVIEW OF INDIA

Unit Structure

1.0 OBJECTIVES

- To study the reforms introduced under the New Economic policy 1991.
- To understand the role of social infrastructure with reference to education and health
- To understand the sustainable development goals
- To analyze the Make in India and Skill development programmes of the Government

1.1 NEW ECONOMIC POLICY 1991

1.1.1 Objectives of New Economic Policy1991

New Economic Policy of India was launched in the year 1991 under the leadership of P. V. Narasimha Rao. This policy opened the door of the India Economy for the global exposure for the first time. In this New Economic Policy P. V. Narasimha Rao government reduced the import duties, opened reserved sector for the private players, devalued the Indian currency to increase the export. This is also known as the LPG Model of growth.

New Economic Policy refers to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes to expand the economic wings of the country.

Main Objectives of New Economic Policy – 1991, July 24

1. The main objective was to plunge Indian Economy in to the arena of 'Globalization and to give it a new thrust on market orientation.
2. The NEP wanted to bring down the rate of inflation
3. It intended to move towards higher economic growth rate and to build sufficient foreign exchange reserves.
4. It wanted to achieve economic stabilization and to convert the economy into a market economy by removing all kinds of unnecessary restrictions.
5. It wanted to permit the international flow of goods, services, capital, human resources and technology, without many restrictions.
6. It wanted to increase the participation of private players in the all sectors of the economy by reducing number of sectors reserved for the government.

1.1.2 The various reforms introduced under the New economic policy

Beginning with mid-1991, the Government has made some important changes in its policies related to foreign trade, Foreign Direct Investment, exchange rate, industry, fiscal discipline etc. The thrust of the **New Economic Policy** has been towards creating a **more competitive environment** in the economy as a means to **improving the productivity and efficiency** of the system. This was to be achieved by removing the barriers to entry and the restrictions on the growth of firms.

Following steps were taken under the NEP

Liberaliation :

(i) Free determination of interest rate by the commercial Banks:

Under the policy of liberalisation, interest rate of the banking system will no longer be determined by RBI, Instead all Commercial Banks are independent to determine the rate of interest.

(ii) Increase in the investment limit for the Small Scale Industries (SSIs):

Investment limit of the small scale industries has been raised to Rs. 1 crore. So these companies can upgrade their machinery and improve their efficiency making them more competitive.

(iii) Freedom to import capital goods:

Indian industries will be free to buy machines and raw materials from foreign countries to enable them to grow and modernise themselves.

(v) Freedom for expansion and production to Industries:

Under the new liberalized era, the Industries were given the freedom to diversify their production capacities and reduce the cost of production. Earlier government used to fix the maximum limit of production capacity. Industries were not permitted to produce beyond that limit. Now the industries will get freedom to decide their own production based on the requirement of the markets.

(vi) Abolition of Restrictive Trade Practices:

According to **Monopolies and Restrictive Trade Practices (MRTP) Act 1969,** all those companies having assets worth Rs. 100 crore or more were called MRTP firms and were subjected to several restrictions. Now these firms do not require to obtain prior approval of the Govt. for taking investment decision. Now MRTP Act is replaced by the competition Act, 2002.

(vii)Removal of Industrial Licensing and Registration:

Earlier private sector had to obtain license from Government for starting a new venture. Under the new policy, private sector has been freed from licensing and other restrictions.

Industries licensing is necessary for following industries:

(i) Liquor

(ii) Cigarette

(iii) Defence equipment

(iv) Industrial explosives

(v) Drugs

(vi) Hazardous chemicals

2. Privatisation:

Privatisation means permitting the private sector to set up industries which were previously reserved for the public sector. Under this policy many PSU's were sold to private sector. In other words, privatisation is the process of involving the private sector-in the ownership of Public Sector Units (PSU's).

The main reason for privatisation was the current state of PSU's as most were running in losses due to political interference. Production capacity remained underutilized. To increase competition and efficiency, privatisation of PSUs was inevitable.

The following steps are taken for privatisation:

1. Sale of shares of PSUs:

Indian Government started selling shares of PSU's to public and financial institution to raise resources for itself. Now the private sector will acquire ownership of these PSU's. The share of private sector has increased from 45% to 55%.

2. Disinvestment in PSU's:

The Govt. has started the process of disinvestment in those PSU's which had been running into loss. It means that Govt. has been selling out these industries to private sector. Govt. has sold enterprises worth Rs. 30,000 crores to the private sector.

3. Minimisation of Public Sector:

Previously Public sector was given the importance with a view to help in industralisation and development of the country. But these PSU's were not able to achieve this objective and policy of contraction of PSU's was followed under new economic reforms. **Number of industries reserved for public sector was reduces from 17 to 2.**

(a) Railway operations

(b) Atomic energy

3. Globalization:

Literally speaking Globalisation means opening the economy to global competition. Broadly speaking, Globalisation means the interaction of the domestic economy with the rest of the world with regard to foreign investment, trade, production and financial matters.

Steps taken for Globalisation:

Following steps are taken for Globalisation:

(i) Reduction in tariffs:

Custom duties and tariffs imposed on imports and exports are reduced gradually in order to make India economy attractive to the global investors.

(ii) Long term Trade Policy:

Forcing trade policy was enforced for longer duration so that the economy could benefit from the policy.

Main features of the policy are:

(a) Liberal policy

(b) All controls on foreign trade have been removed

(c) Open competition has been encouraged.

(iii) Partial Convertibility of Indian currency:

Partial convertibility can be defined as to convert Indian currency (up to specific extent) in the currency of other countries. So that the flow of foreign investment in terms of Foreign Institutional Investment (FII) and foreign Direct Investment (FDI).

This convertibility was permitted for following transaction:

(a) Remittances to meet family expenses

(b) Payment of interest

(c) Import and export of goods and services.

(iv) Increase in Equity Limit of Foreign Investment:

Equity limit of foreign capital investment has been raised from 40% to 100% percent. In 47 high priority industries, foreign direct investment (FDI) to the extent of 100% will be allowed without any restriction. In this regard **Foreign Exchange Management Act (FEMA)** will be enforced.

If the Indian economy is shining at the world map currently, its sole attribution goes to the implementation of the New Economic Policy in 1991.

1.2 SOCIAL INFRASTRUCTURE WITH REFERENCE TO EDUCATION, HEALTH AND FAMILY WELFARE

1.2.1 Meaning and importance of social infrastructure

Social infrastructure are the basic amenities that do not directly influence the economic activities, but indirectly have an impact on the economy through achieving certain social objectives. For example, education does not directly influence economic activities like production and distribution but indirectly helps in the economic development of the country by spill-over effects. So education, health services and sanitation etc. are the examples of social infrastructure.

Importance of social infrastructure

Social infrastructure plays an important role in both the economic development of a country and the development of society's quality of life. Social infrastructure enhances social wellbeing and furthers economic growth by providing basic services and facilities which allow human development in the economy.

1) Human development : Human development is the process of widening people 's choices and improving their quality of life. Social infrastructure like education and health care are important to achieve human development in the country.

2) **Better standard of living:** Accessibility to education is important for creating employable workforce in the economy. Gainful employment is necessary for enjoying better standard of living and improve the community well being.

3) **Productive efficiency:** Availability of adequate basic facilities like safe drinking water, health care facilities, family planning measures, education infrastructure increases productive efficiency among the people. These facilities forms the basis for enhancing economic growth in the country.

4) **Better resource utilization:** Utilization of resources available in the community depends on the capability of human resources. Availability of good educational system enables skill development among the people. It promotes a culture of research and development in the economy. This is important in improving resource utilization.

5) **Social change:** Spread of education plays an important role in enlightening people's minds and helps to bring about social changes. For example , education of girl child will be encouraged in those societies where people value the role of education. This will also help to reduce social conflicts in the country.

1.2.2 Government policy measures for the development of education in India

India is a very vast and populated country but is still a developing nation. Hence, Education is one of the most vital components that will help in transforming India from a developing nation to a developed nation. The following are some of the measures adopted by the Government for development of education in India.

1) **Sarva Sahiksha Abhiyan (SSA):** It was launched in 2001-02. It is a part of RTE Act 2009 and free education for all in the age group of 6-14 years. It aims at reducing gender and social gaps at primary and elementary levels of education. It also aims at providing basic facilities like access to clean drinking water, toilets and free text books to children.

2) **National program for education of girls at elementary level(NPEGEL):** It was launched in July 2003. The aim of the programme is to make education equitable .It supports education for the underprivileged disadvantaged girls at the elementary level. It also provides for model school in every cluster with the involvement of girls in schools.

3) **National programme of Mid-Day Meals in schools:** National Programme of Mid-Day-Meal in Schools (MDMS) is a flagship programme of the Government of India aiming at enhancing enrolment, retention and attendance and simultaneously improving nutritional levels among children studying in primary and upper primary schools across the country. The main objectives of the Mid-Day-Meal scheme is to Improve the nutritional status of children in classes one to five in Government and

Government aided schools and to encourage children from disadvantaged background to attend school regularly and help them to concentrate in school activities.

4) **Rashtriya Madhyamik shikha Abhiyan (RMSA):** it was launched in 2009. It is a centrally sponsored scheme for the development of secondary education throughout India. It aims to provide universal education for all children between 15-16 years of age.

5) **Saakshar Bharat/Adult education:** It aims at creating a literate society through a variety of teaching learning programme for non-literate and neo-literate of 15 years and above. It also aims at continuing education programme for lifelong education at the community level.

6) **Rastriya Uchchatar Shiksha Abhiyan(RUSA) :** It was launched in 2013. It aims at holistic development of higher education in India. The centrally sponsored scheme aims at providing strategic funding to higher educational institutions throughout the country.

7) **Samagra Shikha Abhiyan:** Samagra Shiksha is an overarching programme for the school education sector extending from pre-school to class 12. The scheme has been prepared with the broader goal of improving school effectiveness measured in terms of equal opportunities for schooling and equitable learning outcomes. It subsumes the three Schemes of Sarva Shiksha Abhiyan (SSA), Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and Teacher Education (TE) and was launched in 2018.

1.2.3 The role of Health and family welfare in India

Healthcare has become one of India's largest sector, both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players.

Indian healthcare delivery system is categorised into two major components public and private. The Government, i.e. public healthcare system, comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centres (PHCs) in rural areas. The private sector provides majority of secondary, tertiary, and quaternary care institutions with major concentration in metros and tier I and tier II cities.

1) Ayushman Bharat Yojana

Ayushman Bharat or "Healthy India" is a national initiative launched by the Government as the part of National Health Policy 2017, in order to achieve the vision of Universal Health Coverage (UHC). This initiative has been designed on the lines as to meet SDG and its underlining commitment, which is "leave no one behind".

.Ayushman Bharat aims to undertake path breaking interventions to holistically address health at primary, secondary and tertiary level.

Ayushman Bharat consists of two inter-related components, which are -

Establishment of Health and Wellness Centres

Pradhan Mantri Jan Arogya Yojana (PM-JAY)

a) Establishment of Health and Wellness Centres–The first component, pertains to creation of 1,50,000 Health and Wellness Centres which will bring health care closer to the homes of the people. These centres will provide Comprehensive Primary Health Care (CPHC), covering both maternal and child health services and non-communicable diseases, including free essential drugs and diagnostic services.

b) Pradhan Mantri Jan Arogya Yojana (PM-JAY) –PM-JAY is one significant step towards achievement of Universal Health Coverage (UHC) and Sustainable Development Goal - 3 (SDG3).It aims to provide health protection cover to poor and vulnerable families against financial risk arising out of catastrophic health episodes.

2) Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)

The Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) aims at correcting the imbalances in the availability of affordable healthcare facilities in the different parts of the country in general, and augmenting facilities for quality medical education in the under-served States in particular. The scheme was approved in March 2006. It has been decided to set up 6 AIIMS-like institutions, one each in the States of Bihar (Patna), Chattisgarh (Raipur), Madhya Pradesh (Bhopal), Orissa (Bhubaneswar), Rajasthan (Jodhpur) and Uttaranchal (Rishikesh)

3) Integrated Disease Surveillance Program (IDSP)

The Integrated Disease Surveillance Program (IDSP) was initiated in assistance with World bank, in the year 2004. The scheme aimed to strengthen disease surveillance for infectious diseases to detect and respond to outbreaks immediately. The objective of this programme is to maintain decentralized laboratory-based IT enabled disease surveillance system for epidemic-prone diseases to monitor disease trends and to detect and respond to outbreaks in early rising phase through trained Rapid Response Team (RRTs).

4) Pulse Polio Programme

Pulse Polio Immunization programme was launched in India in 1995. Children in the age group of 0-5 years administered polio drops during immunization rounds (in high risk areas) every year. The Pulse Polio Initiative was started with an objective of achieving hundred per cent coverage under Oral Polio Vaccine. It aimed to immunize children through improved social mobilization, plan mop-up operations in areas where poliovirus has almost disappeared and maintain high level of morale among the public. WHO on 24th February 2012 removed India from the list of countries with active endemic wild polio virus transmission.

5) National Programme for Health Care of the Elderly (NPHCE)

With a comparatively young population, India is still poised to become home to the second largest number of older persons in the world. Projection studies indicate that the number of 60+ in India will increase from 100 million in 2013 and to 198 million by 2030. To overcome the medical expenses for elderly whose income decreases post retirement, Ministry of Health and Family Welfare launched The National Programme for Health Care for the Elderly (NPHCE). The interventions are designed to capture the Preventive, Curative and rehabilitative aspects in the geriatric field.

6) National Health mission

National Health Mission (NHM) was launched by the government of India in 2013 subsuming the National Rural Health Mission and National Urban Health Mission. It was further extended in March 2018, to continue till March 2020. The main components include Health System Strengthening in rural and urban areas for - Reproductive-Maternal- Neonatal-Child and Adolescent Health (RMNCH+A), and Communicable and Non-Communicable Diseases. The NHM envisages achievement of universal access to equitable, affordable & quality health care services that are accountable and responsive to people's needs.

The National Health Mission seeks to ensure the achievement of the following indicators: -

- Reduce Maternal Mortality Ratio to 1/1000 live births
- Reduce Infant Mortality Rate to 25/1000 live births
- Reduce Total Fertility Rate to 2.1
- Prevention and reduction of anemia in women aged 15–49 years
- Prevent and reduce mortality & morbidity from communicable, non-communicable; injuries and emerging diseases
- Reduce household out-of-pocket expenditure on total health care expenditure

1.3 SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are the blueprint for achieving a better and sustainable future for all. The United Nations (UN) General Assembly in its 70th Session held on 25th September 2015, with the aim of taking forward the success of Millennium Development Goals, adopted the document titled "Transforming our World: The 2030 Agenda for Sustainable Development" consisting of 17 Sustainable Development Goals and associated 169 targets. The SDGs came into force with effect from 1st January, 2016. The SDGs are a comprehensive list of global goals integrating social, economic and environmental dimensions of development.

India has adopted the SDGs and it is the part of national goals of the country. The NITI(National Institution for Transforming India)Aayog is responsible for coordinating the SDGs in India. India has made progress in SDGs by initiating and implementing various policies and programmes.
SDG 1: No Poverty

Government of India has launched a multi-pronged strategy to eradicate poverty in all its form. Due to the multidimensional nature of poverty, the Government is implementing a number of welfare schemes in the areas of nutrition, health, education, housing, drinking water, sanitation, skill development, social protection etc. The sustained economic growth has been instrumental in reducing the poverty over the years. In this context, it is pertinent to note that India has resolved to become the 5 trillion-dollar economy by 2025.

SDG 2 :Zero Hunger
A number of initiatives have been taken by the Government to ensure food for all and has launched one of the largest food security programs in the world owing to the National Food Security Act, 2013. The net area under the organic farming is increasing over the years. India has made a significant progress in the area of food security despite of having several challenges.

SDG 3:Good Health and Well-Being
The Government Policies on health sector aim to provide universal health services at affordable prices. In this direction, the National Health Policy, the world's largest health protection programme - Ayushman Bharat Yojana, Pradhan Mantri Bhartiya Janaushadhi Pariyojana among others, have been instrumental in achieving significant progress in this area. Government interventions have led to reduction in maternal and neonatal mortality as well as under-five mortality. The pandemic of COVID-19 posed an unprecedented challenge before the health system of the country. Government health policies and infrastructure have shown remarkable resilience in exemplary handling of the pandemic.

SDG 4: Quality Education
Affording the opportunity of quality education is basic to improve people's lives and their sustainable development. SDG 4 aims to ensure the completion of primary and secondary education by all boys and girls, and guarantee opportunities for equal access to quality technical and vocational education for everyone. India has made significant progress in improving school infrastructure, increasing enrollment of students and improving the level of gender parity. The Right to Education (RTE) Act makes education a fundamental right of every child between the ages of 6 and 14 years and ensures free and compulsory education. The coverage of

education is constantly increasing across the country. A lot of emphasis has also been given to the Skill development and vocational education.

SDG 5 :Gender Equality

Ending all forms of discrimination against women and girls is not only a basic human right but also is crucial for sustainable future of societies. Providing women and girls with equal access to education, health care, decent work, and representation in political and economic decision-making processes will achieve sustainable economies and will benefit societies and humanity at large. SDG 5 aims to ensure end to all forms of discrimination against women and girls everywhere. Government has initiated several social protection and financial inclusion programs focusing on women. Such type of initiatives has ensured the increased women participation. The Beti Bachao Beti Padhao created awareness and improved the efficiency of welfare services intended for girls. The Pradhan Mantri Matru Vandana Yojana has been instrumental in providing the social protection through maternity benefits to women.

SDG 6: Clean Water and Sanitation

SDG 6 ensures availability and sustainable management of water and sanitation for all and reflects its increased attention in the global political arena. The 2030 Agenda recognizes that social development and economic prosperity depends on the sustainable management of freshwater resources and ecosystems. Despite having a huge demand, with limited water resources, India has committed to provide the population safe and adequate drinking water. Jal Jeevan Mission has played a significant role in ensuring adequate water and sanitation. In addition, all districts in India have achieved the target of Open Defecation Free (ODF) under the Swachh Bharat Mission.

SDG 7: Affordable and Clean Energy

SDG 7 aims to improve energy efficiency, increase use of renewable sources and promotion of sustainable and modern energy for all. Pradhan Mantri Sahaj Bijli Har Ghar Yojana - Saubhagya was launched to provide electricity to all households. The scheme has ensured access to power with a special focus on renewable energy to lower the carbon emissions and reduce air pollution. Pradhan Mantri Ujjwala Yojana has successfully taken cooking gas to rural households to meet the energy requirements and contribute towards improvement to women’s health and reduced CO2 emission.

SDG 8:Decent Work and Economic Growth

The goal is to achieve full and productive employment, and decent work, reduce informal employment and the gender pay gap and promote safe and secure working environments for all women and men by 2030.The Government Initiative, Startup India, aims to help Indian entrepreneur and Micro Units Development and Refinance Agency (MUDRA) ensures loans at low rates proving helpful in providing credit to MSMEs. Several structural reforms have been taken for sustainable economic growth and productive employment.

SDG 9 :Industry, Innovation and Infrastructure

Progression in business regulatory environment has ensured India's improved position in Ease of Doing Business rankings. The upgraded infrastructure and new initiative like Dedicated Freight Corridor, Dedicated Industrial Corridor etc. have been instrumental in the sustainable industrialization. The measures taken towards innovations led significant progress of the country in the Global Innovation index.

SDG 10 Reduced Inequalities

The inequalities in income and wealth are severe and have been widening globally. SDG 10 aims to reduce income inequality based on age, gender, disability, religion and economic or other status within the country, as well as among countries. Government is committed to reduce economic inequality through various policies and programs. In this direction, numerous initiatives have been taken. Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Kisan Samman Nidhi are some such interventions.

SDG 11: Sustainable Cities and Communities

Atal Mission for Rejuvenation and Urban Transformation (AMRUT) is focused to establish infrastructure that could ensure adequate robust sewage networks and water supply for urban transformation. The Government launched Pradhan Mantri Awas Yojana (PMAY) to provide affordable housing to all. National Smart Cities Mission, the urban renewal and retrofitting program has been launched to develop smart cities across the country.The Municipal solid waste management is one of the major environmental problems of Indian cities. Government has taken several initiatives which has ensured significant progress in the waste management in Urban areas.

SDG 12:Responsible Consumption and Production

India is a part of international initiatives and agreements on sustainable consumption and production including the 10 Years Framework of Programmes on sustainable consumption and production (10YFP) process. Government has given special consideration on renewable energy, organic agriculture, bio fertilizers, reduced emission etc. in order to ensure responsible consumption and production.

SDG 13:Climate Action

India's National Action Plan for Climate Change (NAPCC), with 8 sub-missions is a programme to mitigate and adapt to the adverse impact of climate change. The plan aims at fulfilling India's developmental objectives with focus on reducing emission intensity of its economy. Government strives to make disaster resilient societies and these efforts by Government have considerably reduced the causalities from disastrous events over the years. India achieved its pre 2020 goal of reduction in emission intensity and implementing programs for the post 2020 goals.

SDG 14: Life Below Water

The Goal advocates corrective human measures including effectively regulating harvesting and overfishing, protecting marine and coastal ecosystems, increasing scientific knowledge to improve ocean health and providing access for small-scale artisanal fishers to marine resources and markets. Several initiatives have been undertaken to protect the marine and coastal ecosystems, mangrove and coral reefs.

SDG 15: Life on Land

Goal 15 highlights how these systems contribute to reducing risks of natural disasters such as floods and landslides, maintain productivity of agricultural systems while also regulating climate. It also highlights that concerted action is needed to protect, restore and promote terrestrial ecosystems.

SDG 16: Peace, Justice and Strong Institutions

The spirit of democracy, justice, liberty and equality has been deeply embedded in the Indian constitution. Acts like The Right to Information Act, Lok Pal and Lok Ayukta Act, Whistle Blowers Protection Act etc., further reinforced it. The political participation of vulnerable groups has been ensured in the constitutional framework of the country.

SDG 17: Partnerships for the Goals

The SDG 17 is critical to the achievement of all SDGs. The country is dedicated to strengthen the means of implementation and revitalizing the Global Partnership for Sustainable Development as provisioned under SDG 17.The partnership among the different stakeholders like Government, societies etc. is essential for achieving the sustainable development. India has introduced several policy improvements and process simplification over the years. In the endeavor to achieve SDGs, measuring the progress towards SDGs is important both at national and sub-national levels.

1.4 MAKE IN INDIA, SKILL DEVELOPMENT AND TRAINING PROGRAMMES

1.4.1 Make in India Make in India is an initiative launched by the Government of India to encourage multinational, as well as national companies to manufacture their products in India. The aim of launching this campaign in India is to make India a world level manufacturing powerhouse which will definitely help in solving the biggest issue of Indian economy.

Objectives of Make in India

- To make India a renowned manufacturing hub.
- Inviting various companies from around the world and encourages them to set up their factories and expand their facilities in India.
- To use the talents and skills of Indian manpower for creating zero defect products.

Steps to make 'Make In India' successful

- Many programs will be launched specially for people from rural areas, also for the poor ones living in the cities for developing their skills.
- Under this campaign, twenty five key sectors have been selected, like telecommunication, automobile, tourism, etc.
- Providing high quality training to the individuals who are between 15-35 years of age. The training is provided in key areas like welding, nursing, masonries, painting, etc.
- After the training, a skill certificate shall be provided.
- Over 1000 training centers would be opened all over India for the next two years of commencement of this campaign.

Advantages of Make in India

- Creation of Job Opportunities: The primary purpose of Make in India is to create and provide a job for all, especially for the younger generation of the country. Jobs are created in sectors such as telecommunication, pharmaceuticals, tourism, etc. The younger generation of the country will be encouraged young entrepreneurs to use their innovative ideas for the development of the nation.
- Improvement in Areas: When a factory or an industry is set up in an area, it attracts labor, markets, and other people. With this, the financial status of the families which are living nearby to these areas will also improve. The area, its neighbouring places and the people living in these places will develop all together.
- Push to GDP: GDP means Gross Domestic Product. The value of its GDP calculates the development of a country. By the campaign of Make in India, the industries will develop in India, and this will create the flow of income. Sectors like exportation, architecture, textiles, communication, etc. will develop, and this, in turn, will make the economy of India stronger.
- Increasing the Value of Rupees: Make in India will be attracting more Foreign Direct Investment and which will result in increasing the value of Indian Rupee against the American Dollar. This will also reduce the effect of the hegemony of Dollar over Indian Rupee.
- A Shift From International Brand to Native Brands: Indians are attracted to international brands and do not pay attention to the indigenous brands, and this brings loss to indigenous producers. With Make in India, the indigenous products will get its recognition in the country, and these producers will start making profits.
- Technological Advancements: Make in India allows Indians to use the latest technology. This campaign encourages Indians to make new

technology. Attention is also given to improving the skills of labor in the country.

- Simplifying Business: Make in India is an open invitation to manufacturers present in every corner of the world. For inviting as many manufacturers as possible, the government has removed many restrictions.

- Innovative Ideas From Young Generation: The young generation of India never gets an environment within the boundaries of the country to develop their skills and implement their innovative ideas in the country, and therefore they leave India for getting better opportunities. Make in India will provide the needed environment in the country itself and will take innovative ideas from the talented young generation of the country.

- Development of Rural India: When a factory is set up, it not only attracts labor but also attract development in that particular region. When a factory is set up in rural areas, then such areas are blessed with schools, healthcare facilities, markets, etc.

Disadvantages of Make in India

- Exclusion of Agriculture: India is an agrarian country with 61 percent of the total land under cultivation. But, Make in India encourages industrial development and excludes agriculture from it.

- Exploitation of Resources: Resources are limited in nature, while the demands of human beings have no end. Make in India focuses on developing manufacturing industries that consume many natural resources. This will endanger the survival of the population soon.

- Loss to Small Entrepreneurs: Make in India welcomes other countries in India, and when these countries set up its manufacturing unit in India, they attract the local people toward them, and this brings loss to small entrepreneurs who are already struggling to set up their position.

- Loss of Cultivable Land: The campaign focus on setting up of manufacturing unit in India. These manufacturing units can be set up at any place, and sometimes it also settles on those lands which are used for cultivation. Therefore, Make in India will destroy the worth of cultivable land.

- Loss to Other Sectors: The Indian economy has three sectors, named the Primary sector, Industrial or Secondary sector, and Service sector, but Make in India is emphasising on Secondary sector leaving all sectors behind. As the economy cannot develop by developing one sector only, complete attention on the manufacturing sector will not bring economic development to the country.

- Pollution: According to the data available, the Pollution Index of India is 76.50, and this level will surely increase after Make in India Campaign.

1.4.2 Skill Development and Training Programmes

Skill development and vocational training programmes are conceptualised, executed and monitored by various organisations, working closely with the Government of India. There are various plans and schemes that are dedicated to achieve scalable skilling with quality and higher productivity, particularly in the unorganised or informal sector which accounts for 83 per cent of India's workforce. Lets look at various schmes that aim at skilling, upskilling and reskilling in order to provide gainful employment.

1. Deen Dayal Upadhyay Gram Kaushal Yojana (DDU-GKY): The Deen Dayal Upadhyay Gram Kaushal Yojana (DDU-GKY) is a placement linked skill development programme for the rural youth. DDU-GKY funds a variety of skill training programmes all over the country that include over 250 trades such as Retail, Hospitality, Health, Construction, Automotive, Leather, Electrical, Plumbing, Gems and Jewellery, to name a few. DDU-GKY is being adopted throughout India as the scheme is being implemented on a large-scale basis, in almost all the states and union territories.

2. Deen Dayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM):

The main aim of DAY-NULM mission is to curb poverty of the urban poor households by providing them access to their skill related employment opportunities in an organised manner. As a part of this scheme, regional workshops have also been conducted in support of urban homeless, urban street vendors, etc. A major objective of the scheme is to help people earn a sustainable livelihood through skilling and upskilling. Through this scheme, the Government of India also hopes toeradicate the threats that a regular worker faces in the unorganised sectors of work. The belief that poor also have entrepreneurial capability and have an intent desire to come out of poverty, is what that drives this mission.

3. Directorate General of Training: Modular Employable Skills (DGT-MES): Government of India and the Ministry of Labour together have launched Modular Employable Skills (MES) under Skill Development Initiative (SDI). Under this scheme, school dropouts and existing workers, specially, in the unorganised sector are to be trained for employable skills. The basic objective of the scheme is to provide vocational training to school dropouts, ITI graduates, rural and unemployed youth to improve their employability. Also, priority is given to those above the age of 14 years who have suffered in the form of child labour to enable them to learn employable skills in order to get gainful employment.

4. Ministry of Labour and Employment (MoLE): The Ministry of Labour and Employment (MoLE) is one of the oldest and important Ministries of the Government of India. The main responsibility of this Ministry is to protect the interests of workers in general and also the rural and urban poor and that section of people who are deprived and disadvantaged sections of the society. The Ministry majorly focuses on women and child welfare and has also started schemes to support various initiatives. The National Career Services is another scheme under the Ministry of Labour and Employment which deals with providing job matching services to youth in an easy manner.

5. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA): NREGA guarantees right to work in rural areas by providing wage employment to unskilled manual workers. People are ensured of at least 100 days of employment in every household to a member who is willing to do unskilled work. Apart from providing economic security and creating rural assets, MGNREGA also aims at protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity, among others.

6. Ministry of Skill Development and Entrepreneurship (MSDE): The Ministry of Skill Development and Entrepreneurship (MSDE) is responsible for the coordination of overall skill development efforts across the country, building the vocational and technical training framework, skill upgradation, building of new skills, and innovative thinking not only for existing jobs but also jobs that are to be created. The Ministry has aided and supported several other missions that also focus on skill development like the National Skill Development Agency (NSDA), National Skill Development Corporation (NSDC), National Skill Development Fund (NSDF) and 33 Sector Skill Councils (SSCs) as well as 187 training partners registered with NSDC.

7. National Skill Development Corporation (NSDC): The National Skill Development Corporation (NSDC) is a unique organisation under PPP mode, under the Ministry of Skill Development and Entrepreneurship. It aims to promote skill development by initiating the creation of large and quality oriented training institutes all over the country. The Government of India works closely with NSDC to help financing training and thus contribute to the overall target of skilling 400 million people in India by 2022.

8. National Skill Development Agency (NSDA): NSDA is an autonomous body of Ministry of Skill Development and Entrepreneurship (MSDE), which aims to coordinate the skill development efforts of the Government and the private sector to achieve the skilling targets by 2022. The NSDA works in partnership with several agencies like the NSDC, Central Ministry Skill Programmes, Ministry of Skill Development and Entrepreneurship and Sector Skill Councils. The NSDA works with 26 different kinds of skill sectors. The NSDA aims to be the major agency for State Skill Development Missions and also ensure that the skilling needs of the disadvantaged and the marginalised groups like SCs, STs, OBCs, minorities,women and differently abled persons are taken care of without any bias

9. Pradhan Mantri Kaushal Vikas Yojana (PMKVY): Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is a unique initiative by the Government of India that aims to train about24 lakh Indian youth to be industry relevant, skill based and to prepare them for the globalmarket. Under this scheme, the trainees will also be given financial support and a certificateon successful completion of training and assessment, which will help them in securing a jobfor a better future. This scheme mainly focuses on the upbringing of youth and to prepare them to face the challenges of the industrial world. The PMKVY scheme is being implemented successfully with many skill sectors all over the country.

1.5 SUMMARY

In this unit, we have seen the objectives of New Economic Policy1991. The main objective was to plunge Indian Economy in to the arena of 'Globalization and to give it a new thrust on market orientation. Various reforms were introduced for liberalisation, privatization and globalization of the Indian economy. Social infrastructure plays an important role in the economic development of the country. The two main areas of social infrastructure are education and health. Important measures have been taken by the government for development of education and health care in India. We have also discussed the sustainable development goals adopted by United Nations. The NITI (National Institution for Transforming India)Aayog is responsible for coordinating the SDGs in India. India has made progress in SDGs by initiating and implementing various policies and programmes. Make in India is an initiative launched by the Government of India to encourage multinational, as well as national companies to manufacture their products in India. The aim of launching this campaign in India is to make India a world level manufacturing hub. Lastly we also study some of the important skill development programmes launched by the Government.

1.6 QUESTIONS

Answer in brief:

1) Explain briefly the New Economic policy 1991.

2) What is globalization? What are the different policy measures undertaken to globalize the Indian economy since 1991.

3) Discuss the importance of social infrastructure.

4) Explain the role of infrastructure related to education.

5) Examine the various skill development and training programmes.

6) Discuss the measures adopted by India for implementation of sustainable development goals.

7) Discuss the Government of India's Make in India initiative.

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2

FOREIGN DIRECT INVESTMENT

Unit Structure

2.0 OBJECTIVES

- To understand the role of Foreign Direct Investment
- To explore the role of MNCs in India
- To understand the role of Foreign Investment promotion Board

2.1 FOREIGN DIRECT INVESTMENT

2.1.1 Meaning of FDI

A Foreign Direct Investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country. With FDI, foreign companies are directly involved with day-to-day operations in the other country. FDIs, apart from being involved in **capital investment**, also include the provisions of **management** or **technology**. The key feature of FDI is that it establishes either **effective control** of or at leasta **substantial influence** over the **decision-making** of the foreign business. The FDI can be made in various ways, including the opening of a subsidiary or associate company in a foreign country or ensuring a merger or joint venture with a foreign company.

2.1.2 Types of FDI

- FDI can be categorised into horizontal, vertical or conglomerate.
- A **horizontal direct investment** happens when an investor sets up the same type of business operation in a foreign country as it operates in its home country.
- A **vertical investment** is one in which different, but related business activities from the investor's main business is established or acquired in a foreign country. For instance, when a manufacturing company acquires an interest in a foreign company that supplies parts or raw materials

required for the manufacturing its finished goods, it is called vertical investment.

- A **conglomerate type** of FDI is the one where a company or an individual makes foreign investment in a business that is unrelated to its existing business in its home country.
- Since this type of investment involves entering a new industry where the investor has no experience, it often takes the form of a **joint venture** with a foreign company already operating in the country.

2.1.3 Advantages and disadvantages of FDI

What are the advantages of FDI?

Increase in production: Allowing FDI inflow ensures an increase in investment in key areas such as infrastructure development, which may lead to increase in capital goods production. For instance, investment in power generation can generate more electric power, which would enable the growth of more industries.

Increase in capital inflow:FDI promotes more capital inflow into the countries, especially in key sectors like infrastructure .It can address the shortage of capital and materials, which can rapidly enhance the growth of the country.

Increase in employment opportunities:FDIs in developing countries have enhanced the service sectors.This increased the employment opportunities within these countries, leading to an increase in economic growth.Educated unemployment has also been reduced by the FDIs as they can absorb some of the workforces.

Strengthening of financial services:FDIs can enhance financial services of a country by not only entering its banking industry but also by extending other activities like merchant banking, portfolio investment etc.It has also helped the capital market within the country.

Exchange rate stability:RBI has been maintaining the exchange rate in the country through its exchange control measures.However, the constant and continuous supply of foreign exchange is vital for the continuation of exchange rate stability.FDI inflow plays a crucial role in this aspect by helping RBI to have comfortable foreign exchange reserve position of more than 1 billion dollars.

Economic development:FDIs, in the past, have played a crucial role in developing backward areas by starting industries.This resulted in many of these areas becoming industrial centres, with improvement in the standard of living of the people in these areas.

Efficient use of natural resources: The natural resources in the country can be used efficiently by the FDI, which may otherwise have been unutilised.

Improved knowledge and technology: One of the crucial benefits received by the host countries through the FDIs is access to new technologies and expertise from foreign companies.This can result in enhancement of the country's growth potential.

Maintenance of Balance of Payments:FDI growth can help maintain the Balance of Payments.It can also maintain the value of countries' currencies.

Disadvantages of FDI

- Foreign ownership of strategically important sectors cannot favour the countries.
- Foreign investors **might strip the business of its value.**
- They could **sell unprofitable portions** of the company to the local, **less sophisticated investors.**
- They can use the company's **collaterals to get low-cost, local loans.**
- Instead of reinvesting it, they **lend the funds back tothe parent company.**
- The MNCs, through FDIs, can get **controlling rights** within the foreign countries.
- FDI can also be a convenient way to **bypass local environmental laws.**
- Developing countries are tempted to reduce environmental regulations to attract FDI inflows.
- FDI does **not always benefit host countries** as it enables foreign multinationals to gain from **ownership of raw materials** and even **exploit labour force** by not distributing its wealth to the backward society.
- MNCs are often criticised for their poor working conditions in foreign countries.
- The entry of large firms can often **displace local businesses** and may drive them out, as these small companies cannot compete.

2.1.4 FDI policy in India

New Industrial policy1991 : The Government introduced automatic approval upto 51% of foreign in 34 priority sectors. Government had the authority to raise FDI limit to 100% without prior approval of Parliament. There were 2 ways to get FDI approval in India .

Automatic Route
Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment.

Government Route

Under the Government Route, prior to investment, approval from the Government of India is required. Proposals for foreign direct investment under Government route, are considered by respective Administrative Ministry/ Department.

FDI policy 2017: On August 28, 2017 ,DIPP announced the revised FDI policy. The following initiatives were taken.

- Abolition of FIPB and establishment of Foreign Investment Facilitation portal.
- Different departments were appointed to look into sector specific investments .
- DIPP issued Standard operating Procedures with detailed procedures, the timelines and list of competent authorities for government approval.
- Start-ups could issue equity or equity linked debt instruments to foreign venture capital investors.

Trends of FDI in India

- The Measures taken by the Government on the fronts of FDI policy reforms, investment facilitation and ease of doing business have resulted in increased FDI inflows into the country as India has attracted total FDI inflow of US$ 72.12 billion during April to January, 2021.

- It is the highest ever for the first ten months of a financial year and 15% higher as compared to the first ten months of 2019-20 (US$ 62.72 billion).

- The trends show that the FDI equity inflow grew by 28% in the first ten months of F.Y. 2020-21 (US$ 54.18 billion) compared to the year ago period (US$ 42.34 billion).

- In terms of top investor countries, 'Singapore' is at the apex with 30.28% of the total FDI Equity inflow followed by U.S.A (24.28%) and UAE (7.31%) for the first ten months of the current financial year 2020-21.

- Japan has been leading the list of investor countries to invest in India with 29.09% of the total FDI Equity inflows during January, 2021, followed by Singapore (25.46%) and the U.S.A. (12.06%).

- The Computer Software & Hardware has emerged as the top sector during the first ten months of F.Y. 2020-21 with 45.81% of the total FDI Equity inflow followed by Construction (Infrastructure) Activities (13.37%) and Services Sector (7.80%) respectively.

- As per the trends shown during the month of January, 2021, the consultancy services emerged as the top sector with 21.80% of the total FDI Equity inflow followed by Computer Software & Hardware (15.96%) and Service Sector (13.64%).

- These trends in India's Foreign Direct Investment are an endorsement of its status as a preferred investment destination amongst global investors

2.2 MULTINATIONAL CORPORATION AND THEIR ROLE

2.2.1Meaning of Multinational Companies (MNCs):

A multinational company is one which is incorporated in one country (called the home country); but whose operations extend beyond the home country and which carries on business in other countries (called the host countries) in addition to the home country.

Features of Multinational Corporations (MNCs):

(i) Huge Assets and Turnover:

Because of operations on a global basis, MNCs have huge physical and financial assets. This also results in huge turnover (sales) of MNCs. In fact, in terms of assets and turnover, many MNCs are bigger than national economies of several countries.

(ii) International Operations Through a Network of Branches:

MNCs have production and marketing operations in several countries; operating through a network of branches, subsidiaries and affiliates in host countries.

(iii) Unity of Control:

MNCs are characterized by unity of control. MNCs control business activities of their branches in foreign countries through head office located in the home country. Managements of branches operate within the policy framework of the parent corporation.

(iv) Advanced and Sophisticated Technology:

Generally, a MNC has at its command advanced and sophisticated technology. It employs capital intensive technology in manufacturing and marketing.

(v) Professional Management:

A MNC employs professionally trained managers to handle huge funds, advanced technology and international business operations.

(vi) Better Quality of Products:

A MNC has to compete on the world level. It, therefore, has to pay special attention to the quality of its products.

2.2.2 Advantages and Limitations of MNCs:

Advantages of MNCs

(i) Employment Generation:

MNCs create large scale employment opportunities in host countries. This is a big advantage of MNCs for countries; where there is a lot of unemployment.

(ii) Automatic Inflow of Foreign Capital:

MNCs bring in much needed capital for the rapid development of developing countries. In fact, with the entry of MNCs, inflow of foreign capital is automatic. As a result of the entry of MNCs, India e.g. has attracted foreign investment with several million dollars.

(iii) Proper Use of Idle Resources:

Because of their advanced technical knowledge, MNCs are in a position to properly utilise idle physical and human resources of the host country. This results in an increase in the National Income of the host country.

(iv) Improvement in Balance of Payment Position:

MNCs help the host countries to increase their exports. As such, they help the host country to improve upon its Balance of Payment position.

(vi) Technical Development:

MNCs carry the advantages of technical development In fact, MNCs are a vehicle for transference of technical development from one country to another.

(vii) Managerial Development:

MNCs employ latest management techniques. People employed by MNCs do a lot of research in management. In a way, they help to professionalize management along latest lines of management theory and practice. This leads to managerial development in host countries.

(viii) End of Local Monopolies:

The entry of MNCs leads to competition in the host countries. Local monopolies of host countries either start improving their products or reduce their prices. MNCs compel domestic companies to improve their efficiency and quality.

(ix) Improvement in Standard of Living:

By providing super quality products and services, MNCs help to improve the standard of living of people of host countries.

(x) Promotion of international brotherhood and culture:

MNCs integrate economies of various nations with the world economy. Through their international dealings, MNCs promote international brotherhood and culture; and pave way for world peace and prosperity.

Limitations of MNCs

(i) Danger for Domestic Industries:

MNCs, because of their vast economic power, pose a danger to domestic industries; which are still in the process of development. Domestic industries cannot face challenges posed by MNCs. Many domestic industries have to wind up, as a result of threat from MNCs. Thus MNCs give a setback to the economic growth of host countries.

(ii) Repatriation of Profits:

MNCs earn huge profits. Repatriation of profits by MNCs adversely affects the foreign exchange reserves of the host country; which means that a large amount of foreign exchange goes out of the host country.

(iii) No Benefit to Poor People:

MNCs produce only those things, which are used by the rich. Therefore, poor people of host countries do not get, generally, any benefit, out of MNCs.

(iv) Danger to Independence:

Initially MNCs help the Government of the host country, in a number of ways; and then gradually start interfering in the political affairs of the host country. There is, then, an implicit danger to the independence of the host country, in the long-run.

(v) Disregard of the National Interests of the Host Country:

MNCs invest in most profitable sectors; and disregard the national goals and priorities of the host country. They do not care for the development of backward regions; and never care to solve chronic problems of the host country like unemployment and poverty.

(vi) Careless Exploitation of Natural Resources:

MNCs tend to use the natural resources of the host country carelessly. They cause rapid depletion of some of the non-renewable natural resources of the host country. In this way, MNCs cause a permanent damage to the economic development of the host country.

(vii) Exploitation of People, in a Systematic Manner:

MNCs join hands with big business houses of host country and emerge as powerful monopolies. This leads to concentration of economic power only in a few hands. Gradually these monopolies make it their birth right to exploit poor people and enrich themselves at the cost of the poor working class.

2.3 FOREIGN INVESTMENT PROMOTION BOARD

The Foreign Investment Promotion Board (FIPB) was an inter-ministerial body under the Department of Economic Affairs in the Ministry of Finance. It was set up in the early 1990s for single window clearance of FDI in India.

Earlier if the Foreign Direct Investment (FDI) amount exceeds Rs3,000 crore then it must be approved by the Finance Minister and subsequently by the Cabinet Committee on Economic Affairs (CCEA) on the recommendations of the FIPB. FIPB was chaired by the economic affairs secretary and other permanent members includes; secretary, Department of Industrial Policy and Promotion (DIPP), commerce secretary etc.

Various functions of Foreign Investment Promotion Board

- To review the execution of the foreign investment proposals
- To approve quickly the foreign investment proposals
- To communicate with industry bodies, non- government, and government agencies on issues that help in increasing the flow of Foreign Direct Investment into the country
- To establish transparent guidelines that help in promoting FDI into the country
- To take up activities that promote investment into the country such as establishing contact with leading international companies and to encourage them to invest in India
- To communicate with the Foreign Investment Promotion Council (FIPC)
- To identify the various sectors in the country in which FDI may be wanted
- To take up various other activities that help in encouraging foreign direct investment into the country

Ex Finance Minister Arun Jaitley announced in the budget speech in Lok Sabha that FIPB will be abolished and government issued notification to abolish the FIPB on 5th June 2017.The FIPB was replaced by the Foreign Investment Facilitation Portal (FIFP) in May 2017.After the abolition of the FIPB now individual departments of the government have been empowered to clear FDI proposals in consultation with Department of policy and Promotion (DIPP) which will also issue the Standard Operating Procedures (SOPs) for processing applications. Now timeline will be fixed for approving FDI proposals by the competent authorities. The rejection of the application is made tougher as it will now mandatorily require concurrence of DIPP.

2.4 SUMMARY

In this unit, we have studied the foreign Direct Investment. A Foreign Direct Investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country. There are three types of foreign Direct Investment. The government has adopted two routes for FDI in India. Automatic and Government Route. Due to the various policy initiatives taken by the Government, India is one of the top destinations for attracting FDI. We have also discussed the role of multinational corporations. MNCs have many advantages like large scale employment opportunities , Inflow of Foreign Capital,Technical and managerial Development**.** However MNC also have many disadvantages like danger for domestic industries, repatriation of profits etc.

2.5 QUESTIONS

Answer in brief:

1) Discuss the Foreign Direct policy adopted by the Government of India.

2) What are the various advantages of the foreign direct investment

3) What are the costs of FDI to the host country

4) Write a note on Foreign Investment promotion Board (FPIB).

5) Explain the role of MNCs in India.

6) What are the advantages and disadvantages of MNCs?

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Module II

3

AGRICULTURE DURING POST REFORM PERIOD

Unit Structure

3.0 OBJECTIVES

- To study objectives of National Agricultural Policy 2000.
- To study features of National Agricultural Policy 2000.
- To study the implication of NAP 2000.
- To study the need for agricultural price policy and the evaluation of Agricultural pricing.

3.1 INTRODUCTION

Agriculture sector plays an important role in Indian agriculture as Indian Indian economy was earlier relied and known as an agrarian economy. Even today, India's more than 50 percent of population depend upon agriculture for its livelihood. The first agricultural reform took place in the form of Green Revolution which contributed tremendously in Indian economy. In this unit, we will study the post reform agriculture policy.

3.2 NATIONAL AGRICULTURE POLICY 2000 INTRODUCTION

National agricultural policy declared by the Government on July 28, 2000 for raising agricultural production and productivity with raising the level of income of farmers. It is useful to rising standard of living of farmers within a definite time frame. This policy is formulated for all round and comprehensive development of the agricultural sector.

3.2.1 OBJECTIVES

The following are some of the important objectives of India's national agricultural policy:

1. Attaining a growth rate above 4.0 per cent per annum in the agricultural sector;
2. Attaining a growth which is based on efficient use of resources and also makes provision for conservation of our soil, water and bio-diversity;
3. Attainment of growth with equity, i.e., attaining a growth whose impact would be widespread across regions and different classes of farmers;
4. Attaining a growth that is demand-driven and cater to the need of domestic markets and ensuring maximization of benefit from exports of agricultural products in the face of challenges from economic liberalization and globalization;
5. Attaining a growth that is sustainable technologically, environmentally and economically.

3.2.2 The main features of the National Agricultural Policy are:

1. Privatisation of agriculture and price protection of farmers in the post QR (Quantitative Restrictions) regime would be part of the government's strategy to synergise agricultural growth.
2. Private sector participation would be promoted through contract farming and land leasing arrangements to allow accelerated technology transfer, capital inflow, assured markets for crop production especially of oilseeds, cotton and horticultural crops.
3. The policy envisages evolving a 'National Livestock Breeding Strategy' to meet the requirement of milk, meat, egg and livestock products and to enhance the role of draught animals as a source of energy for farming operations.
4. High priority would be accorded to evolve new location-specific and economically viable improved varieties of farm and horticulture crops, livestock species and aquaculture.
5. The restrictions on the movement of agricultural commodities throughout the country would be progressively dismantled. The structure of taxes on food grains and other commercial crops would be reviewed.
6. The excise duty on materials such as farm machinery and implements and fertilizers used as inputs in agricultural production, post-harvest stage and processing would be reviewed.
7. Rural electrification would be given high priority as a prime mover for agricultural development.

8. The use of new and renewable sources of energy for irrigation and other agricultural purposes would be encouraged.

9. Progressive institutionalisation of rural and farm credit would be continued for providing timely and adequate credit to farmers.

10. Endeavour would be made to provide a package insurance policy for the farmers, right from sowing of crops to post-harvest operations including market fluctuations in the prices of agricultural produce.

3.2.3 Implications of the New Agricultural Policy:

The New Agricultural Policy (2000) has been considered as a balanced one considering the present requirement. The new policy has adopted a coordinated approach for bringing Green Revolution, White Revolution (related to milk and dairy products) and Blue Revolution (related to aqua/fish culture). Therefore, the policy has been termed as a policy of promising Rainbow Revolution.

1. Considering the growing requirement of food for attaining food self-sufficiency and to attain food security for the millions of people of the country the policy has faced a great challenge. To fulfil this requirement attainment of 4 per cent growth rate in agricultural output is a must. But the New Policy has not spelt out any such target in quantitative terms.

2. The New Policy has also failed to identify those backward states which are still lagging in utilizing their agricultural potential. Therefore, a balanced approach should be undertaken to remedy these loopholes.

3. The New Policy argued in favour of encouraging private investment in agriculture which would help the big farmers, but the large numbers of small farmers are not going to be supported by such private investment which needs to be promoted by public investment.

4. The New Policy argued in favour of private sector participation through contract farming by land leasing arrangements. But introduction of such a step in a labour- surplus economy is highly questionable.

5. Lastly, there is a lack of co-ordination between the Central and State Governments in implementing various promotional steps for the development of agricultural sector. Thus, the centre and the states should co-ordinate in implementing various provisions of new policy and should develop a monitoring mechanism to evaluate the implementation of the policy in a most ratio.

3.3.4 In order to fulfil this strategy, the following measures are suggested in the new policy:

1. To use unutilized barren wastelands for agriculture and afforestation.
2. To contain biotic pressures on land and to control indiscriminate division of agricultural lands for non-agricultural uses.
3. To enhance cropping intensity through multi-cropping and inter-cropping.
4. To emphasize rational use of ground and surface water so that over-exploitation of ground water resources can be checked. To adopt better technologies such as drip and sprinkler irrigation system so as to arrange more economic and efficient use of water.
5. To adopt vigorously a long-term perspective plan for sustainable rain-fed agriculture by adopting watershed approach and water harvesting method for development of two-thirds of cropped area of the country which is dependent on rainfall.
6. Involvement of farmers and landless labourers will be sought in the development of pastures/ forestry programmes on huge public wasteland by providing adequate financial incentives and entitlement of trees and pastures.

3.3 AGRICULTURAL PRICING

3.3.1 INTRODUCTION

Movement of price is a common feature. But rapid and violent movement or fluctuations in the prices of agricultural commodities have serious consequences on the economy of the country. As the sudden steep fall in the price of a particular crop, result in huge loss to the farmers producing that crop as their income declines. This will force the farmers not to cultivate the crop next year leading to a serious shortage in the supply of that food item and that may force the government to import that food crop from foreign countries. Price policy plays a pioneer role in the economic development of a country. It is an important instrument for providing incentives to farmer for motivating them to go in for production-oriented investment and technology. In a developing country like India where majority of the population is engaged in agricultural sectors, prices affect both income and consumption of the cultivators.

3.3.2 OBJECTIVES

1. “To protect or insure the producer through guaranteed minimum support price , which as a stabilization measure, reduces the variability in product prices and therefore price risk of the farmers. The impact of the risk reduction is expected to induce farmers to undertake larger investments.

2. To induce farmers to part with a larger proportion of foodgrains production as a marketed surplus.

3. To induce the desired outputs of different rops according to growth targets.

4. To revenue maximization seeks to maximize revenue from the sale of products without regard to profit.

5. To quality of leadership used to signal product quality to the consumer by placing prices on products that convey their quality.

3.3.3 FEATURES

1. Setting up Institutions:

The Government of India has set up some institutions for the implementation of agricultural price policy in the country. Accordingly the agricultural price commission was set up in 1965 which announced the minimum support prices and procurement prices for the agricultural products.

2. Minimum Support price:

The government fixes the minimum support prices of agricultural products like wheat, rice ,maize,cotton, sugarcane, pulses etc. regularly for safeguarding the interest of farmers. The FCI also make their purchase of food grains at the procurement prices so as to maintain a rational price of foodgrains in the interest of farmers.

3. Protecting the Consumers:

In order to safeguard the interest of the consumers, the agricultural price policy has made provision for buffer stock of foodgrains for its distribution among the consumers through public distribution systems.

4. Fixation of Maximum Price:

In order to have a control over the price of the essential commodities the government usually determines the maximum price of agricultural products so as to protect the general people from exorbitant rise in prices.

3.3.4 SUGGESTIONS FOR RATIONALISATION OF AGRICULTURAL PRICING

1. Establishment of Some More Agencies:

Apart from Food Corporation of India, some more agencies should be set up for ensuring rational prices of other agricultural products . In the meantime the government has already set up Cotton Corporation and Jute Corporation, which needs to be further, strengthened.

2. Extension of the Price Policy :

The agricultural price policy should be extended to cover more commodities over and above the 15 commodities covered at present . The commodities like pulses, potato, onion and other important vegetables and fruits may also be covered.

3. Rationalisation of Price Fixation:

The price of agricultural commodities should be fixed in the most rational manner so that it could cover the entire cost of production. While fixing the price, the increasing cost of agricultural inputs should be taken into consideration.

4. Protection of Consumers:

The agricultural price should be so determine that it can also protect the interest of the general consumer .

5. Modernisation:

The agricultural price policy should be framed in such a manner so that it can induced the farmers to go for modernization of their agricultural practice.

3.3.5 CONCLUSION

The agricultural price policy has relied too heavily on and price incentives in the form of assured crop prices for achieving increase in production. The non-price factors such as efficient technology, financial inputs, land reforms and improved human resources are all very significant in expanding the volume of aggregate output and productivity. The scarce state's economic resources should be used in improving social and economic infrastructure in the rural area rather than providing subsidized agriculture output to the public at large. The price policy cannot produce desirable effects of improving agricultural productivity if the agricultural infrastructure is weak. It is desirable that the agricultural prices are announced for few commodities as it is commercially unsustainable for government to procure foodgrains at higher price and allow off take at subsidized price.

3.4 SUMMARY

1. National agricultural policy declared by the Government on July 28, 2000 for raising agricultural production and productivity with raising the level of income of farmers. This policy is formulated for all round and comprehensive development of the agricultural sector.

2. The new policy has adopted a coordinated approach for bringing Green Revolution, White Revolution (related to milk and dairy products) and Blue Revolution (related to aqua/fish culture). Therefore, the policy has been termed as a policy of promising Rainbow Revolution.

3. Price policy plays a pioneer role in the economic development of a country. It is an important instrument for providing incentives to farmer for motivating them to go in for production-oriented investment and technology.

3.5 QUESTIONS

1. Explain the main features of the National Agricultural Policy 2000.
2. How does the National Agricultural Policy 2000 implication at making Indian agriculture modern and dynamic ?
3. Write short notes on :

a. Objectives of National Agricultural Policy 2000.

4. Explain the objectives and features of agricultural pricing.
5. Explain the importance of agricultural pricing.
6. Discuss the rationalisation of agricultural pricing.

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4

AGRICULTURAL FINANCE

Unit Structure

4.0 OBJECTIVES

- To study the need of agricultural finance in Indian agriculture sector.
- To study of sources of agricultural finance and its advantages and disadvantages.
- To study the structure and status of agricultural marketing in India.

4.1 INTRODUCTION

In this unit, we will discuss the role of agricultural finance in Indian agriculture sector in post reform period. A developed agricultural marketing plays a crucial role in the development of agricultural sector in India.

4.2 AGRICULTURAL FINANCE

Agricultural finance generally means studying, examining and analyzing the financial aspects pertaining to farm business, which is the core sector of India. The financial aspects include money matters relating to production of agricultural products and their disposal.

4.2.1 Sources of agricultural finance :

Sources of agricultural finance in India can be broadly divided in two categories :

A. Institutional sources

B. Non-institutional sources.

A. Institutional sources: It refers to credit provided by organised financial institutions like, commercial banks, Land development bank, co-operative credit societies, RRBs, Institutional credit help the farmers to raise his productivity and maximise his income. Relatively rate of interest is low and different for different groups of farmers for different purposes.

1) **Co-operative Banks :** Co-operative Banks play an important role in agricultural credit. These Banks provide short term & medium term loans.

- Primary Agricultural Co-operative Banks at village levels provide short term & medium term loans to farmers.
- Central co-operative Banks at district level – to provide funds to PACs & supervise there working.
- State cooperative Banks at village level – finance CBs & to monitor their work.

2. **Commercial banks :** In Indian agriculture sector commercial banks provide fund to productive agriculture and allied activities. After banks nationalisation the commercial banks have play a major role in providing rural finance. This has enable farmer to purchase agricultural equipments and inputs with adopt modern agricultural technology.

3. **Regional Rural Banks (RRBs) :** RRBs set up under the regional rural bank Act,1976 to extending credit to weaker section of the rural people i.e. small and marginal farmers, landless labourers, artisans and other rural self employes. Regional Rural Banks provide cheaper and adequate credit to farmers. RRBs in Indian rural area cover 11 percent of total institutional credit to agriculture. Each RRB is sponsored by a commercial bank.

4. National Bank for Agriculture and Rural Development (NABARD) :NABARD is now apex bank for rural and agribusiness credit. It took over from Reserve Bank of India all the functions that the latter performed in the field of rural finance.

- NABARD was established on **July 12, 1982**, by the RBI with an objective to improve the credit flow concentrated in the urban areas to the rural and semi-urban areas of India.
- Its major functions are monitoring, policy making, planning the activities and credit system of the rural banks.
- NABARD also helps rural banks in their development and supervises their activities on a timely basis.

B. Non institutional Sources: Non- institutional sources refers to unorganised sources of credit. i.e. money lenders, traders and agents, relatives and friends.

1. **Money lenders:** The main financial source in non-institutional sources is the money lenders. The small and marginal farmers as well as the farm labour depend upon money lenders for financial needs. Due to establishment

2. **Treaders or agents:** They provide advance to farmers against agricultural products. Normally the loans are adjusted against the supply of crops. This is true in case of agriculture.

3. **Relatives and friends:** They provide finance to farmers for their short term needs. The funds may be provided with or without the interest.

4. **Landlords:** They provide funds to labours or to small & marginal farmers for their short term needs. Like money lenders they do charge high interest rate. Over the years the share of agricultural credit had also increased.

But over the years, the share of institutional finance in agricultural credit is increasing and non-institutional sources are declining. i.e. in 1951-52, the share of non-institutional source was 93 per cent, it came down to 37 per cent in 2011-12.

- **Advantages of institutional sources :**

Ø Supply of inputs: The co-operative banks & other banks provide inputs like seeds, fertilizers etc. this helps the farmers to obtain quality inputs at right prices.

Ø Provision of credit & Low Rate: The institutional sources provide short term & long term finance to the farmers for agricultural activities. These sources provide finance for agricultural activities and provide finance at the low rate of interest about 9 per annum.

- **Disadvantages of Institutional sources :**

Ø Many formalities : The institutional sources are many formalities to obtain loans.

Ø Political interference : In institutional sources there is a lot of political interference for sanctioning of loans, and therefore, the banks suffer huge bad debts on account of non-repayment of politically influenced loans.

- **Advantages of Non institutional sources :**

1. Flexibility in Offering loans: The money lenders are flexible in their approach of providing loans without security as well.

2. Good Relation: The money lenders do maintain good relation with local Farmers & it becomes very easy to obtain loans.

- **Disadvantages of Non Institutional sources :**

1. Manipulation of record: They manipulate the loan accounts taking the advantages of innocence & illiteracy of farmers.

2. High interest rates: The money lenders charge very interest rates between 15% to 24%.

4.2.2 Importance of Agricultural finance :

Agricultural Finance is playing a catalytic role in strengthening the farm productivity. Farmers need a finance for various purpose those can be examine from two different basis-

1. On the basis of time.
2. On the basis of purpose.

Some of major importance of agriculture finance are as Follows :

1. Purchase of equipment and inputs : The farmer needs finance for purchase of new inputs for seeds, fertilizers , pesticides, irrigation, water etc
2. Improvement on land :To making some important changes or improvements in agriculture i.e. long term and short term
3. Management of risk : credit enables the farmers to better manage the risks of uncertainties pf price , weather etc. They can borrow money during the sowing period & pay back the loans in the post -harvest period .
4. Meeting farmers consumption needs :Indian farmers require credit not only for production purposes but also for consumption purposes. In the case of crop failure, small farmers need credit which they spend on consumption requirements.
5. Economic Lags in Agriculture: In the agricultural production process, there is a long interval between the reward and effort specially during the period when costs are incurred. During this period, demand for agricultural produce may change upsetting the financial adjustments of the farmers. This becomes an excuse for credit supplying agencies to refuse credit for farm operations.

4.2.3 PROBLEMS REGARDING AGRICULTURAL CREDIT IN INDIA

Insufficiency: The volume of rural credit in India is still insufficient as compared to its growing requirement arising out of the increase in prices of agricultural inputs.

Organisational problem : The amount of loan sanctioned to the farmers by the bank is also very much inadequate for meeting their different aspects of agricultural operations. This has contribute to a lack of uniformity in cooperative banks functioning.

Lesser attention of poor farmers: Rural credit agencies and its schemes have failed to meet the needs of the small and marginal farmers. Thus, lesser attention has been given on the credit needs of the needy farmers whereas the comparatively well-to-do farmers are getting more attention from the credit agencies for their better creditworthiness.

Inadequate institutional coverage: In India, the institutional credit arrangement continues to be inadequate as compared to its growing needs. The development of co-operative credit institutions like Primary agricultural credit societies, land development banks, commercial banks and regional rural banks, have failed to cover the entire rural farmers of the country.

Problem of recovery : Institutional agricultural-credit is subjected to red-tapism. Credit institutions are still adopting cumbersome rules and formalities for advancing loan to farmers which ultimately force the farmers to depend more on costly noninstitutional sources of credit.

Conclusion

Finance plays a vital role in agriculture. In India, the majority of farmers suffer from financial constraints and as a result productivity is adversely affected. Besides, productivity, the economic condition of the farmers is also affected thereby giving rise to a never-ending cycle of poverty, debt and low productivity. In this backdrop, proper financing facilities combined with technological innovations will help to improve the agricultural sector. Institutional investment bodies and their procedures need to be simplified for better understanding by the farmers and non-institutional lenders must be strictly monitored so that they are not able to harm the poor farmers and bind them in a debt trap.

4.3 AGRICULTURAL MARKETING DEVELOPMENT

4.3.1 Introduction :

Initially India remained a food deficit country for almost two decades since independence but with the Green Revolution India become not only self-sufficient in foodgrain but accumulated a huge food surplus. Marketing of produce is the most profitable activity of Indian farmer. There are varies ways by which farmer dispose of surplus produce. About the marketing of surplus farmers face a number of problems after independence Indian government adopted a number of measures to improve the system of agriculture marketing. It is most important to discuss Indian agriculture marketing with following points -.

1) Agriculture market Development:

Efforts to develop agricultural marketing have, particularly in developing countries, tended to concentrate on a number of areas, specifically infrastructure development; information provision; training of farmers and traders in marketing and post-harvest issues; and support to the development of an appropriate policy environment. In the past, efforts were made to develop government-run marketing bodies but these have tended to become less prominent over the years.

2) Agricultural Market infrastructure:

Efficient marketing infrastructure such as wholesale, retail and assembly markets and storage facilities is essential for cost-effective marketing, to minimize post-harvest losses and to reduce health risks. Markets play an important role in rural development, income generation, food security, and developing rural-market linkages. Experience shows that planners need to be aware of how to design markets that meet a community's social and economic needs and how to choose a suitable site for a new market. In many cases sites are chosen that are inappropriate and result in under-use or even no use of the infrastructure constructed. It is also not sufficient just to build a market: attention needs to be paid to how that market will be managed, operated and maintained.

3) Market information :

Efficient market information can be shown to have positive benefits for farmers and traders. Up-to-date information on prices and other market factors enables farmers to negotiate with traders and also facilitates spatial distribution of products from rural areas to towns and between markets. Most governments in developing countries have tried to provide market information services to farmers, but these have tended to experience problems of sustainability.Modern communications technologies open up the possibility for market information services to improve information delivery through SMS on cell phones and the rapid growth of FM radio stations in many developing countries offers the possibility of more localised information services.

4) Marketing training :

Farmers frequently consider marketing as being their major problem. However, while they are able to identify such problems as poor prices, lack of transport and high post-harvest losses, they are often poorly equipped to identify potential solutions. Successful marketing requires learning new skills, new techniques and new ways of obtaining information. Extension officers working with ministries of agriculture or NGOs are often well-trained in agricultural production techniques but usually lack knowledge of marketing or post-harvest handling.

5) Enabling environments:

Agricultural marketing needs to be conducted within a supportive policy, legal, institutional, macro-economic, infrastructural and bureaucratic environment. Traders and others are generally reluctant to make investments in an uncertain policy climate, such as those that restrict imports and exports or internal produce movement. Poor roads increase the cost of doing business, reduce payments to farmers and increase prices to consumers. Finally, corruption can increase the transaction costs faced by those in the marketing chain.

6) Recent developments:

On 28th July, 2000, the NDA Government made public a National Agriculture Policy envisaging over 4 per cent annual growth through efficient use of resources and technology and increased private investment while emphasizing on price protection to farmers in the WTO regime. New marketing linkages between agribusiness, large retailers and farmers are gradually being developed, e.g. through contract farming, group marketing and other forms of collective action. High priority has also been given on the development of animal husbandry, dairy, poultry and aquaculture so as to diversify agriculture, increasing animal protein availability in food basket and also for generating exportable surpluses. More attention is now being paid to the development of regional markets and to structured trading systems that should facilitate such developments. The growth of supermarkets, particularly in Latin America and East and South East Asia, is having a significant impact on marketing channels for horticultural, dairy and livestock products.

Conclusion :

Indian agriculture sector after planning not only subsistence farming it is accepted a marketing approach. With facing much defects government of indian adopt a measures to improve the system of agriculture marketing i.e. establishment of regulated markets, provision of grading , construction of warehouses, smart weighting with measurement, provision of standardisation of produce, daily broadcasting of market prices of agricultural product by sms, internet.

4.4 SUMMARY

1. Agricultural finance generally means studying, examining and analyzing the financial aspects pertaining to farm business, which is the core sector of India. The financial aspects include money matters relating to production of agricultural products and their disposal.

2. Sources of agricultural finance in India can be broadly divided in two categories :

A. Institutional sources

B. Non-institutional sources.

3. Marketing of produce is the most profitable activity of Indian farmer. There are varies ways by which farmer dispose of surplus produce. About the marketing of surplus farmers face a number of problems after independence Indian government adopted a number of measures to improve the system of agriculture marketing.

4.5 QUESTIONS

1. Discuss the source of agriculture finance.

2. What are the problems of agriculture finance?

3. Discuss about advantages and disadvantages of institutional sources.

4. Discuss about advantages and disadvantages of non-institutional sources.

5 Write a note on NABARD.

6. Discuss the agricultural marketing infrastructure .

7. What are the problems of agricultural marketing ?

8. What are the recent development in agricultural marketing ?

9. Write a note on agricultural Market information.

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Module III

5

INDUSTRY AND THE SERVICE SECTOR DURING POST REFORM PERIOD

Unit Structure

5.0 OBJECTIVES

- To study industrial sector in post reform period in India
- To study the Competition Act, 2003
- To understand the meaning, need and effects of disinvestment policy in India
- To study the development of MSME sector since 2007 in India
- To understand the types, effects and measures to control industrial pollution in India

5.1 INTRODUCTION

Industrialization offers lesser scope for both internal and external economies as compared to other sectors, especially agriculture. Further, as industrialization grows, the economies of scale andinter-industrial linkages get more noticeable. As the sector continues high situations of investment, it leads to a speedy increase in the rate of income and industrial employment. This, ultimately, contributes to the achievement of a quality-sustaining economy. Industrialization is integral to substantial and sustained profitable development as it's both a consequence of advanced inflows and a means of advanced productivity.

5.2 INDICATOR OF INDUSTRIAL PRODUCTION (IIP)

The Indicator of Industrial Production (IIP) is an indicator for India which details out the growth of industrial sectors in an economy similar as mineral mining, electricity and manufacturing. The all India IIP is a compound index that measures the short- term changes in the volume of product of a handbasket of industrial products during a given period with respect to that in a chosen base period. It's collected and published yearly by the National Statistics Office (NSO), Ministry of Statistics and Programme Implementation six weeks after the reference month ends. The position of the Indicator of Industrial Production (IIP) is an abstract number, the magnitude of which represents the status of product in the artificial sector for a given period of time as compared to a reference period of time. The base time was at one time fixed at 1993 – 94 so that time was assigned an index level of 100. The current base time is 2011-2012. The Eight Core Industry comprise nearly40.27 of the weight of particulars included in the Indicator of Industrial Production (IIP). These are Electricity, steel, refinery products, crude oil, coal, cement, natural gas and fertilisers.

5.3 INDUSTRIAL PERFORMANCE OF INDIA

➢ **The First Phase (1950-1965) Industrial Sector**

At the Time of Independence the main features of the Indian Industrial sector on the eve of the Independence were

1) There were maturity of consumer goods industry vis-à-vis producer goods/ capital goods industry performing in indirect industrial development. The rate of consumer goods industry to producer good/ capital goods industry was 6238 during the early 1950s.

2) The Industrial sector was extremely underdeveloped with veritably weak structure.

3) The lack of government support to the industrial sector was considered as an important cause of underdevelopment.

4) The structure and attention of power of the diligence were in many hands.
5) Technical and Directorial chops were in short force.

As a result of these failings, The First Five Year Plan didn't image any large-scale programs for industrialisation. The plan rather made an attempt to give a practical shape to the Indian economy by furnishing for the development of both private and public sector. A number of industry were set up in the public sector. Important among those were Hindustan Shipyard, Hindustan Tools, and Integral Coach Factoryetc.

The Alternate Five Year plan accorded highest priority to Industrialisation. The plan was grounded on famous Mahalanobis Model. Mahalanobis model set out the task of establishing introductory and capital goods diligence on a large scale to produce a strong base for the artificial development. The plan includes substantial investment in the Iron and Steel, Coal, Heavy engineering, Machine structure, Heavy Chemicals and Cement Diligence of introductory significance.

The Third Plan followed the strategy of the Alternate plan by establishing introductory capital and patron good diligence with the special emphasis on machine structure diligence. As a result, the alternate and the third plan placed great emphasis on erecting up the capital goods diligence. Utmost of the capital good diligence are erected under the Public Sector.

As a result, the first Three Plans witnessed a strong acceleration in the growth rate of the Industrial product. The period witnessed an increase in growth rate from5.7 to7.2 and eventually9.0 in the first, alternate and third plans respectively. The most important observation of the period was that the rate of growth of capital good industry considered as the backbone of ultramodern industrialisation grew at9.8,13.1 and 19 during the first, alternate and third plan independently.

- **The Second Phase (1965-1980) The Period of Industrial Deceleration**

The first three five- year plans mostly concentrated on the development of the Capital Good sector. As a result, the consumer goods sector was left neglected. The consumer goods sector also known as pay check good sector is considered to be the backbone of the rural economy and its complete neglect had redounded in fall in the growth rate of industrial product as well as of the overall economy. India launched heavy Industrialisation in the Second plan without mechanising agriculture. The result was failure of Mahalanobis Strategy and by 1965-66 India was hit by a severe food deficit extremity. Eventually, in the wake of the crisis, the government adopted Bharamananda strategy of demobilizing agriculture sector and engineered green revolution.

The period between1965 to 1975 was marked by a sharp fall in the industrial growth rate. The rate of growth fell from9.0 during the third plan to a very4.1 during the period of 1965-75. The growth rate fell to5.3 in 1965-66,0.6 in 1966-67, also recovering a little in the succeeding times. The slowdown it the growth rate is seeming during the fourth and fifth plan. The industrial growth rate fell from5.6 in the time 1971-72 to0.8 in the time 1973-74. At the end of the fifth plan in 1979-80, the industrial growth rate fell to negative 1.6.

Causes of Deceleration and Regression.

1) The exogenous factor similar as war of 1965 and 1971
2) Structure Backups and First Oil shock of 1973
3) Low growth in agriculture sector contributed to low industrial growth due to deficit of raw accoutrements
4) The slackening of real investment especially in the public sector.
5) The declining in Public investment is followed by a decline in the private investment due to which encouragement for investment is lost.
6) Wrong artificial programs Combined with complex official System of licensing and inefficient controls.

➢ **Phase Three (1980-1991) Industrial Recovery**

The period of the 1980s can be considered as the period of the Industrial recovery. The period saw a reanimation in the industrial growth rates. The period witnessed an industrial growth rate of further than 6 percent during the sixth plan and8.5 percent during the seventh plan. The period was also marked by a significant recovery in the manufacturing and capital good sector. The most important observation from the revival of industrial sector was that the revival is nearly associated with the increase in the productivity of Indian Industries.

Causes of Industrial Recovery

1) New Industrial Policy – Government of India has been initiated new industrial policy since 1991. In which they've been liberalised Industrial and Trade Policy, Reduction the domestics barriers and expansion of competition and easy access to advanced technology and other imported raw outfit.

2) Liberal financial governance – Under this Government had maintained high popular failure to promote growth, Massive borrowing by the Government, boost of investment, and Liberal interest rate for diligence to adopt.

3) Other reason – During that period, there were improvement in agricultural sector mainly due to Green Revolution increased rural demand for industrial goods. Growth of service sector along with increase in the consumption of durable consumers goods. Revival of investment in the structure sector.

5.4 PHASE FOUR (POST REFORM PERIOD)

The time 1991 guided for post reform period of liberalisation. India took major liberalisation decision to better the performance of the industrial sector.

1) Abolishment of the Industrial Licensing.
2) Simplification of the procedures and regulatory demand to start a business.

3) Reduction in the sector simply reserved for the Public sector.
4) Disinvestment of the named Public- sector undertakings.
5) Foreign investors were allowed to invest in the Indian enterprises.
6) Liberalisation of the trade and exchange rate programs.
7) Rationalisation and massive reduction in the structure of Customs Duties.
8) Reduction in the excise duties.
9) Reduction in the Income and Commercial levies to promote Business.

To analyse the impact of these reforms measures on the industrial growth, it's better to divide the period into two.

The period of the 1990s

1) The average periodic growth rate of the industry which was close to 8 in thepost-reform period fell to 6 in the 1990s.
2) The growth rate in the Eighth Plan was7.3 percent which was same as the targeted growth rate.
3) The growth rate in the Ninth Plan was6.0 percent which was significantly lower than the targeted rate of8.2 percent.
4) Further, the sector witnessed its worst ever performance in the last many times of the Ninth plan with growth collapsing to just 2 percent.

Causes of Slow Industrial Performance.

1) Exposure to the external competition
2) Massive cut down of public expenditure by the Government
3) Deficit of structure facility
4) Slow and lack of development of Indian capital request
5) Slow growth of import sector
6) Lower agricultural growth and collapsed of rural demand

The Period since 2002-03

The period since the new bloom witnessed a sharp recovery and revival of the artificial sector. The tenth and eleventh plan witnessed a high growth rate of industrial product.

The rate of growth of the industrial sector was 5 percent during the original times of the Tenth Plan. The growth picked in the following times and reached 7 in 2003-04, 8 in 2004-05 and 11 in 2006-07. For the plan as a whole, the growth rate was8.2 percent.

The growth in the Tenth plan was mainly driven by the manufacturing sector. The significant acceleration in the capital good sector was the significant contributor to the overall profitable growth.

During the Eleventh Plan, the industrial growth witnessed a considerable degree of changes. After growing at further than 8 percent, the growth collapsed to2.8 percent in the time 2008-09. The main reason for the collapse was the Global Financial crisis that hit the World in the time 2008.

The industrial growth started recovering in the time 2009-10 and touched a high of 10 percent. The industrial growth after some setbacks again recovered in the time 2010-11 to reach8.2 percent.

The industrial performance 2011 till now.

The period starting from 2011-12 saw a severe slowdown in the industrial growth and product. The slowdown during the period is due too.

1) Weak Demand for exports from the Developed Western Countries due to Global Financial Crisis.
2) The slowdown in the Domestic Demand.
3) High Interest in India maintained by the RBI, due to persistently high Affectation.
4) The slowdown in the Private Investment by the private sector due to weak returns on the investments.
5) Rising NPAs of the Public-Sector banks has led to weak credit and lending offered by them.
6) Failure of once systems of the private sector.
7) Government reluctance to increase Public investment due to the stage of maintaining a low financial deficiency.
8) Uncertain Global Recovery.
9) European Debt Crisis.
10) The slowdown in the prices of goods in International Commodity requests mainly due to weak Chinese growth.

5.1.4 Industrial policy resolution 1948 to 1991

Industrial policy refers to the conduct and programs of the government which affects the industrial development of a country. The government can impact the industrial development through affecting the power, structure, and performance of the industry through programs, regulation, finance, allocations, motivation, and discipline etc. Industrial policy is formulated as an instrument of industrial growth and development of the nation. The first industrial policy resolution was declared on 6th April 1948, and was presented in the Indian Parliament by industry ministerDr. Shyama Prasad Mukherjee

Industrial Policy Resolution 1948

Industry with Monopoly of state included the strategic industriesviz. the manufacture of arms and security, product and control of atomic energy industry, and the road transport. These industries had an exclusive monopoly of the union government and participation of private sector wasn't allowed. Mixed Industries includes six sectorsviz. coal, iron and sword industry, shipbuilding industry, aircraft manufacturing, telephone, telegraph and wireless (banning radio) and mineral canvases. Regulated diligence included 18 Diligence categorised as important diligence and were allowed to remain under the private sector. The Industrial policy resolution 1948 aimed to cover the Cabin and small scale diligence by giving them precedence status. The Industrial policy resolution 1948 had conceded the significance of foreign capital for the industrialization of the frugality, but it was decided that the control of these industries would remain with Indian hands. With the Industrial policy resolution 1948, India entered into a mixed economy through a socialistic pattern. The main Idea was that the introductory and strategic diligence should be under the exclusive power and control of the government.

Industrial policy resolution 1956 (IPR 1956)

The industrial policy resolution 1956 was grounded on the Mahalanobis model of profitable growth which put emphasis on the development of heavy industries, which can put the Indian economy to a long term high growth line. It set the foundations for the state directed Investments which created the system of license Raj through an elaborate input affair model. The industrial policy of 1956 was nearly related to the trade policy of India. The first seven five time plans concentrated on import negotiation aiming to replace the significances with domestic product. The government defended the domestic industries from foreign competition through tariffs and proportions. The significance of infrastructural development to insure private investment. It prioritised the development of power, transport, and fiscal sectors. The policy prioritised the industrial development in the backward areas of the country to insure balanced profitable growth. It ate foreign investment as reciprocal to the domestic investment, handed that the major share in control and operation was in the Indian hands.

Industrial policy 1973

There were some structural distortions in the economy which called for changes in the industrial policy resolution 1956. It promoted the commerce between the agricultural sector and industrial sectors. It expanded the list of diligence which were reserved for small scale sector from 180 particulars to above 500 particulars. The price control of agricultural and industrial products were to be regulated by ensuring a proper return to the investor.

Industrial policy of 1977

Up gradation of the technology of small units, and furnishing necessary inputs needed by them along with proper marketing strategies. The investment limit for bits units was increased to Rs 2 lakhs and for small scale units to Rs 20 lakhs and that of ancillaries to Rs 25 lakhs. It handed for erecting the buffer stock of essential raw materials for small scale industries through small industries development pots in countries and the National Small Industries corporations at the central position.

- **Liberalisation measures taken by the government in the 1980s**

Exemption of certain sectors from the demand of licensing and the delicensing of several industries. Relaxation in the monopolistic and restrictive trade practice under MRTP act, 1969 and foreign exchange Regulation Act (FERA) guidelines. The government allowed expansion of enterprises to insure economics of scale in product processes to reduce cost. Government allowed the creation of small scale diligence by adding the limits of investment. Government handed impulses to the diligence to increase the import of industrial goods. It also gave emphasis on employment generation and correction of indigenous imbalances through the development of backward areas.

5.5 NEW INDUSTRIAL POLICY OF 1991

Major Objects of India's New Industrial Policy 1991

The new government by Shri Narasimha Rao, which took office in June 1991, blazoned a package of liberalisation measures under its Industrial Policy on July 24, 1991.

Objectives:

1) Liberalising the assiduity from the regulatory bias similar as licenses and controls.
2) Enhancing support to the small scale sector.
3) Adding competitiveness of diligence for the benefit of the common man.
4) Ensuring handling of public enterprises on business lines and therefore cutting their losses.
5) Furnishing further impulses for industrialisation of the backward areas, and
6) Ensuring rapid-fire artificial development in a competitive terrain.

The New Industrial Policy 1991 has made veritably significant changes in four main areasviz., industrial licensing part of public sector, foreign investment and technology and the MRTP act. The major provisions of this policy are discussed below.

1) Invalidation of Industrial Licensing

The new industrial policy abolishes the system of industrial licensing for utmost of the diligence under this policy no licenses are needed for setting up new artificial units or for substantial expansion in the capacity of the being units, except for a short list of industries relating to country's security and strategic enterprises, dangerous diligence and industries causing environmental degradation. To begin with, 18 industries were placed in this list of diligence that bear licenses. Through later correction to the policy, this list was reduced. It now covers only five diligence relating to health security and strategic enterprises that bear mandatory licensing. Therefore the assiduity has been nearly fully made free of the licensing provisions and the constraints attached with it.

2) De-reservation of Industries for Public Sector

The public sector which was conceived as a vehicle for rapid-fire industrial development, largely failed to do the job assigned to it. Utmost public sector enterprises came symbols of inefficiency and imposed heavy burden on the government through their perpetual losses. Since a large field of assiduity was reserved simply for public sector where it remained a virtual non performer (except for a many units like the ONGC). The artificial development was therefore the biggest casualty. The new artificial policy seeks to limit the part of public sector and encourage private sector's participation over a wider field of industry. With this view, the following changes were made in the policy regarding public sector diligence

3) Reduced reservation for public sector

Out of the 17 industries reserved for the public sector under the 1956 industrial policy, the new policyde-reserved 9 industries and therefore limited the compass of public sector to only 8 industries. Latterly, a many further industries werede-reserved and now the exclusive area of the public sector remains confined to only 4 industrial sectors which are (i) defence product, (ii) bits energy, (iii) railroads and (iv) minerals used in generation of bits energy. Still, if need be indeed some of these areas can be opened up for the private sector. The public sector can also be allowed to set up units in areas that have now been thrown open for private sector, if the public interest so demands.

4) Revive loss making enterprise

Those public enterprises which are chronically sick and making patient losses would be returned to the Board of Industrial and Financial Reconstruction (BIFR) or similar other high position institutions created for this purpose. The BIFR or other similar institutions will formulate schemes for recuperation and reanimation of similar industrial units.

5) Disinvestment of public sector industrial units

As a measure to raise large resources and introduce wider private participation in public sector units, the government would vend a part of its shareholding of these industries to Collective Finances, fiscal institutions, general public and workers. For this purposes, the Government of India set up a 'DisinvestmentCommission 'in August 1996 which works out the modalities of disinvestment. On the base of recommendations of the 'DisinvestmentCommission 'the government sells the shares of public enterprise.

6) Greater autonomy to public enterprises

The New Industrial Policy seeks to give lesser autonomy to the public enterprises in their day-to- day working. The trust would be on performance enhancement of public enterprises through a blend of lesser autonomy and further responsibility.

7) Liberalised Policy Towards Foreign Capital and Technology

The inflow of foreign capital and import of technology was tightly regulated under the before Industrial policy. Each offer of foreign investment was to be cleared by the Government in advance. Wherever foreign investment was allowed, the share of foreign equity was kept veritably low so that maturity of power control remains with Indians. But such a policy kept the flux of foreign capital veritably small and industrial development suffered for want of capital coffers and technology. The July, 1991 Industrial policy made several concessions to encourage inflow of foreign capital and technology into India, which are follows

8) Relaxation in Upper Limit of Foreign Investment

In some industries the rate of foreign equity was raised to 74 percent. Foreign Direct Investments (FDI) was further liberalised and now 100 per cent foreign equity is permitted the case of mining, including coal and lignite, pollution control related outfit, systems for electricity generation, transmission and distribution, ports, harboured.

9) Changes in the MRTP Act

According to the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969, all big companies and large business houses (which had means ofRs. 100 crores or further, according to the 1985 correction to the Act) were needed to gain concurrence from the MRTP Commission for setting up any new artificial unit, because similar companies (called MRTP companies) were allowed to invest only in some named diligence. The Industrial Policy, 1991 has put these diligence on par with others by abolishing those provisions of the MRTP Act. Under the amended Act, the MRTP Commission will concern itself only with the control of Monopolies and Restrictive Trade Practices that are illegal and restrict competition to the detriment of consumer s interests. No previous blessing of or concurrence from the MRTP Commission is now needed for setting up industrial units by the large business houses.

10) Greater Support to Small-Scale Industries

The New Industrial Policy seeks to give lesser government support to the small-scale industries so that they may grow rapidly under environment of profitable effectiveness and technological up gradation. A package of measures announced in this environment provides for setting up of an agency to insure that credit requirements of these industries are completely met. It also allows for equity participation by the large industries in the small scale sector not exceeding 24 per cent of their total shareholding. This has been done with a view to give small scale sector an access to the capital request and to encourage their upgradation and modernisation the government would also encourage the product of corridor and factors needed by the public sector industries in the small-scale sector.

5.6 COMPETITION ACT, 2003

The Competition Act, 2003 provides for the setting up of a Competition Commission of India (CCI) with a view to

Principal Features of the Competition Act, 2003

i. Prevent practices having adverse goods on competition,

ii. Curtail abuse of dominance,

iii promote and sustain competition in request,

iv. Insure quality of products and services,

v. cover the interest of consumers and

vi. Insure freedom of trade carried on by other actors in domestic requests.

A later Competition Correction Bill (2007) seeks to make the CCI function as a controller and give motivation to factors like

i. Quality of products and services,

ii. Healthy competition,

iii. Faster combinations and accessions of companies,

iv. Regulation of accessions and combinations coming within the threshold limits,

v. Allowing dominance with prevention of its abuse to give effect to the alternate generation profitable reforms on the pattern of the global norms set by the more advanced countriesetc.

Objects of CCI (2003)

1) Anti-Competitive Agreements

This covers both the vertical and perpendicular agreements. It states that four types of vertical agreements between enterprises involved in the same assiduity would be applied.

These agreements are those that

(i) lead to price fixing;

(ii) Limit or control amounts;

(iii) Share or divide requests; and

(iv)Result in shot- apparel.

It also identifies a number of perpendicular agreements subject to review under rule of reach' test.

2) Abuse of Dominance

The Act lists five orders of abuse

(i) Assessing illegal/ discriminative conditions in purchase of trade of goods or services (including raptorial pricing);

(ii) Limiting or restricting product, or specialized or scientific development;

(iii) Denial of request access;

(iv) Making any contract subject to scores unconnected to the subject of the contract; and

(v) Using a dominant position in one request to enter or cover another.

3) Combinations Regulation (Merger and Amalgamation)

The Act states that any combination that exceeds the threshold limits in terms of value of means or development can be scrutinised by the scrutinised by the CCI to determine whether it'll cause or is likely to cause an appreciable adverse effect on competition within the applicable request in India.

4) Enforcement

The CCI, the authority entrusted with the power to apply the provisions of the Act, can enquire into possibly anti ¬ competitive agreements or abuse of dominance either on its own action or on damage of a complaint or information from any person, consumer, consumer's association, a trade association or on a reference by any statutory authority. It can issue' cease and desist' orders and put penalties. The CCI can also order the break-up of a dominant establishment.

The new competition law in India, despite some enterprises expressed in certain quarters, is much further consistent with the currentanti-trust thinking than the outgoing MRTP Act. Although the success of the new Indian model will now turn on its implementation, India would appear to have taken a very substantial step towards the acceptance of a modem competition policy.

5.7 DISINVESTMENT POLICY

5.7.1 Role of public sector in India

Public sector occupied a good place for achieving methodical and planned development in a developing country like India. In a country like India suffering from multi-dimensional problems, private sector isn't in a position to make necessary trouble for the development of its various sectors simultaneously. Therefore, in order to give the necessary support to the development strategy of the country, the public sector offers the necessary minimum drive for bringing the economy to a path of self-sustained growth. Therefore it's now well recognised that public sector plays a positive part in the industrial development of the country by laying down a sound foundation of industrial structure in the unique stage of its development.

Following are some of the important relative places of the public sector in the profitable development of a country like India

1) Promoting profitable development at a rapid-fire pace by filling gaps in the industrial structure;
2) Promoting acceptable infrastructural installations for the growth of the economy;
3) Undertaking profitable exertion in those strategically significant development areas, where private sector may distort the spirit of public ideal;
4) Checking monopolies and attention of power in the hands of many;
5) Promoting balanced regional development and diversifying natural resources and other infrastructural facilities in those less advanced areas of the country;
6) Reducing the difference in the distribution of income and wealth by bridging the gap between the rich and the poor;
7) Creating and enhancing sufficient employment openings in different sectors by making heavy investments;
8) Attaining self- reliance in different technologies as per demand.
9) Barring dependence on foreign aid and foreign technology.
10) Exercising social control and regulation through various public finance institutions.
11) Reducing the pressure of balance of payments by promoting import and reducing meanings.

5.7.2 Problems of the Public Sector Enterprises in India

1) Endowment Constraints

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

2) Under-Utilisation of Capacity

Under-utilisation of the product capacities are one of the common constraints from which nearly all public sector enterprises are suffering. In 1986-87, out of the 175 public sector units 90 units had been suitable to use over 75 per cent of its capacities, 56 units achieved utilisation of capacities between 50 and 75 per cent and the rest 29 units could ever managed to use under 50 per cent of its capacities. This had been substantially due to the reasons similar as long family way ages, huge in-erected capacities, ambitious scales of planning grounded on shy profitable (particularly request) data, shy provocation, lack of enterprise and age of the product mix.

3) Absence of Rational Pricing

Public sector enterprises in India are suffering from absent of rational pricing as the prices of their products are determined by such a price policy which has three considerations like

(a) Profit as the basis of price obsession,

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

(c) Import- equality price.

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

4) Technological Gap

Some of the public sector enterprises in India are suffering from technological gap as these enterprises couldn't borrow over-to- date technologies in their product system leading to high unit cost and lower yield. Enterprises like I.I.S.C.O.,E.C.L. etc. are suffering from this constraint.

5) Government chain

Important government interference in the day to day conditioning of the public sector enterprises has reduced the degree of autonomy of the super intendancies in respect of employment, pricing, purchase etc.

6) Heavy Social Cost

Public sector enterprises are suffering from heavy social costs similar as the expenses on townships and allied provision of amenities to its workers.

7) Functional and Directorial Crunches

The public sector enterprises in India are also suffering from functional and directorial inadequacies and inefficiencies leading to huge extinctions and leakages of finances in their day-to- day conditioning.

8) Evil Competition and Sabotage

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

9) Marketing Constraint

Some public sector units are indeed faced with marketing constraints where due to repetitious type of product blend they couldn't collect a good request for some of their products where the request is formerly captured by some big private artificial houses leading to a constant increase in supplies.

10) Supernumerary Manpower

In some of the public sector units there's the problem of fat force which is creating drainage of coffers unnecessarily leading to increase in the unit cost of product. Political considerations have also contributed towards overstaffing of unskilled workers in these units.

11) External Factors

Workers engaged in the public sector enterprises are lacking sincerity and devotion to their job leading to destruction of working hours which eventually affects productive capacities of these enterprises. Also, external factors like too important trade unionism, union battles and labour troubles are also breaking the smooth functioning of the product system of these public sector enterprises in the country.

Other problems similar as allocation of resources, detainments in filling up top- position posts, tight regulations and procedures for investment and restrictions on functional autonomy of the enterprises, e.g., in respect of labour and pay check policy etc. have been creating serious constraints on the functional effectiveness of public sector enterprises of the country.

5.7.3 The disinvestment program in India-

Disinvestment means trade or liquidation of means by the government, generally Central and state public sector enterprises, systems, or other fixed means. The government undertakes disinvestment to reduce the financial burden on the fund, or to raise money for meeting specific requirements, similar as to ground the profit space from other regular sources.

Disinvestments- A hard Perspective

For the first four decades after Independence, India pursued a path of development in which the public sector was anticipated to be the machine of growth. Still, the public sector overgrew itself and its failings started manifesting in low capacity utilisation and low effectiveness due to over manning, low work ethics, over capitalisation due to substantial time and cost overruns, incapability to introduce, take quick and timely opinions, large chain in decision timber process etc. Hence, a decision was taken in 1991 to follow the path of Disinvestment. The change process in India began in the time 1991-92, when 31 named PSUs were disinvested for Rs. crore.

In August 1996, the Disinvestment Commission, chaired by G V Ramakrishna was set up to advise, supervise, cover and publicize gradational disinvestment of Indian PSUs. The Department of Disinvestment was set up as a separate department in December, 1999 and was later renamed as Ministry of Disinvestment in September, 2001. From 27th May, 2004, the Department of Disinvestment was brought under the Ministry of Finance.

The Department of Disinvestment has been renamed as Department of Investment and Public Asset Management (DIPAM) from 14th April, 2016 which has been made the nodal department for the strategic stake trade in the Public Sector Undertakings (PSUs).

National Investment Fund (NIF) was constituted in November, 2005, into which the proceeds from disinvestment of Central Public Sector Enterprises were to be channelized. Strategic disinvestment is the transfer of the power and control of a public sector reality to some other reality (substantially to a private sector reality). The disinvestment commission defines strategic trade as the trade of a substantial portion of the Government shareholding of a central public sector enterprises (CPSE) of upto 50, or similar advanced chance as the competent authority may determine, along with transfer of operation control.

Main objects of Disinvestment in India

- To meet the popular needs
- To reduce financial deficit
- To improve public finances and overall profitable effectiveness
- To diversify the power of PSU for enhancing effectiveness of individual enterprise
- To raise finances for technological up gradation, modernization and expansion of PSUs
- . • To raise finances for golden handshake (VRS)
- To introduce, competition and request discipline

. • To fund growth and development programmes

• To encourage wider share of power

• To depoliticise unnecessary services

• Transfer of Marketable Pitfalls

Importance of Disinvestment-

Disinvestment allows for the redirection of huge quantities of public finances fromnon-strategic public sector services to fields with a far advanced societal priority, similar as health, family, and philanthropy. Disinvestments also contribute to the reduction of the large public sector debt burden in the transnational arena.

1) In the short run, it's helpful in financing the adding financial deficit.

2) Disinvestment finances can be utilised for long- terms pretensions similar as

o Financing large-scale structure development.

o Investing in the economy to encourage spending

o Expansion and Diversification of the establishment.

o Prepayment of Government Debts Nearly 40-45 of the Centre's profit bills go towards repaying public debt/ interest

o Investing in social programs like health and education

3) It can help in generating a better environment for investment.

4) Disinvestment also assumes significance due to the frequency of an decreasingly competitive terrain, which makes it delicate for numerous PSUs to operate profitably. This leads to a rapid-fire corrosion of the value of the public means making it critical to disinvest beforehand to realize a high value.

5) It's anticipated that the strategic buyer/ acquirer may bring in new operation/ technology/ investment for the growth of these companies and may use innovative styles for their development.

6) While government presence may be a necessary wrong in strategic sectors similar as defence or canvas disquisition, there's really no call for it to be running energy merchandising outlets, building ships or running holder freight operations. Government presence in similar non-strategic sectors not only distorts competitive dynamics for private players, it also results in consumers and taxpayers bearing the mass of inefficient PSU operations.

7) Privatization would help to reduce the outflow of scarce public resources, thereby supporting" non-strategic public sector realities."

- The process of privatization facilitates the transfer of marketable risks, in which taxpayer money locked up in the public sector is left vulnerable to the private sector anytime a pot way in.

- The release of tangible and intangible means, similar as large force locked in PSU administration, would be assured during the privatization process, and similar means would be reallocated to areas of lesser precedence.

- When private enterprises are subordinated to a variety of request procedures as part of the Disinvestment process, they come more tone-sufficient.

➢ **Disinvestment policy**

The government in keeping with its Reform program took several step in the direction of privatisation through disinvestment. This policy measures can be discussed as follows

1) New industrial policy 1991 – The advertisement of new industrial policy 1991 can be considered as the starting point of policy action taken by the government in the direction of disinvestment. In order to give lesser autonomy to public Enterprises and make them more responsible the government introduced the conception of memorandum of understanding. MOU define the relationship between the government and public Enterprises and make similar relationship more contractual and responsible

2) Navratna and Miniratna in (1997-1998) – A lesser autonomy was granted to 9 public sector enterprise referred as Navratnas. GAIL and MTNL have also been given the same status lesser functional and active autonomy has been granted to 97 other Public Sector Unit referred as Miniratnas

3) The Department of Investment and public Asset Management – The department of the disinvestment was set up in 1999. From 2004 the department has been under the Ministry of Finance. The department of disinvestment has been remained the department of investment and public Asset Management from 14 April 2016 it deals with all matters relating to operation of Central Government investment in equity relating to trade of Central Government equity through offer for trade or private placement or any other mode of mode in the late Central Public Sector undertakings.

4) Disinvestment – Presently the following types of disinvestment are being pursued by the government

a. Original public offering (IPO) – Offer of shares for the first time to the public by an unrecorded CPSE or the government out of its shareholding or a combination of both

b. To further public offering (FPO) – Offer of shares by a listed CPSE or the government out of its shareholding of combination of both to the public for subscription

c. Offer for trade – This is done by promoters through the stock exchange medium this system allows option of shares on the platform handed by the stock exchange. It has been considerably used by the government since 2012.

d. Strategic trade-This involves the trade of a large portion of the Government shareholding of a CPSE of over to 50 or similar advanced chance as the competent authority may determine along with transfer of Operation control

5) Interest of Workers – One of the major concern with respect to privatization is that changes in operation from the government to private sector will lead to retrenchment of workers. The government has included certain provisions in the shareholder agreements of strategic trade to insure interest of workers. This provisions are that workers cannot get it reached at least for a period of one time after privatisation indeed there after retrenchment will be possible only under the VRS scheme for the voluntary separation scheme that was prevailing in the company prior to privatization.

6) Current Disinvestment Policy – The following are the features of current disinvestment policy being followed by the government

a. PSU are the wealth of the nation and to insure this wealth rest in the hands of people the government will promote public power of CPSE

b. While pursuing the disinvestment through minority stake trade is listed CPSE the government will retain maturity shareholding of at least 51 and retain operation control of the CPSE.

Progress and evaluation

Disinvestment Targets and Achieved Proceeds (In RsCrores)

YEAR	TARGET	ACHIEVED
1991-92	2,500	3.038
2003-04	14,500	15,547
2009-10	25,000	23,553
2015-16	25,312	32,210
2017-18	100,000	99,411

5.7.4 Disadvantages of Disinvestment

- From 1990 to 2004, the amount collected by disinvestment was 2056 crore per time, which is low given the Indian government's debt rate. Likewise, the disinvestment process lacks clarity because the use of the money generated from disinvestment is no way bared.

- Only the Government can ensure that the market system is sufficiently regulated and that private enterprises aren't solely motivated by profit and are concerned about the interests of their guests.

- Monopolies will noway produce anything salutary; only a fair and healthy competition can profit guests. From this perspective, disinvestment may not be the most effective pick.

Recent Developments of Disinvestment

In 2015, the Government reinitiated the policy of strategic disinvestment in order to open up sectors for private enterprise to bring effectiveness in operation that would contribute to general profitable development

The Government had set a disinvestment target of1.05 lakh crore rupees for the financial time 2019-20.

Recently press has cleared the plan to sell53.3 of its stake in BPCL,63.8 of SCI and30.8 of CONCOR to strategic buyers.74.2 of its stake with THDCIL and 100 of NEEPCO is to be sold to NTPC.

➢ **Conclusion**

As we discussed, it can be perceived that there are racing goods to disinvestment. The updated disinvestment policy of the Indian government is better left to time for ascertaining its effectiveness. Still, it's apparent that with the upcoming policy, there's soon going to be a plethora of openings for the investors.

5.8 MSME SECTOR

In India, Micro, Small, and Medium Enterprises (MSMEs) are an important sector for the Indian economy and have contributed immensely to the country’s socio-profitable development. It not only generates employment openings but also works hand-in- hand towards the development of the nation’s backward and rural areas. Micro, Small, and Medium Enterprises contribute nearly 8 of the country’s GDP, around 45 of the manufacturing affair, and roughly 40 of the country’s exports. It won’t be wrong to relate them as the ‘Backbone of the country. The Government of India has introduced MSME or Micro, Small, and Medium Enterprises in agreement with Micro, Small and Medium Enterprises Development (MSMED) Act of 2006. These enterprises primarily engaged in the product, manufacturing, processing, or preservation of goods and goods. According to the periodic report by the Government (2018-19), there are around MSMEs in India.

A offer was made to review MSMEs by the Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018, to classify them as manufacturing or service- furnishing enterprises, grounded on their periodic development

Classification of enterprises into micro, small and medium enterprises (in Rs)

Kind of enterprise	Act of 2006		Bill of 2018
	Manufacturing	Services	All enterprises
	Investment towards plant & machinery	Investment towards equipment	Annual Turnover
Micro	25 lacs	10 lacs	5 Cr
Small	25 lacs to 5 Cr	10 lacs to 2 Cr	5 Cr to 75 Cr
Medium	5 Cr to 10 Cr	2 Cr to 5 Cr	75 Cr to 250 Cr

Features of MSMEs

Following are some of the essential elements of MSMEs –

1) MSMEs work for the welfare of the workers and tradesmen. They help them by giving employment and by furnishing loans and other services.
2) MSMEs give credit limit or backing support to banks.
3) They promote the development of entrepreneurship as well as over-gradation of chops by launching technical training centers for the same.
4) They support the over- grading of experimental technology, structure development, and the modernization of the sector as a whole
5) MSMEs are known to give reasonable backing for bettered access to the domestic as well as import requests.
6) They also offer modern testing installations and quality instrument services.
7) Following the recent trends, MSMEs now support product development, design invention, intervention, and packaging.

➢ **Role and performance of MSME 'S in India.**

The part or significance and performance of Micro, Small, and Medium Enterprises (MSMEs) in India can easily be explained with the help of following points

1) Employment generation

A) The labour is abandoned in Indian economy an capital is scarce hence small scale diligence in India can play a veritably important part in employment generation and in working the problem of massive unemployment in the country. The small scale diligence requires lower capital and has the capacity to generate maximum employment openings.

B) According to profitable check 2002-2004 the small scale enterprises employed129.8 Lac person in 1991-92 which has increased to261.3 Lac persons in 2002-2003.

2) Regional dispersion of industries

The large scale industries have shown a tendency of massive attention in many large metropolises of Maharashtra, Gujarat and Tamil Nadu. This has created enormous profitable social and environmental problems. the small scale industries in India can play veritably important part in reducing the attention of diligence as they're spread throughout the state and are established in rural areas satisfy the original demand. The most striking illustration is the economy of Punjab which has maximum number of small scale industrial units spread throughout the state and has advanced per capita income in the country than other countries.

3) Equitable distribution of public income

The small scale diligence can play a veritably important part in the indifferent distribution of public income in India as they give maximum employment and bear minimal capital. Help to help the growth of monopolies and attention of profitable power in hands of many big business houses.

4) Effective mobilization of capital and entrepreneur skill

The small scale industries in India can play an effective part in mobilizing capital from pastoral areas and developing an Entrepreneurial skill. the small scale diligence are largely established in rural areas which helps to mobilizing the rural savings and original bents.

5) Expansion of export

The small scale industries in India play a very important part in adding the import earnings. the chance share of exports of small scale industries in total exports of the country during1971-72 was 10 which increase to 34 in 2002-2003.

The most striking factor in exports of small scale diligence in India is that their import consist of unconventional particulars like leather products, sports goods, readymade garments, woolen garments, spare parts of engineering goods etc

6) **Less dispute-**

The small scale industries in India can play a veritably important part in maintaining industrial peace in the country. The relationship between workers and employers are more cordial in small scale industries and thus they're less artificial disputing in the

It's clear from the below analysis that the small scale diligence has played a significant part in Indian economy by adding volume of affair, employment and import earnings of the country. Though the Government of India has paid some attention to development of small scale industries during 1980s and 1990s a lot of effort on the part of government is demanded to encourage small scale enterprises to reduce regional imbalances rally savings and produce entrepreneurs from rural areas to achieve indifferent distribution of income in the country.

Major problems faced by small scale industries in India

The major problems faced by small scale industries in India are as follows

1) **Lack of finance and credit**

The capital base of small scale industries is very weak since they generally have cooperation or single power. The fiscal conditions of small scale units aren't met by the organized sector. The only clearly of profit and lower prepayment of capacity of small scale diligence in India prevents the banks and other fiscal institution to give finances to this sector on priority base. The small scale industries are left with no alternative and they've to make their fiscal demand from unorganized sector at a very high rate of interest therefore lack of finance and credit is one of the main problem faced by small scale industries in India.

2) **Lack of at all material availability**

The major problem faced by small scale industries in India is the failure of raw material. The small scale industries face enormous problems in getting domestic raw materials as the suppliers of raw material preferred the last kill industries due to the bulk purchase. The small scale industries also faces the problem in getting the imported raw material which isn't available due to foreign exchange crisis. It has been typically observed that imported raw material are also allocated more positively to last care unit as compared to small scale unit.

3) Small scale units frequently face the problem of securing professed and effective labour. The labour prefers to work with large scale units due to better hires, stability, good working condition and long term benefits.

4) Backward or outdated technology that's why still industries are faced with the problem of backward technology well stop this has resulted

in high cost of product and inferior quality of goods in comparison to the large scale units.

5) Marketing problems one of the main problems faced by small scale industries in the field of marketing. The small scale units frequently don't poses any marketing organization and thus face difficulty in dealing this product Bristol the small scale unit also don't have acceptable financial coffers and staying capacity. Does they're frequently posed to vend the product at a veritably low prices. The small scale units also cannot go to incur large scale announcement charges. These results in lack of brand image of their products in the mind of guests.

6) Underutilization of capacity the major problem faced by small scale industrial unit is that they suffer from serious underutilization of capacity each has reached 50 in the large number of units. The underutilization of capacity increases cost of product which results in competitive disadvantage in comparison to the large scale units.

7) A large number of small scale units are bogus and pick shears units. They live only in a man in the register of government agencies and not in reality. The unconscionable businessmen find it veritably readily to float small scale units and take advantage of indigenous and liberalize allocation of import license of scarce raw material and finance the genuine small scale artificial unit does suffer because of this major problem faced by them.

8) Problem of sickness – The major problem faced by small scale industries are the sickness among small scale units. There are one Lac sick small scale units up to the end of March 2002.

9) Lack of information – Another major problem faced by small scale enterprise is the lack of information on the small scale sector was done the information on small scale industries collected by small industries development Association and central statistical association is less and the information isn't collected by these associations on regular base. Therefore pointed out that there's a critical need for evolving a regular system for over gradation and collection of data or small scale diligence. The record of latest information is necessary for important policy opinions of the government.

10) Adverse effect of profitable reforms and Globalization – There has been considerable liberalization in India through the licensing and the reservation of industries an opening up of economy. This has redounded in severe competition to small scale industries both domestic large scale industries and transnational or foreign countries. The lowering of custom duties and junking of quantitative restriction on import has made further worst for small scale sector. The small scale sector has formerly started feeling adverse effect of globalization through a large scale entry to cheaper Chinese reports into Indian request

- **Government policies and measures**

In India, there are about 6.3 crore MSMEs which involve in public and international trades, contributing about 29 towards GDP. MSMEs contribute to the profitable and social growth of the nation and are a great way to drop unemployment issues and promote original products. Our government understands the difficulties that every micro, small and medium business owners face in various stages of their business development process and the significance of MSMEs for the development of the country. Hence has structured various schemes to give maximum support for each and every budding entrepreneur and MSMEs in every possible way to ease out every phase of their business.

1) Prime Minister Employment Generation Programme and Other Credit Support Schemes

With the education rate adding time by time, severance problems are also soaring high. This scheme is structured with the truth of eradicating the unemployment issue and motivating arising new businesses by furnishing necessary fiscal support.

- **Prime Minister Employment Generation Programme (PMEGP)**

Implemented by Khadi and Village Industries Commission (KVIC) at the public position and through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks at the state position, the truth of this scheme is to make every eligible thriving entrepreneur get a subsidy in their bank account for developing a new business. Under this scheme, any new design in the manufacturing sector worth over to Rs. 25 lakhs and a new business/ service sector worth over to Rs. 10 lakhs gets covered.

2) Development of Khadi, Village and Coir Industries

To make way for the rural crafts and products to advance their part in the profitable development of the nation and to up the rural population, several schemes have been introduced by the Ministry of MSME.

- **Market Promotion & Development Scheme (MPDA)**

Like any other business, Khadi and village crafts too need some marketing strategy to reach the potential guests. With the motive of promoting Khadi crafts and adding the income of crafters, this MPDA scheme is developed. With the truth to regenerate traditional industries, emphasizing traditional skills and to insure long- term sustainable income for rural artisans, the Ministry of MSME has designed this scheme. Under this scheme, crafters will be clustered and significance is given to enhancing product development, productivity, competitiveness, product intervention and indeed packaging and marketing. Original artisans and entrepreneurs are handed with sufficient training and bettered tools to face the forthcoming challenges to optimize their income.

- **Domestic Market Promotion (DMP)**

This scheme is a milestone of Coir Board in popularizing coir products within the country to help workmen and entrepreneurs in the coir assiduity. As part of this scheme, high- end showrooms are established, maintained and repaired. To showcase the products to the original guests, colorful expositions and exhibitions are conducted, simply for coir products, and are publicized by journals, TV, radio and other media. Apart from that, the board takes way in perfecting the quality of the products by fixing quality norms and regularizing examination and instrument processes.

- **Welfare Measures-Pradhan Mantri Suraksha Bima Yojana (PMSBY)**

Accidents and unexpected incidents are part of every business. To make sure the workers and their family are defended against accidental death, endless total disability and endless partial disability, the Coir Board has been enforcing Coir Board Coir Workers Group Personal Accident Insurance Scheme from 1998 which provides insurance content under similar circumstances.

3) Technology Upgradation and Quality Certification

Quality and nonstop enhancement have a major impact on the development of any business/ assiduity. While there should be a proper channel for quality instrument to insure dependable issues each time and every time, over-gradation in terms of technology, marketing and coffers make the assiduity bloom to its loftiest eventuality. Hence, certain schemes are established to pave the right path in technology and upgradation.

- **A Scheme for promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)**

To grease invention in the MSME sector, especially promoting new business forun-met social requirements and give employment to fresh minds is the aphorism of ASPIRE.

- **National Manufacturing Competitiveness Programme (NMCP)**

This scheme aims at enhancing the competitiveness of the manufacturing units in the MSME sector.

- **Credit Linked Capital Subsidy for Technology Upgradation (CLCSS)**

To let every entrepreneur in the MSME sector upgrade their technology sect, this scheme is a great boon.

- **Technology and Quality Upgradation Support to MSMEs**

Making advancements is an necessary part of a successful business. Hence to motivate MSME entrepreneurs to take necessary way towards specialized announcement quality enhancement, this scheme is formulated. The scheme aims substantially towards using energy-effective technologies (EETs) in manufacturing which will drastically drop the cost of product.

- **Entrepreneurial and Directorial Development of SMEs through Incubators**

This scheme is a welcome note for new ideas in the MSME sector in terms of technology, process, product,etc. that can be enforced within a time time span.

- **Enabling Manufacturing Sector to be Competitive through QMS&QTT**

Be it a product or a service quality matters. That's why these schemes are established to motivate manufacturing sector to borrow rearmost Quality Management Norms (QMS) and Quality Technology Tools (QTT).

- **Building Awareness on Intellectual Property Rights (IPR)**

Innovative business ideas and strategies need to be defended as they're what going to add oneness to your business. This scheme concentrates on creating mindfulness among MSMEs about Intellectual Property Rights and the need of guarding it.

4) Marketing Promotion Schemes

To enhance the marketing strategies for the betterment of MSMEs, many schemes are established by the ministry of MSME.

- **International Cooperation Scheme**

Though hitting the transnational request is a bit tricky, it's worth the investment of plutocrat, time and energy. The same is applicable in the development of MSMEs too. The government has cooked this scheme to enhance transnational marketing by furnishing support for MSMEs to share in transnational exhibitions/ trade expositions, conferences/ summits/ shops etc. To explore further about the assiduity and to vend the products abroad.

- **Marketing Backing Scheme**

Organizing exhibitions, buyer- dealer meets, intensive campaigns and marketing creation conditioning are the major emphasize of this scheme apart fromco-sponsoring exhibitions and sharing in exhibitions abroad as part of selling the products of MSMEs.

- **Procurement and Marketing Support Scheme (P&MS)**

This scheme is an action to encourage Micro and Small Enterprises (MSEs) to develop domestic requests and to educate MSMEs about the possibilities of business development, trade fairs, latest request ways.

- **Entrepreneurship Skill Development Programme (ESDP)**

Skill development is an important aspect which helps you stay in track with the rearmost trend and competition. This scheme nurtures the natural gift and educate youthful entrepreneurs about rearmost strategies to help them produce a successful business.

- 20 of the ESDPs are conducted simply for weaker sections of the society i.e. (SC/ ST/ women and PH).
- A paycheck ofRs. 500/-per month per seeker is handed.
- Campaigners aren't charged for fees.

- **Micro & Small Enterprises Cluster Development (MSE-CDP)**

While working as a cluster productivity and competitiveness is sure to boost up a notch. Hence this scheme provides financial support for the establishment of Common Facility Centres (CFCs) for testing, training centres, R&D, Effluent Treatment, raw material depot, completing product processes etc. and perfecting being industrial areas/ clusters.

5.9 INDUSTRIAL POLLUTION IN INDIA

5.9.1 What is Pollution?

Pollution, we probably hear of this term every other day at academy, council, and services. We also come across the term in journals, online journals, and media in general. So what's it and why is it supposed dangerous? Pollution occurs when pollutants poison the natural surroundings; bringing about changes that affect our normal cultures negatively. Adulterants are the crucial elements or factors of pollution which are generally waste materials of different forms. Pollution disturbs our ecosystem and the balance in the environment. With modernization and development in our lives, pollution has reached its peak; giving rise to global warming and human illness.

What's Industrial Pollution?

With the coming of the Industrial Revolution, humans were suitable to advance further into the 21st century. Technology developed fleetly, wisdom came advanced, and the manufacturing age came into view. With all of these came one further effect, artificial pollution. Before, industries were small manufactories that produced bank as the primary contaminant. Still, since the number of manufactories were limited and worked only a certain number of hours a day, the situations of pollution didn't grow significantly. But when these manufactories came full-scale diligence and manufacturing units, the issue of industrial pollution started to take on further significance. Any form of pollution that can trace its immediate source to industrial practices is known as industrial pollution. Utmost of the pollution on the earth can be traced back to diligence of some kind.

In fact, the issue of artificial pollution has taken on grave significance for agencies trying to fight against environmental declination. Countries facing sudden and rapid-fire growth of similar diligence are chancing it to be a serious problem that has to be brought under control incontinently. Industrial pollution takes on numerous faces. It contaminates several sources of drinking water, releases unwanted poisons into the air and reduces the quality of soil each over the World. Major environmental disasters have been caused due to artificial mishaps, which have yet to be brought under control. Below are a many of the causes of artificial pollution that have resulted in environmental decline.

Different Forms of Pollution

Pollution occurs in different forms; air, water, soil, radioactive, noise, heat/ thermal, and light. Every form of pollution has two sources of circumstance; the point and thenon-point sources. The point sources are easy to identify, cover, and control, whereas thenon-point sources are hard to control. To understand this circumstance more, let us now bandy the different types of pollution and their goods on humanity and the terrain in general.

5.9.2 Major Types of Pollution-

Following is a list of the different types of Pollution that putatively destroy us and our earth.

1) Air Pollution

While there are numerous types of pollution, Air Pollution is probably the most prominent and dangerous form of it. Pollution may do due to numerous reasons. Then's a brief list.

- **Burning of Energy**

Inordinate burning of energy which is a necessity of our diurnal lives for cuisine, driving, and other artificial conditioning; releases a huge quantum of chemical substances in the air every day. Over time, these substances contaminate the air.

- **Flue Bank**

Another common cause of air pollution may be attributed to the bank from chimneys, manufactories, vehicles, or the burning of wood. These conditioning, collectively and inclusively release sulphur dioxide into the air thereby making it poisonous. The goods of air pollution are apparent too. The release of sulphur dioxide and other dangerous feasts into the air causes global warming and acid rain; which in turn lead to increased temperatures, erratic rains, and famines worldwide. These goods do n't just prostrate the lives of humans, but they also end up making it tough for the creatures tosurvive.As humans, we breathe by every defiled flyspeck from the air which results in the implicit chances of asthma and lung cancer. Either way, unless we address this issue, it may take a bigger and worse shape.

2) Water Pollution

Water Pollution has taken a risk on all the surviving species of the earth. Nearly 60 of the species live in water bodies and when the water is defiled, it oppressively impacts their lives and hinders their health in general. But what are the specific causes of water pollution? Let's take a near look.

3) Industrial Waste

Water pollution may do due to multiple factors. One of the biggest cases may be industrial water pollution where the industrial wastes are left into the gutters and other water bodies thereby causing an imbalance in the water. Over time, it leads to severe impurity thereby performing in the death of submarinespecies.If you suspect that near water sources have been tainted by a pot also it might be a good idea to hire an expert to see your options.

4) Groundwater Pollution

Water pollution may also be caused when germicides and fungicides like DDT are scattered on shops. While this may not feel much, over time, this simple exertion pollutes the groundwater system which utmost of ususe.However, the same groundwater will turn out to be dangerous, leading to a range of health issues in the long run, If left unbounded forlong.Note that in addition to the spraying of fungicides, groundwater may also be defiled from the poisonous chemical tumbles being from artificial operations.

5) Canvas Spills

Canvas tumbles in the abysses too have caused irrecoverable damage to the water bodies. Canvas tumbles are generally caused due to accidents from large vessels, tankers, or any other form of an canvas channel.

6) Eutrophication

Eutrophication is another big source of water pollution, it occurs due to daily conditioning like washing clothes, implements near lakes, ponds, or gutters; this forces cleansers to go into the water which blocks sun from piercing, therefore reducing oxygen and making itinhabitable.Water pollution not only harms the submarine beings but it also contaminates the entire food chain by severely affecting humans dependent on these. Water-borne conditions like cholera, diarrhea have also increased in all places.

7) Soil Pollution

Soil pollution occurs due to the objectification of unwanted chemicals in the soil due to mortal conditioning. The use of germicides and fungicides absorbs the nitrogen composites from the soil making it unfit for shops to decide nutrition from. The release of artificial waste, mining, and deforestation also exploits the soil. Since shops can't grow duly, they can't hold the soil which in turn leads to soil corrosion.

8) Noise Pollution

Noise pollution is caused when noise which is an unwelcome sound affects our cognizance and leads to cerebral problems like stress, hypertension, hearing impairment, etc. It's caused by machines in diligence, loud music, and noise from business, noise from construction conditioning, and soon. As with the other forms of pollution, noise pollution is extremely dangerous and can lead to multiple losses in both humans and creatures.

In humans, it affects our overall well- being, sleep, and total hours of rest. It may also negatively impact the development of kiddies and produce an imbalance in the blood pressure and heart rate of senior individualities.

9) Radioactive Pollution

Radioactive pollution is largely dangerous when it occurs. It can do due to nuclear factory malfunctions, indecorous nuclear waste disposal, accidents, etc. It causes cancer, gravidity, blindness, and blights at the time of birth; it can emasculate soil and affect air and water.

10) Thermal/ Heat Pollution

Thermal/ heat pollution is due to the redundant heat in the terrain creating unwanted changes over long time ages; due to the huge number of artificial shops, deforestation, civic sprawl, and air pollution. It increases the earth's temperature, causing drastic climatic changes and extermination of wildlife. Thermal pollution can affect in an increase in temperature and can prove to be disastrous for humans and wildlife. The increase in temperature can make wildlife populations vulnerable and they may no way be suitable to recover.

11) Light Pollution

Light pollution occurs due to prominent redundant illumination of an area. It's largely visible in big metropolises, on advertising boards and billboards, in sports or entertainment events at the night. In domestic areas, the lives of the occupants are greatly affected by this. It also affects astronomical compliances and conditioning by making the stars nearly unnoticeable.

Industrial Pollution Data

Artificial pollution is wreaking annihilation on Earth. Every nation is affected, and there are people who are working lifelessly to increase mindfulness and advocate for change. The conditioning causing pollution include

• Burning coal

• Burning fossil energies like canvas, natural gas, and petroleum

• Chemical detergents used in dyeing and tanning diligence

• Undressed gas and liquid waste being released into the terrain

• Indecorous disposal of radioactive material

5.9.3 Causes of Industrial Pollution

1) Lack of Programs to Control Pollution

Lack of effective programs and poor enforcement drive allowed numerous diligence to bypass laws made by the pollution control board, which redounded in mass-scale pollution that affected the lives of numerous people.

2) Unplanned Industrial Growth

In utmost artificial townships, unplanned growth took place wherein those companies scorned rules and morals and defiled the terrain with both air and water pollution.

3) Use of Outdated Technologies

Utmost diligence still calculate on old technologies to produce products that induce a large quantum of waste. To avoid high cost and expenditure, numerous companies still make use of traditional technologies to produce high- end products.

4) Presence of a Large Number of Small Scale Diligence

Numerous small scale diligence and manufactories that do n't have enough capital and calculate on government subventions to run their day-to- day businesses frequently escape terrain regulations and release a large number of poisonous feasts in the atmosphere.

5) Inefficient Waste Disposal

Water pollution and soil pollution are frequently caused directly due to inefficiency in the disposal of waste. Long term exposure to weakened air and water causes habitual health problems, making the issue of artificial pollution into a severe bone. It also lowers the air quality in girding areas, which causes numerous respiratory diseases.

6) Filtering of Coffers From Our Natural World

Diligence do bear a large quantum of raw material to make them into finished products. This requires the birth of minerals from beneath the earth. The uprooted minerals can beget soil pollution when revealed on the earth. Leaks from vessels can beget canvas tumbles that may prove dangerous to marine life.

7) Natural Resource Use

Raw material is a must-have for diligence, which frequently requires them indeed pulling out underground rudiments. One of the most common forms of filtering from natural coffers is fracking for canvas.

When diligence prize minerals, the process causes soil pollution and also causes canvas leaks and tumbles that are dangerous and indeed deadly to people and creatures.

5.9.4 Effects of pollution:

1) Water Pollution

The goods of artificial pollution are far- reaching and liable to affect the ecosystem for numerous times to come. Utmost diligence bear large quantities of water for their work. When involved in a series of processes, the water comes into contact with heavy essence, dangerous chemicals, radioactive waste, and indeed organic sludge. These are moreover ditched into open abysses or gutters. As a result, numerous of our water sources have a high quantum of artificial waste in them, which seriously impacts the health of our ecosystem. The same water is also used by growers for irrigation purposes, which affects the quality of food that's produced. Water pollution has formerly rendered numerous groundwater coffers useless for humans and wildlife. It can at best be reclaimed for farther operation in diligence.

2) Soil Pollution

Soil pollution is creating problems in husbandry and destroying original foliage. It also causes habitual health issues to the people that come in contact with similar soil on a diurnal base.

3) Air Pollution

Air pollution has led to a steep increase in colorful ails, and it continues to affect us on a diurnal base. With so numerous small, medial and large scale diligence coming over, air pollution has taken a risk on the health of the people and the terrain.

4) Wildlife Extermination

By and large, the issue of artificial pollution shows us that it causes natural measures and patterns to fail, meaning that the wildlife is getting affected in a severe manner. Territories are being lost, species are getting defunct, and it's harder for the terrain to recover from each natural disaster.

Major artificial accidents like canvas tumbles, fires, the leakage of radioactive accoutrements and damage to property are harder to clean-up as they've a advanced impact in a shorter timeframe.

5) Global Warming

With the rise in artificial pollution, global warming has been adding at a steady pace. Bank and hothouse feasts are being released by diligence into the air, which causes an increase in global warming. Melting of glaciers, extermination of polar bears, cataracts, surfs, hurricanes are many of the goods of global warming.

6) Biodiversity Loss

Artificial pollution continues to beget significant damage to the earth and all of its occupants due to chemical wastes, fungicides, radioactive accoutrements etc. It affects wildlife and ecosystems and disrupts natural territories. Creatures are getting defunct, and territories are being destroyed. The adding liquid, solid and dangerous wastes undermine ecosystem health and impact on food, water and health security. Artificial pollution disasters, including canvas tumbles and radioactive leakage, take times to decades to clean up.

7) Atmospheric Deposition

Cadmium enrichment of soil can also be associated with artificial pollution. Top soils defiled by mine spoil showed a wide range of Cd attention. Industrial backwaters are generally discharged to face water drainage systems after explanation in trailing ponds. Recent examinations have bared veritably high attention of Cd in the overbank and bottom sediments of the gutters.

5.9.5 Ways to Control or Reduce Industrial Pollution

The issue of industrial pollution is critical to every nation on the earth. With the increase of the dangerous goods of industrial pollution, there are numerous agencies and individualities who are working to reduce carbon vestiges and live and work in aneco-friendly way. Still, industrial pollution is still rampant and will take numerous times for proper control and regulation. Numerous way can be taken to seek endless results to the problem.

1) Source Control

Espousing new technology, effective training of workers for safe use and development of better technology for disposal of waste, and being more conscientious about the use of raw accoutrements can help control industrial pollution at the source.

2) Recycling

Recycling as important weakened water in the diligence as possible by increased recycling sweats to reduce industrial pollution.

3) Drawing of Coffers

Organic styles should be espoused to clean the water and soil, similar as using microbes that use heavy essence and waste as feed naturally. Cooling apartments or lockers need to be developed that allow diligence to reclaim the water they need rather of pushing it back into the natural water source it came from.

4) Assiduity Point Selection

Consideration of position of the spots and the implicit impact on the girding terrain can help reduce dangerous consequences.

5) Proper Treatment of Industrial Waste

By developing and enforcing acceptable treatment installations for handling artificial waste and proper habits can reduce pollution.

6) Rebuilding Territories and Afforestation

Rebuilding territories by planting further trees and shops can help give wildlife back their homes, and the trees can help purify the air with enough oxygen, and act as a buffer against the terrain.

7) Stricter Laws and Enforcement

The Environmental Protection Agency (EPA) works to correct the damage from artificial pollution. There should be more strict rules to take action against the companies who don't follow proper protocol and more significant prices for the companies who operate duly. It requires creating programs that help abuse of land.

8) Regular Environmental Impact Assessments

Being a responsible company or assiduity should bear regular environmental impact assessments that are reported forevaluation. However, necessary conduct to correct the negative consequences should be developed and executed, If there are dangerous impacts discovered during the review.

Operation control of artificial pollution control measures in India

According to the World Health Organisation data 14 Indian metropolises are among the world 20 most weakened metropolises in the world Kanpur tops the list among Indian metropolises this is commodity that Indian government should take extremely seriously one of the major contributors to pollution in India is unplanned artificial conditioning. Following are the sweats made by the government of India in the direction of for control of artificial pollution

1) Indigenous Correction India's environmental protection programs are grounded on the views expressed at United Nations Conference on mortal environmental held at shock long in 1972 four times after that in 1976 India came the first country to add an correction to its constitution

allowing the government to cover and ameliorate the environmental for for securing public health timber and wildlife.

2) The Water Preservation and control of pollution act 1974 this was the first major pollution control legislation. That provides both general and artificial specific norms for discharge of colorful adulterants into water bodies. It also laid down penalties fornon-compliance.

3) The Air act 1982 this act was passed to help and control air pollution it's a comprehensive at that makes vittles for setting up Central and state board define authority of the board to limit in nation of air adulterants give power of entry examination taking samples and analysis set penalties power to declare Air Pollution Control areas set restriction on certain artificial unit according to the act noise in an air contaminant and it contaminates the terrain.

4) The Environment protection Act 1986-This Act was legislated as a consequences of a Bhopal gas tragedy of 1984. The act has given was power to the central government to take measures with respect of planning and prosecution of a civil program for forestallment control and abatement of terrain pollution for dangerous waste operation regulation dangerous waste are by product of artificial conditioning handling of similar waste can beget damage to health and can indeed prove to be fatal. There are several legislations that deals with dangerous waste operation.

Despite all legislative sweats of the Government of India has a large number of its major metropolises among the most weakened metropolises of the world swash and ocean pollution are major problem in India. Still artificial pollution control will remain a major challenge to the policy maker as we move on the path of expansion of artificial conditioning to achieve advanced profitable growth.

5.10 QUESTIONS

1) Discuss the Industrial Performance in pre reform period?

2) Discuss the composition of industries in India.

3) Discuss the objectives of New industrial policy 1991.

4) Explain the features of Competition Act, 2003.

5) Write explanatory notes on:

a. IIP

b. Composition of industries

c. Trends of industrial performance

d. Impact NIP 1991 on industrial growth

e. Industrial policy resolution

6. Explain the role perform by Public sector in India?

7. Discuss the problems faced by the public sector in India.

8. What is meant by disinvestment? What are its objectives?

9. What policy measures have been adopted by the government in the area of disinvestment?

10. Critically evaluate the progress made in the disinvestment progress in Investment in India.

11. WRITE SHORT NOTES ON:

(i) Problems of public sector

(ii) Objectives of disinvestment

(iii) Disinvestment Program in India

(iv) Disadvantages of Disinvestment

12. Discuss the role of MSMEs in India's economic development?

13. Discuss the problem faced by of MSMEs in India?

14. Discuss the significance of MSME sector.

15. Discuss the recent policies and measures taken by the government for the development of the MSME sector.

16. Write short notes on:

(i) Features of MSME

(ii) Recent policy initiatives in the MSME sector

(iii) Welfare measures for MSME

(iii) Classification of MSME

17. Discuss the different causes of industrial pollution.

18. What are the types of industrial pollution?

19. Explain the effects of industrial pollution?

20. Discuss the measures to control industrial pollution in India.

21. Write explanatory notes on:

(i) Types of industrial pollution

(ii) Causes of industrial pollution

(iii) Effects of industrial pollution

(iv) Government measures to control Industrial pollution

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6

SERVICE SECTOR: TRENDS IN HEALTHCARE AND TOURISM INDIA

Unit Structure

6.0 OBJECTIVES

- To study the meaning and nature of service sector in India
- To understand the role of service sector in India
- To study the importance, problems and opportunity of Health Industry in India
- To study importance and measures for development of Torism industry in India

6.1 INTRODUCTION TO SERVICES SECTOR:

Services sector is composed of varied spectrum of service furnishing realities spread throughout the Country. “The services sector has been a main and vital force gradually driving growth in the Indian economy for further than a decade. In a country like India, having a enormous size of population, services sector has its huge eventuality. Development of services sector can transform this burden of large size of force into an asset by its proper allocation and applications and thereby can produce a huge size of income for the nation as a whole.

The services sector generally covers a wide range conditioning from the most sophisticated information technology (IT) to simple services handed by the unorganized sector like the services of the plumber, mansion, hairstylist etc. National Accounts bracket of the services sector incorporates trade, hospices, and restaurants; transport, storehouse and communication; backing, insurance, real estate, and business services; and community, social and particular services. In World Trade Organization (WTO) and Reserve Bank of India (RBI) bracket, construction is also included in services sector. Among the three important sector (viz., agriculture and allied, secondary sector and services sector), contributing to the development of the economy of a country, the donation of services sector is adding steadily over the once many times.

In utmost of the developed countries of the world, the services sector is contributing the major portion of its Gross Domestic Product and generates three times further employment than manufacturing sector.

6.2 SIGNIFICANCE OF SERVICE SECTOR IN INDIA

In India, the significance of services sector has been adding continuously decade after decade. With the nonstop expansion of services sector, both in terms of volume and diversity, the significance of services sector has been adding at a high speed.

1) Responsible for GDP grow

The share of total services sector in India's GDP (at constant prices), which is constituted by trade, hotels, transport, storehouse and dispatches, banking, insurance, real estate, community particular services and construction is also included, also the share of services sector increased from56.8 per cent in 2000-01 to59.6 per cent in 2013-14. The share of community and particular services to GDP (at constant prices) hardly increased from8.5 per cent in 1950-51 to12.9 per cent in 2013-14. The share of finance insurance, real estate and business services increased from9.0 per cent in 1950-51 to19.8 per cent in 2013-14. Therefore it has been observed that the donation of services sector into GDP of India has been adding at considerable proportion and thereby it has proved to be a major sector among all the three sectors of the economy.

2) Advanced CAGR and Rapid Growth of Services Sector

The significance of services sector to Indian economy can also be traced from its attainment of advanced compound periodic growth rate (CAGR). The CAGR of the services sector attained at10.0 per cent for the period 2004-05 to 2011-12 has been plant to be advanced than the8.6 per cent of CAGR of Gross Domestic Product (GDP) of India during the same period, which easily indicates that the services sector has outgrown both the industry and agriculture sectors, showing its supremacy among all three sectors of the economy in recent times. Similar rapid-fire growth of the service sector has resulted considerable changes in the GDP of the country. The country didn't follow the traditional growth models and thereby skipped the manufacturing growth stage to directly jump from agricultural growth stage to services growth stage.

3) Support other sector

The growth in services sector will surely support growth process in agriculture and industrial sector in reasonable proportion and thereby help the economy in generating employment and raising overall productivity. The services sector growth was significantly faster than the6.6 per cent for the combined agriculture and industry sectors periodic affair growth during the same period. Although, the agrarian sector has been a dominant player originally, but of late the share of services sector has also been adding over the times, which has been challenging the dominance of primary sector or husbandry in the after stage of development.

4) Horizontally Advanced Share of Services in GSDP

The service sector has been contributing towards the gross state domestic product (GSDP) of different countries and union homes (UTs) satisfactorily in recent times. A comparison of the shares of services in the GSDP of different countries and union homes in 2011-12 shows that the services sector is the dominant sector in utmost countries of India. States and UTs similar as Tripura, Nagaland, West Bengal, Mizoram, Maharashtra, Bihar, Tamil Nadu, Kerala, Delhi and Chandigarh have recorded a advanced share of services sector to its GSDP which are again advanced than all India shares (55.7 per cent) of its servicessector. Chandigarh with an 85 per cent share and Delhi with81.8 per cent share top the list. This has resulted a vertical spread of advanced share of services sector in GSDP of a number of countries.

5) Employment Generation of Services Sector

The important of services sector can also be realised from its donation towards generation of employment in India. Although the primary sector (substantially husbandry) is the dominant employer followed by the services sector, the share of services sector has been adding over the times and that of the primary sector has been decreasing. Between 1993-94 to 2009-10, there has been a sharp fall in the share of primary sector in employment from64.75 per cent in 1993-94 to53.2 per cent in 2009-10.

6) Benefit to India's Services Trade

The services sector is also playing an important part sector in raising the volume of exports in the country. Therefore India is moving towards a services- led import growth in recent times. During 2004-05 to 2008-09 as per the Balance of Payment (BoP) data, wares and services exports grew by22.2 and25.3 per cent independently. Again India's share of services exports in the world import of services, which increased from0.6 per cent in 1990 to1.0 per cent in 2000 and further to3.3 per cent in 2011, has been adding faster than the share of wares exports in world exports. Services growth slowed in 2009-10 as a result of the global recession, but the decline was less pronounced than the slowdown in wares import growth and has recovered fleetly in 2010-11. In terms of size, software is a major services import order, counting for41.7 per cent of total services exports in 2010-11. Also, the overall openness of the economy reflected by total trade including services as a chance of GDP showed a advanced degree of openness at55.0 per cent in 2011-12 compared to25.4 per cent in 1997-98 and38.1 per cent in 2004-05.

7) Contribute towards Human Development

Services sector has a lot of donation towards mortal development in our country. Consequently, services sector has been rendering some precious services,viz., health services, educational installations, IT and IT enabled services (ITes), skill development, health tourism, sports, artistic servicesetc. which are largely responsible for mortal commission and enhancement of quality of life of the people in general.

8) Services Sector Growth and FDI Inflows

Modest growth of services sector has made ample compass for the smooth flux of FDI into the country. FDI also plays a major part in the dynamic growth of the services sector. On the positive side, at global position, medium term prospects for services are generally better than those manufacturing sector with transnational investment in the services sector anticipated to grow fairly briskly.

9) Help to Develop Structure and Communication Services

Services sector has also been playing an important part in developing expanding and operation of structure with a special emphasis on development of transportation and communication services. In a developing country like India the significance of development of infrastructural installations is relativelyhigh.The donation of transport, storehouse and communication to the GDP at factor cost (at current prices) in India ranges from8.2 per cent in 2006-07 to7.1 per cent in 2011-12.

10) Responsible towards Growth of IT and ITeS

The services sector has also paved the way for a nonstop growth of its IT and IT enabled services (ITeS) sector and thereby helping the frugality of the country to attain advanced growth both in terms of GDP share, employment, exportsetc. which has put India on the global chart. The IT and ITeS sector of the country has developed an image of a youthful and flexible global knowledge power and has earned a brand identity in this sector. The IT and ITeS assiduity has four majorsub-components IT services, business process outsourcing (BPO), engineering services and exploration and development (R&D), and software products. This IT and ITeS sector has been generating considerable quantum of earnings and employment in the frugality. As per NASSCOM estimates, India's IT and BPM sector (banning tackle) earnings were to the tune of US$95.2 billion in 2012-13 and has been suitable to induce direct employment for nearly2.8 million persons and circular employment of around8.9 million persons in the country.

11) Development of Some Social Services

Services sector is also playing an important part in the development and expansion of some social services like sports, artistic services etc. Sports promotes physical fitness and develops mortal personality which also played an important part in public identity, community cling and transnational cling. Also, artistic conditioning, or services include recreation and entertainment and radio and Television broadcasting besides other related artistic services. To meet the ideal of preserving and promoting all forms of art and culture, a variety of conditioning are being accepted by the Government of India.

Therefore services sector has been playing an important part in promoting some precious social services for overall enrichment of the society. Therefore services sector has attained a considerable size and dimension in its forms of conditioning and has been playing an important part in a largely vibrant country like India.

Still, the challenge faced by this sector will be to retain India's competitiveness in those areas where the country has made a markviz. telecommunications, IT and ITeS etc. Either, India has to face another challenge to access into some traditional areas similar as tourism, shipping where other countries have already established its mark.

Still, India's possibility for success in the sector is very high. Therefore these challenges faced by India need to be addressed if the country wants to realize its pipe dream of attaining double number growth and generating large number of employment openings for its growing population in the days to come. Eventually, in a country like India, having a large size of population and presently enjoying the merit of population tip in the form of growing proportion of working age population, the prospect and possibility of the services sector in generating income and employment for its people is relatively bright.

6.3 HEALTHCARE INDUSTRY

Introduction

Healthcare has come one of India's largest sector, both in terms of profit and employment. Healthcare comprises hospitals, medical bias, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical outfit. The Indian healthcare sector is growing at a brisk pace due to its strengthening content, services and adding expenditure by public as well private players. Indian healthcare delivery system is categorised into two major factors public and private. The Government, i.e. public healthcare system, comprises limited secondary and tertiary care institutions in key cities and focuses on furnishing introductory healthcare installations in the form of primary healthcare centres (PHCs) in pastoral areas. The private sector provides maturity of secondary, tertiary, and quaternary care institutions with major attention in metros and group I and group II cities.

India's competitive advantage lies in its large pool of well- trained medical professionals. India is also bring competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.

Market Size

The healthcare request can increase triple toRs.8.6 trillion (US$133.44 billion) by 2022. In Budget 2021, India's public expenditure on healthcare stood at1.2 as a chance of the GDP.

A growing middle- class, coupled with rising burden of new conditions, are boosting the demand for health insurance content. With adding demand for affordable and quality healthcare, penetration of health insurance is poised to expand in the coming times. In FY21, gross direct decoration income capitalized by health insurance companies grew13.3 YoYtoRs. crore (US$7.9 billion). The health member has a29.5 share in the total gross written decorations earned in the country. Recent developments. Indian medical tourism request was valued atUS$2.89 billion in 2020 and is expected to reachUS$13.42 billion by 2026.

According to India Tourism Statistics at a Regard 2020 report, foreign tourists came for medical treatment in India in FY19. India has been ranked 10th in the Medical Tourism Index (MTI) for 2020-21 out of 46 destinations by the Medical Tourism Association.

Some of the recent enterprise in the Indian healthcare industry are as follows

- As of November 18, 2021, Ayushman Bharat-Health and Wellness Centres (AB-HWCs) are functional in India.
- As of November 18, 2021, 638e-Hospitals were established across India as part of the central government's'Digital India' action.
- In November 2021, Aster DM Healthcare announced that it's planning Rs. 900 crore (US$120.97 million) capital expenditure over the coming three times to expand presence in India, as it looks at adding the share of profit from the country to 40 of the total by 2025.
- By September 21, 2021, the Health Ministry's eSanjeevani telemedicine service crossed 12 million teleconsultations since its launch, enabling case-to- doctor consultations, from the confines of their homes, and doctor-to- doctor consultations.

After Independence there has been a significant enhancement, in the health status of people. But the situation isn't much better as per study of WHO. It has placed India in 112th position among 191 countries of the world.

➢ The following are the major problems of health services

1) Neglect of Rural Population

A serious debit of India's health service is the neglect of rural millions. It's largely a service grounded on civic hospitals. Although, there are large no. of PHC's and rural hospitals yet the civic bias is visible. According to health information31.5 of hospitals and 16 hospital beds are positioned in rural areas where 75 of total population resides. Also the doctors are unintentional to serve in pastoral areas. Rather of evolving a health system dependent on paramedical (like bare-footed doctors in China) to strengthen the fringe. India has evolved one dependent on doctors giving it a top-heavy character.

2) Emphasis on Culture Method

The health system of India depends nearly on imported western models. It has no roots in the culture and tradition of the people. It's substantially service grounded on civic hospitals. This has been at the cost of furnishing comprehensive primary health care to all. Else speaking, it has fully neglected preventative,pro-motive, rehabilitative and public health measures.

3) low cost for Health

According to the National Health Policy 2002, the Govt. donation to health sector constitutes only0.9 percent of the GDP. This is relatively low. In India, public expenditure on health is17.3 of the total health expenditure while in China, the same is24.9 and in Sri Lanka and USA, the same is45.4 and44.1 independently. This is the main cause of low health norms in the country.

4) Social Inequality

The growth of health facilities has been largely imbalanced in India. Rural, hilly and remote areas of the country are under served while in urban areas and cities, health facility is well developed. The SC/ ST and the poor people are far down from modern health service.

The table shows social inequality in provision of health in India.

Inadicators of Social Inequality

S.No.	Indicator	All India	SC	ST	Other Disadvan-taged	Others
1.	Infant Mortality Rate (Per '000 population)	70	83	84.2	76	61.8
2.	Under 5 Mortality Rate (Per '000 population)	94.9	119.3	126.6	103.1	82.6
3.	% Children Underweight	47	53.5	55.9	47.3	41.1

5) Shortage of Medical Personnel

In India deficit of medical help like doctors, a nannyetc. isa introductory problem in the health sector. In 1999-2000, while there were only5.5 croakers per population in India, the same is 25 in the USA and 20 in China. Also the number of hospitals and drugstores is inadequate in comparison to our vast population.

6) Medical Research

Medical exploration in the country needs to be concentrated on medicines and vaccines for tropical conditions which are typically neglected by transnational pharmaceutical companies on account of their limited profitability eventuality. The National Health Policy 2002 suggests to allocate further finances to boost medical exploration in this direction.

7) Expensive Health Service

In India, health services especially allopathic are relatively precious. It hits hard the common man. Prices of colorful essential medicines have gone up. Thus further emphasis should be given to the choice systems of drug. Ayurveda, Unani and Homeopathy systems are less expensive and will serve the common man in better way. Concluding the health system has numerous problems. These problems can be overcome by effective planning and allocating further finances.

Openings in the Health Industry

- India is a land full of openings for players in the medical bias industry. The country has also come one of the leading destinations for high- end individual services with tremendous capital investment for advanced individual installations, therefore feeding to a lesser proportion of population. Either, Indian medical service consumers have come more conscious towards their healthcare keep.

- Indian healthcare sector is important diversified and is full of openings in every member, which includes providers, payers, and medical technology. With the increase in the competition, businesses are looking to explore for the latest dynamics and trends which will have positive impact on their business. The hospital industry in India is read to increase toRs.8.6 trillion (US$132.84 billion) by FY22 fromRs. 4 trillion (US$61.79 billion) in FY17 at a CAGR of 16 – 17.

- The Government of India is planning to increase public health spending to2.5 of the country's GDP by 2025.

- India's competitive advantage also lies in the increased success rate of Indian companies in getting Shortened New Drug Application (ANDA) blessings. India also offers vast openings in R&D as well as medical tourism. To add up, there are vast openings for investment in healthcare structure in both urban and pastoral India.

6.4 TOURISM & HOSPITALITY INDUSTRY IN INDIA

Introduction

The Indian tourism and hospitality industry have surfaced as one of the key motorists of growth among the services sector in India. Tourism in India has significant implicit considering the rich artistic and literal heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is an important source of foreign exchange in India analogous to numerous other countries. In FY20, tourism sector in India accounted for 39 million jobs, which was8.0 of the total employment in the country. By 2029, it's expected to regard for about 53 million jobs. According to WTTC, India ranked 10th among 185 countries in terms of trip & tourism’s total donation to GDP in 2019.

Tourism is considered as one of the important element of services sector. It's considered as both growth machine and import- growth machine. It's also considered as an effective medium of employment creator as it has the capacity to produce large scale employment both directly and laterally for different sections of the society and also for different orders of pool both specialized as well as professed and unskilled. In 2011, transnational tourism bills grew by 11 per cent (3.9 per cent in real terms) to an estimated US$ 1030 billion, which set a new records in utmost destinations despite profitable challenges in numerous source requests.

• Part of Tourism & Hospitality Industry in India

India is the most digitally advanced rubberneck nation in terms of digital tools being used for planning, booking, and passing a trip. India’s rising middle class and adding disposable income has supported the growth of domestic and outbound tourism. By 2028, Indian tourism and hospitality is anticipated to earnUS$50.9 billion as caller exports compared withUS$28.9 billion in 2018. The trip request in India is projected to reachUS$ 125 billion by FY27 from an estimatedUS$ 75 billion inFY20.The Indian airline trip request was estimated at US$ 20 billion and is projected to double in size by FY27 due to perfecting field structure and growing access to passports

Domestic tourism has also surfaced as an important force to the sector furnishing important demanded adaptability. Domestic tourism is thus, an important contributor to the growth of this sector attaining14.34 per cent CAGR of domestic sightseer visits during the period 1991 to 2011. During 2011, there were 851 million domestic excursionists recording a growth of14.9 per cent over the former time. Again the top five countries, Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Karnataka and Maharashtra cumulatively counting 69 per cent of the total domestic excursionists visits in the country.

The share of hostel and eatery sector in overall frugality increased from1.46 per cent 2004-05 to1.53 per cent in 2008-09 and also declined to1.46 per cent in 2010-11. Still, within the service sector, the share of hostel and eaterysub-sector declined from2.75 per cent in 2004-05 to2.64 per cent in 2010-11 as other service sectorsub-groups grew briskly than this sector.

In respect of health tourism, India is in a better position. Several features like cost-effective health- care results, vacuity of professed health care professionals, character for treatment in advanced health care parts, adding fashionability of India’s traditional heartiness systems, and strengths in IT have deposited India as an ideal health- care destination.

While strengthening its capabilities in ultramodern health care systems, India is also using its essential strengths in traditional health- care systems similar as Ayurveda, siddha, Yoga, naturopathy, and faith mending/ spiritualism. India has also hold an edge over contender countries with its mastery over ways of attention and mind control and also in the face of its natural coffers and remarkable artistic diversity.

In order to promote tourism, the government has taken numerous policy enterprise including a five time duty vacation for 2, 3 and 4 star order hospices located around UNESCO World Heritage spots (except Delhi and Mumbai) for hospices which starts operatingw.e.f. 1 April 2008 to 31 March, 2013; an investment linked income duty deduction for 2 and 3 star order of hospices located outside metropolises. A commission has also been formulated to support golf, polo and heartiness tourism.

The government has also formulated a set of guidelines on safety and quality morals of adventure tourism. To attract foreign excursionists visiting India for medical treatment, a new'medical visa' order has also been introduced. The government has also formulated guidelines for addressing colorful issues governing heartiness centres, covering the entire diapason of Indian systems of drug.

Still, the tourism sector is facing certain challenges. Some of the challenges still remain as hindrances to the growth of this sector. One of similar challenges is the multiple levies on hospitality and tourism- related conditioning which make the tourism product precious in the form of high hostel rates and high fares; another similar challenge in the luxury duty which is assessed by the state governments leading high tariffs and low residency in hospices.

Tourism assiduity in India is on a great smash at the moment. Tourism in India is important for the country's profitable growth. India has tremendous eventuality to come a major global sightseer destination and Indian tourism assiduity is exploiting this eventuality to the bow. Trip and tourism assiduity is the alternate loftiest foreign exchange earner for India and the government has given trip and tourism associations export house state

TOURISM DEVELOPMENT IN THE 1990S

In 1997 the department of tourism published a (new) National Tourism Action Plan. Piecemeal from relating a many areas for' intertwined tourism development', along the lines of the forenamed (thematic) tourism circuits, the end of the plan was to achieve an overall growth and advance of the tourism sector in India, by stepping up marketing, structure structure and mortal resource development. According to some, the plan did not present anything new. It just was stated in a more fashionable development sector slang (Singh, 2001). Others maintained that the plan wasover-ambitious and unrealistic. Backing by no means matched the taxing quantitative targets (Raguraman, 1998). In fact, from independence onwards the budget expenses for tourism have always been very small (lower than0.2).

The significance of domestic tourism was honored by public policy makers in the 1990s. They included it as an important issue in the Tourism Action Plan of 1997 and decided that it was a state government (policy) issue. The central government was to take care of transnational tourists. Traditionally, domestic tourism substantially concerned passage and work-related trip. From the 1990s onwards there has been a steep rise in modern forms of domestic tourism. This new miracle is related to the booming Indian frugality and the new vulnerability of the Indian middle and advanced classes to rather alien, Western ideas of Holiday making. At present, an ever growing group of Indian excursionists travels around the country for rather prosaic, rest and sightseeing- related reasons. This new trend is underlined by the emergence of Indian trip magazines and the growing explicit attention for domestic tourist destinations in leading journals.

The New Tourism Policy (2002)

In 2002 when the action plan was eventually restated into a tourism policy. Tourism policy officially came a common central- state government concern. The new policy itself, still, was designed by the central government. To a large extent, it concerns old wine in new bottles. It holds the kind of pretensions and prospects exemplary for the first policy. To start with, the policy document attempts to establish tourism's great donation to public development and its part as an machine of growth. It suggests that tourism not only generates government profit, foreign currency, but also provides an optimal use of India's scarce coffers, sustainable development, high quality employment (especially to youths, women and impaired people), and eventually, peace, understanding, public concinnity and stability (GOI, 2002). The policy starts from the idea that tourism can be used as a development tool,e.g. that it can induce high quality, mass employment and substance among vulnerable groups in backwardareas.In more practical terms, the policy aims at adding the number of domestic and transnational excursionists. In order to do this, the government proposes to diversify the Indian tourism product and mainly improve the quality of tourism structure, marketing, visa arrangements and air trip. The forenamed tourism as a development toollargely concerns domestic tourism, which in this capacity is conceptually linked to' sustainable' pastoral development. As far as transnational tourismis concerned the Indian Government substantially wants to target the' high-yielding variety'of excursionists.

These major policy points are deduced from three main sources. The idea of tourism as a development tool leading to sustainable pastoral development is embedded in traditional socialist style Indian Government thinking. An inversely important source still, is the testament of the transnational development community, represented by associations similar as the UNDP. The idea to specifically target the long haul, high yielding variety of transnational excursionists, on the other hand, is part and parcel of the worldview of lobby associations representing transnational airline and hostel companies. The WTTC in particular has played an important part in shaping the Indian tourism policy. Its prognostications and suggestions form an integral part of the policy. While it's accessible that associations similar as the WTTC and the UNDP have told the Indian Tourism Policy, it's surprising to see how supposedly fluently and without important adaption their recommendations have come sanctioned policy. This implies that the policy is innovated upon rather differing ideas (Baken and Bhagavatula).

Combined sweats are being made to promote new forms of tourism similar as pastoral, medical, voyage, filmandeco-tourism.

Pastoral Tourism

The scheme of Pastoral Tourism was started by the Ministry in 2002-03 with the ideal of showcasing pastoral life, art, culture and heritage at pastoral locales and in townlets, which have core capability in art and craft, handloom, and fabrics as also an asset base in the natural terrain. It aimed to profit the original community economically and socially, as well as to

Medical Tourism

It's also called medical trip, health tourism or global healthcare and is a term used to describe the fleetly growing practice of travelling across transnational borders to gain health care. India offering Medical care installations and promoting Medical Tourism that excels among them.

Film Tourism

In July, 2012 the Ministry of Tourism developed guidelines for extending fiscal support to State Governments/ Union Territory Administrations for creation of film tourism, as a primary step, Central Finance Backing of INR. 2 lakh per film will be handed to State Governments and Union Territory Administrations, during each fiscal time for a outside of five flicks. The flicks will be chosen/ named taking inputs from their Film Development Pots, grounded on the exposure handed by them to the tourism destinations and locales in the separate States/ UTs. The CFA would cover Feature Flicks, Pictures, Telefilms and Television Diurnals, including Reality TV.

Promotion of Ecotourism

Ecotourism (also known as ecological tourism) is responsible trip to fragile, pristine, and generally defended areas that strives to be low impact and (frequently) small scale. It purports to educate the rubberneck, give finances for ecological conservation, directly profit the profitable development and political commission of original communities, and foster respect

For different societies and for mortal rights. The Ministry has been laying a lot of stress on conservation of terrain integrity, considering the significance of developing tourism in an ecologically sustainable manner. The Ministry also maintains the Inconceivable India International crusade, Domestic Media Crusade and Other

Elevations

Inconceivable India International Juggernauts-The Ministry of Tourism commenced its Global TV Crusade 2011-12 in the month of August 2011, A Global Publish Crusade 2011-12 was also released in September 2011 and A Global Online Media Campaign was launched on leading websites in January 2012 up to May 2012.

Road Ahead

India's trip and tourism assiduity has huge growth eventuality. The assiduity is also looking forward to the expansion ofe-Visa scheme, which is anticipated to double the sightseer flux in India. India's trip and tourism assiduity has the implicit to expand by2.5 on the reverse of advanced popular allocation and low- cost healthcare installation.

6.5 QUESTIONS

1) Explain the role and importance of service sector in India?

2) Discuss the importance of health industry in India?

3) Discuss the significance of Tourism industry in India?

4) What are the measures taken by government to develop the health industry in India?

5) What are the measures taken by government to develop the tourism industry in India?

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Module IV

7

BANKING AND FINANCIAL MARKET

Unit Structure

7.0 OBJECTIVES

- To understand the nature of banking system in India.
- To understand the rationale and nature of banking sector reforms undertaken since 1991.
- Understand the impact of reforms on the Indian banking sector.
- Understand the impact of new technologies on the working of commercial banks in India.

7.1 BANK –THE TERM DEFINED

The definition of a bank varies from country to country. Under English common law, a banker is defined as a person who carries on the business of banking, which is specified as:

1. Conducting current accounts for his customers
2. Paying cheques drawn on him, and
3. Collecting cheques for his customers.

Banking business means the business of receiving money on current or deposit account, paying and collecting cheques drawn by or paid in by customers, the making of advances to customers, and includes such other business as the authority may prescribe for the purpose of this Act. Banking business means the business of either or both of the following:

Receiving from the general public money on current, deposit, savings or other similar account repayable on demand or within less than (3 months)... or notice of less than that period.Paying or collecting cheques drawn by or paid in by customers.

Banking is defined in the Indian Banking Companies Act, 1949 as accepting for the purposes of lending or investments, repayable on demand or otherwise as withdrawal by cheques, draft order or otherwise. And a bank is one, which does the banking business.

A banker is one who, in the ordinary course of his business honours cheques, drawn upon himself by persons from and for whom he receives money in current account.

The business of the banks can be mainly divided as under:

1. Borrowing
2. Lending
3. Agency services
4. General utility services

The development of banking services needs the quality human resource, which plays a decisive role. The use of sophisticated technologies by the banking organization has made possible a major change in the quality of services. The customers using the services of foreign banks have different perceptions regarding the quality of banking services as the foreign banks which provide outstanding service.

Innovative efforts become essential, the moment we find a change in the level of expectation. Earlier, the users did not expect fast decent services and the Industrial users did not expect credit facilities on liberal terms and conditions but today the banks appearto think about the same in priority basis.

The first bank in India, called The General Bank on India was established in the year 1786. The East India Company established The Bank of Bengal/Calcutta (1809), Bank of Bombay (1840) and Bank of Madras (1843). The next bank was Bank of Hindustan which was established in 1870. These three individual units (Bank of Calcutta, Bank of Bombay, and Bank of Madras) were called as Presidency Banks, Allahabad Bank which was established in 1865, was for the first time completely run by Indians. Punjab National Bank Ltd. Was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. In 1921, allpresidency banks were amalgamated to form the Imperial

Bank of India which was run by European Shareholders. After that the Reserve Bank of India was established in April 1935.

The following are the major steps taken by the Government of India to Regulate Banking institution in the country:

Year	Phase
1949	Enactment of Banking Regulation Act.
1955	Nationalization of State Bank of India.
1959	Nationalization of SBI subsidiaries.
1961	Insurance cover extended to deposits.
1969	Nationalizations of 14 major Banks.
1971	Creation of credit guarantee corporation.
1975	Creation of regional rural banks.
1980	Nationalization of seven banks with deposits over 200 Crores.

The entire organized banking system comprises of scheduled and non-scheduled banks, largely, this segment comprises of the scheduled banks, with the unscheduled ones forming a very small component. Banking needs of the financially excluded population is catered to by other unorganized entities distinct from banks, such as, moneylenders, pawnbrokers and indigenous bankers.

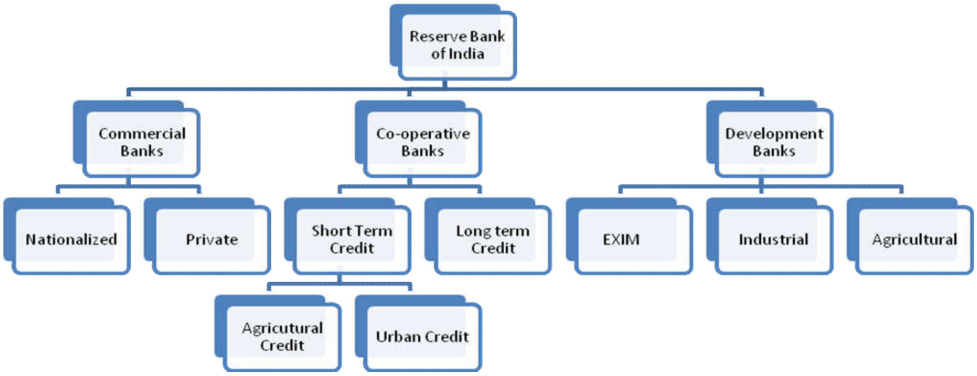
Commercial Banks in India may broadly be classified on the basis of two criteria: (i) statutory, and (ii) ownership.

On the statutory basis, the banks are of two types; (i) Schedule banks; and (ii) Non-scheduled banks.

On the ownership basis, the banks may be classified into two groups: (i) Public sector commercial banks, and (ii) Private sector commercial banks.

In the category of scheduled banks, there are private sector banks and public sector banks. In fact, all the public sector banks are scheduled banks, whereas in the private sector it is not so.

The Reserve Bank of India (RBI): The RBI is the supreme monetary and banking authority in the country and has the responsibility to control the banking system in the country. It keeps the reserves of all scheduled banks and hence is known as the “Reserve Bank”.



1. Public Sector Banks

   State Bank of India and its Associates

   Nationalized Banks

   Regional Rural Banks Sponsored by Public Sector Banks

2. Private Sector Banks

   Old Generation Private Banks

   Foreign New Generation Private Banks

   Banks in India

3. Co-operative Sector Banks

   State Co-operative Banks

   Central Co-operative Banks

   Primary Agricultural Credit Societies

   Land Development Banks

   State Land Development Banks

4. Development Banks

   Development Banks mostly provide long term finance for setting up industries. They also provide short-term finance (for export and import activities)

   Industrial Finance Co-operation of India (IFCI)

   Industrial Development of India (IDBI)

   Industrial Investment Bank of India (IIBI)

   Small Industries Development of Bank of India (SIDBI)

   National Bank for Agriculture and Rural Development (NABARD)

   Export-Import Bank of India

A. Scheduled Banks

A schedule bank is a bank that is listed under the second schedule of the RBI Act, 1934. In order to be included under this schedule of the RBI Act, banks have to fulfill certain conditions such as having a paid up capital and reserves of at least 0.5 million and satisfying the Reserve Bank that its affairs are not being conducted in a manner prejudicial to the interests of its depositors. Scheduled banks are further classified into commercial and cooperative banks.

B. Regional Rural Banks (RRBs)

Regional Rural Banks have been set up in the country on the sponsorship of individual nationalized commercial banks.The objective was to provide credit to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs so as to develop productive activities in the rural areas. They have been conceived as institutions that combine the features of both the co-operatives and commercial banks.

C. Foreign Banks

Foreign Banks like Citibank, HSBC, Standard Chartered Bank, etc. are the branches of those banks which are incorporated in foreign countries. Most of them perform essentially the same range of services as local banks, except that their focus in terms of product and customers may be different due to their limited branch network. They bring in new technology and facilitate in the introduction as well as assimilation of international products into the domestic markets.In keeping with the general trend towards liberalization, the Government has introduced several measures for widening the scope for foreign banks to enter and operate in India.

D. The State Co-operative Banks (SCBs)

The State Co-operative Banks constitute the apex of the three tier co-operative credit structure, organised at the level of individual States. While, Urban Co-operative Banks (UCBs), refers to the primary cooperative banks located in urban and semi-urban areas. Initially, these banks were allowed to lend money only for non-agricultural purposes and essentially to small borrowers and businesses.

E. Non-Scheduled Banks

Non-scheduled banks also function in the Indian banking space, in the form of Local Area Banks (LAB). The banks which are not registered in the list of central bank under its charter are known as non-scheduled banks. They are not bound to perform banking services accordingly to the policies and instructions of central bank e.g. Bank of Punjab was a non-scheduled bank. These banks do not fulfill the required qualifications of a scheduled bank as prescribed by the central bank. They also do not enjoy the public confidence. In many countries, many non-scheduled banks are also working.

7.2 CHANGING ROLE OF BANKS

Now concept of –sellers' market has been replaced with the concept of –the right product in the right place at the right time. Again it is replaced by –quality product should be available at anytime and anywhere. On this basis of new vision, the following changes are worthy to note:

1. Customer's awareness has increased a lot and the customers are increasingly accustomed to interact and get maximum information from the bank employees.

2. There is a drastic change on the technological process, like personal computers and telephones, which have already entered the markets, are extended to all the areas of activities.

Technology has entered the global banking arena in the early 1960's. The initial applications were batch accounting systems for back office, which were handled, on the mainframe electronic data processing environment. In the early 1970's cash dispensers, enquiry systems and on line networks were installed. In the late 70's online counter terminals and ATMS were introduced, as were electronic fund transfer mechanisms like SWIFT machine.

The 80's was introduced of home banking corporate cash management systems, automated clearing house system etc. In the year 2000 non-branch based electronic delivery systems, including videos smart phones and internet banking etc. became popular.

One can trace five distinct phases of information Technology implementation in banking.

1. Bank office computerization
2. Elementary front office computerization
3. Online real time systems
4. Self-services systems
5. Virtual banks of the future

The computing tools and technologies available for computing on the internet has forced industry leaders to quickly adapt to the changing technology and its business benefits.

In India after 1990 the banking sector were influenced by the winds of liberalization. Private banks were set up by reputed business with the help of World Bank or Asian Development bank. Reserve Bank of India freed up interest on advanced and deposits. It governed the interest rates for the period of one year, while each bank set their own rates for the other periods. This gave banks some freedom of operation.

Today technology help banks to offer various services. Cash withdrawals, fast cash, deposits, balance enquiry, funds transfer, statement request, cheque book request, mini statement, Pin change and even the payment of credit card bills can also be done via some of the latest ATM's

Thus, technology is changing very fast and we must prepare our manpower to face the challenges. Behavioral study has to be made in order to make our manpower capable of handling challenges.

7.2.1 PROGRESS OF INDIAN BANKING SINCE 1969

Indian banking has progressed rapidly after independence and especially after Nationalisation of banks in July 1969. It has progressed in terms of:

1. Branch Expansion

Since Nationalisation, there was 800% increase in number of branches. The most spectacular progress was in rural branches which increased from 1860 to 30600 branches. As against 22.2% bank offices located in rural areas in June 1969, there were 36.9% bank offices in these areas in June 2012.

2. Deposit Mobilisation

Planned economic development, deficit financing and increase in currency issue have led to increase in bank deposits. Growth of deposits in India of all scheduled commercial banks was as follows:

1951-71 – 700%

1971-91 – 3260%

1991-2010 – 2296%

In absolute terms, bank deposits rose from Rs. 43.4 billion in 1969 to Rs. 71,967 billion at the end of March 2013. Out of these, time deposits amounted to Rs.64,546 billion while demand deposits were only Rs.7,420 billion

3. Expansion of Bank Credit

Bank credit too has expanded tremendously particularly since July 1969 from about Rs.1,16,300 crores in 1990-91 to Rs. 27,70,012 crores during 2008-09. It further rose to Rs.50,74,600 crores at the end of March 2012.Bank System Credit growth will almost double to 10 percent in 2021-22.

4. Priority Sector Lending by Banks

Before 1969, commercial banks neglected rural credit considering it to be the responsibility of cooperative societies and banks. At the same time, since banks were owned and managed by big industrialists they ignored small industrial concerns and business units. Soon after nationalisation the commercial banks were asked to be specially concerned with financing of priority sector. With the issue of directives by RBI in 1980 regarding priority sector lending total credit extended by public sector banks to agriculture, small scale industries and other priority sectors went up from Rs.440 crores in June 1969 to Rs.7,20,083 crores in March 2009.

7.3 INNOVATIONS IN BANKING

The world over banking has been undergoing rapid transformation through the process of innovation. Japan's Post office, Securitization and Venture Capital funds, The Euro, common currency of the European Union, Bangladesh Grameen Bank are some of such innovations. In India also banking industry has been progressing with many innovative products, processes and services. Some of them are:

RBI has permitted the usage of hybrid innovative financial instruments by the banks to procure the required additional capital

Indian banks have been extensively using information technology in innovative ways to provide services like e-banking, tele-banking, ATMs, credit cards etc. seamlessly and cost-efficiently.

A nationalised bank has proposed to utilize the services of dabbawallahs of Mumbai as delivery channels for its products and services.

RBI, engaged in the task of financial inclusion, has designed two delivery models, namely, business correspondents model and business facilitators model to enhance the outreach of the banks in extending banking services to the poor. These attempts are considered to be very innovative ideas

The development of payment and settlement system by RBI, consisting of Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT), Centralised Funds Management System, Cheque Truncation System are innovative ways in fund transfer mechanism

Sharing of ATMs by different banks is a good example innovative delivery channel.

The strategic alliance among Corporation Bank, Oriental Bank of Commerce and Indian Bank, all three being nationalised banks, is a very unique and innovative tie-up.

7.4 DIVERSIFICATION IN BANKING-CONCERNS AND CHALLENGES

The government of India has issued guidelines to the banks under Section 6 of Banking Regulation Act, 1949 permitting and encouraging them to diversify their functions. Banks have been diversifying their activities into a host of financial services by setting up subsidiaries/mutual funds or contributing to equity of companies offering financial services.

Merchant Banking and underwriting - Commercial banks have now set up merchant banking divisions and underwriting new issues especially preference shares and debentures. Formerly, banks provided merchant banking services only to a few known companies but now they have floated separate subsidiaries and offer wider services to a large clientele.

Mutual funds – Some banks were permitted to float subsidiaries as mutual funds. In all, seven public sector banks have set up mutual funds.

Retail banking –Retail banking has been facilitated by growth in banking technology and automation of banking processes.

Automated Teller Machines (ATMs) – ATMs have emerged as an alternative banking channel which facilitates low cost banking transactions. The use of ATMs by foreign banks and private sector banks has helped these banks to expand their reach and compete effectively with public sector banks. PSBs in their turn are also rapidly introducing ATMs.

Anywhere Banking – Under this system, a customer having an account with any select branch can operate it from other designated branches of the bank throughout the country.

Internet banking – Growth of internet and wireless communication technologies, advances in telecommunication etc. have increased the number of users of internet banking. Many branch transactions can be performed with internet banking.

Venture Capital Fund – Some banks have launched venture capital funds to provide equity capital to new or existing business where risk and return are high.

Factoring – Banks are permitted to take up factoring by floating subsidiaries. It is a device by which book debts are quickly realized through outright sale of account receivables to a financial intermediary. SBI and Canara Bank are the only two banks which have set up separate subsidiaries exclusively for undertaking factoring services

CONCERNS AND CHALLENGES

The decades of 1980s, 1990s and first decade of the present century have witnessedseveral financial crises around the world. It is noteworthy that while other countriesand regions went through banking crises the Indian banking remained safe. However, certain concerns need to be addressed:

(1) Ensuring financial inclusion – Despite the impressive progress commercialbanking in India has not penetrated sufficiently to serve the rural, illiterate andpoor people in a meaningful way. The RBI has taken several steps like 'nofrill' accounts, the use of mobile phones etc. However, much more need to bedoneinthe fieldoffinancialinclusion.

(2) Improving credit flow to rural areas – At presentrural areas accountforonly small proportion of credit. Further, North, Eastern, Eastern and Central Regions continue to remain back ward duetoun availability of banking services there. Thus efforts need to be taken to improve credit flow to theseareas.

(3) Conforming to priority sector lending target – A number of banks havefailed to meet the target of credit set for priority sectors as a whole and also foragriculturalcredit.

(4) Financinginfrastructure–infrastructurerequireslong-termfinancing. However for banks, their main source of funds, are relatively short-term. In advanced countries insurance companies, pension and provident funds contribute tolongterm financing of infrastructure. However,in India theentire burdenison the banks it self.

(5) Improvingefficiency– Indianbankingindustryhasrecordedimpressiveimprovement in productivity during last one & half decades. Though there isimprovement resources are not being utilized in the most efficient manner.There is also a degree of stickiness and non-transparency in the bank lendingrates.

(6) Monitoring high credit to a few sensitive sectors – In recent times, there hasbeen growth of creditto a few sensitive sectors like NBFCs, personal loansand real estate. This trend raises risk to the banking sector as these loans mayincrease theasset-liabilitymismatches.

7.5 REFORMS IN THE INDIAN INSURANCE INDUSTRY

The financial reforms paving way to liberalization of the Indian economy in the early 1990s resulted in the recognition of the insurance sector as an important part of the overall financial system. Thus, it was found necessary to bring out appropriate reforms in the insurance sector as well. In the, Malhotra Committee, led by the former finance secretary and RBI governor, R.N. Malhotra was formed to assess the state of the insurance industry India and submit its recommendations.

The Malhotra Committee was formed with the following purposes:

1. To propose the structure of the insurance industry, to evaluate its strengths and weaknesses with the intention of creating an efficient and feasible insurance industry that would offer wide-raging insurance services, covering a variety of insurance products with a high quality of services to the public and operating as an efficient means for mobilization of financial resources for the development of the economy.

2. To formulate recommendations for modifying structure of insurance industry, for amending the general policy-framework, etc.

3. To make precise proposals regarding life insurance corporation of India and general insurance corporation of India with a view to improve their functioning.

4. To make suggestions on regulation and supervision of the insurance sector in India.

5. To give advice on role and working of surveyors, intermediaries like agents, etc. in the insurance sector.

6. To make proposals or any other matter relevant to the development of the insurance in India.

The committee submitted its report in 1994, recommending the following, in respect of:

Structure

a) Government stake in the insurance companies should be brought down to 50 percent.

b) Government should take over the holdings of general Insurance Corporation of India and its subsidiaries in order that these subsidiaries can act as independent corporations.

c) All insurance companies to be given greater autonomy to operate.

Competition

a) Private companies with a minimum paid-up capital of Rs. 100 crore should be allowed to enter the industry.

b) No company should deal in both life and general insurance through a single entity.

c) Foreign companies may be allowed to enter the industry in collaboration with domestic companies.

d) Postal life insurance should be allowed to operate in the rural market.

e) Only one state level life insurance company should be allowed to operate in each state.

f) The insurance Act should be suitably changed.

g) An insurance regulatory body should set up.

h) Controller of insurance (currently a part of the Finance Ministry) should be made independent.

Investments

a) Mandatory investments of LIC life fund in government securities to be reduced from 75 per cent to 50 per cent.

b) GIC and its subsidiaries are not to hold more than 5 per cent in any company (there current holdings to be brought down to this level over a period of time.

Customer services

a) LIC should pay interest on delays in payments beyond 30 days.

b) Insurance companies must be encouraged to set up unit-linked pension schemes.

c) Computerization of operations and updating of technology to be carried out in the insurance industry.

The business of life insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta.

Some of the important milestones in the life insurance business in India are:

1912: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.

1928: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

1938: Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.

1956: 245 Indian and foreign insurers and provident societies taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz., LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.

The General Insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British.

Some of the important milestones in the general insurance business in India are:

1907: The Indian Mercantile Insurance Ltd. Set up, the first company to transact all classes of general insurance business.

1957: General Insurance Council, a wing of the Insurance Association of India, Frames a code of conduct for ensuring fair conduct and sound business practices.

1968: The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.

1972: The General Insurance Business (Nationalization) Act, 1972 nationalized the general Insurance business in India with effect from 1st January 1973.

107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. And the United India Insurance Company Ltd. GIC incorporated as a company.

7.6 GROWING IMPORTANCE OF INSURANCE BUSINESS IN INDIA

In a dynamic world that we are all living in today, economics are changing at a very fast pace. Future is extremely uncertain, unpredictable and immeasurable. There are obvious risks for an individual accepted as the most important method of handling various kinds of risks and are indispensable in the following respects:

1. Insurance provides protection against the possible occurrence of uncertain events like losses due to fire, floods, lightning, etc. the insurer compensates the insured for the loss arising from the risk insured against.

2. Insurance is a device for eliminating risks and sharing the losses. All the policy holders who regularly pay for the loss, which may or may not happen, share the burden of the loss. Thus, the loss suffered by a person is spread over the whole on insured community.

3. Insurance is a cooperative method of spreading risks, Insurance cannot prevent occurrence of contingencies that are insured, but surely reduce the impact of the loss by spreading it over to a large number of policy holders.

4. Insurance makes for uninterrupted business operations and facilitates international trade. A businessman is free of worries associated with the risks that the insured.

5. Insurance serves as an agency of capital formation. As instructional investors, insurance companies provide funds to the government and public, and contribute in the economic development of the country.

7.7 SUMMARY

In this unit we understand the nature of banking system in India. It will help us to understand the rationale and nature of banking sector reforms undertaken since 1991. Students will also help us understand the impact of reforms on the Indian banking sector. This unit also help us to know the impact of new technologies on the working of commercial banks in India.

7.8 QUESTIONS

1. Define the tem Bank
2. State the changing role of banks
3. Explain the new Innovations in banking sector
4. Evaluate the various reforms in the Indian insurance industry
5. State the growing importance of insurance business in India

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8

MONEY AND CAPITAL MARKET

Unit Structure:

8.0 OBJECTIVES

- Understand the concept and importance of money and capital market.
- Understand the features of money market and capital market in India.
- Understand the reforms in Indian money and capital market since 1991

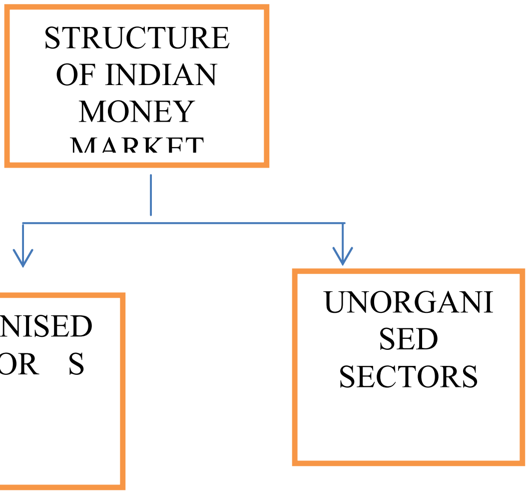
8.1 INDIAN MONEY MARKET

Meaning

The Money Market is a market where short term funds are borrowed and lend is termed as Money Market. It deals in funds and financial instruments having a maturity period of less than one year. It covers money and financial assets that are close substitutes for money. The instruments in the money market are of short term nature and highly liquid securities are traded.

Structure of Indian Money Market.

The Indian money market consists of two segments, termed as organized sector and unorganized sector. The RBI is the crucial constituents of Indian money market. The organized sectors are within the direct in abide of RBI regulation. The unorganized sectors consist of indigenous bankers, money lenders and unregulated non-banking financial institutions.



- Call and Notice Money Market
- Treasury Bill Market
- Commercial Bill Market
- Market for Certificates of Deposits (CDs)
- Market for Commercial Papers (CPs)
- Repos Market
- Money Market Mutual Funds (MMMFs)
- Discount & Finance House of India (DFHI)
- Indigenous Bankers
- Money Lenders
- Unregulated Non-Bank Financial
- Intermediaries (Chit Funds, Nidhis and Loan Companies)
- Finance Brokers

(A) Organized Money Market Instruments and Features

1. Call and Notice Money Market:

It is a submarket of Indian Money market. It is known as money at call, and money at short notice. It is also called as inter-bank loan market. Under call money market, funds are transacted on overnight basis. Under notice money market funds are transacted for the period between 2 days and 14 days. The funds lent in the notice money market do not have a specified repayment date when the deal is made.It is specially located in

Mumbai, Delhi, Calcutta, etc. The lender issues a notice to the borrower 2-3 days.On receipt of this notice, the borrower will have to repay the funds within the given time. Generally, banks rely on the call money market where they raise funds for a single day.The main participants in the call money market are Scheduled commercial banks (excluding RRBs), Non Scheduled Commercial banks, co-operative banks and primary dealers. Discount and Finance House of India (DFHI), Non-banking financial institutionssuch as LIC, GIC, UTI, NABARD etc. are allowed to participate in the call money market as lenders.

2. **Repos:** A **repo** or **reverse repo** are transactions or short term loans which two parties agree to sell and repurchase the same security. Under repo, the seller gets immediate funds by selling specified securities they are usually used for overnight borrowing. Transactions can be done two parties with RBI approved securities such as Central or State Government securities, treasury bills, PSU Bonds, FI Bonds, Corporate Bonds an agreement to repurchase the same at a mutually decided mutual date and price.Similarly, the buyer purchases the securities with an agreement to resell the same to the seller at an agreed date and price. The repos in government securities were first introduced in India since December 1992.Since November 1996, RBI has introduced "Reverse Repos" i.e. to sell government securities through auction.

3. **Discount and Finance House of India (DFHI):** It was set up by RBI in April 1988 based on therecommendations of the Vaghul Committeewith the objective of deepening and activating money market. It is jointly owned by RBI, public sector banks and all Indiafinancial institutions which have contributed to its paid up capital. It is jointly owned by the RBI, public sector banks and financial institutions to impart liquidity to the money market instruments.The DFHI deals in treasury bills, commercial bills, CDs, CPs, short-term deposits, call money market and government securities. The presence of DFHI as an intermediary in the money market has supported the corporateentities, banks, and financial institutions to invest their short-term surpluses in money market instruments.

4. **Money Market Mutual Funds (MMMFs):** RBI introduced MMMFs in April 1992 to allow the individual investors to take part in the money market which was introduced by Banks and Financial Institutions. MMMFs mobilize savings from individual investors and invest them in short-term debt andmoney market instruments such as call money, repos, treasury bills, CDs and CPs. These instruments are forms of debt that mature in less than a year.

(B) UNORGANIZED SECTOR OF INDIAN MONEY MARKET

The unorganized Indian money market is acombination of indigenousbankers, money lenders and unregulated non-bank financial intermediaries. They do works in urban centers but their activities are largely confined to the rural sector. This market is unorganized because its activities are not systematically organized by the RBI.

The main components of unorganized money market are:

1. **Indigenous Bankers:** They are financial intermediaries which operate similar tobanks, receive deposits and provide loans and deals in hundies. The hundi is a short-term credit instrument. It is the indigenous bill of exchange. The rate of interest differs from one market to another and from one bank to another. They do not depend on deposits entirely; they may utilize their own funds.They are acrucial source of funds in unbanked areas and provide loans directlyto agriculture, trade and industry.

2. **Money Lenders:** Their intentionally business is money lending. Money lenders occupied in rural. However, they are also found in urban areas.Money lenders usually charge a high rate of interest. Large amount of loans are given for productive as well as unproductive purposes. The borrowers are particularlyagricultural laborers, marginal and small farmers, artisans, factory workers, small traders, etc. At present, the activities of the money lenders have beenrestricted by RBI due to their exploitativetendencies.

3. **Unregulated non-bank Financial Intermediaries:** These consist of Chit Funds, Nidhis, Loan companies and others.

(a) Chit funds: They are saving institutions. The members make regular come together to contribution their fund. The Collected funds are given to some member based on previously agreed criterion (by bids or by draws). Chit Fund is more famous in South (Kerala and TamilNadu) also somewhere in Maharashtra.

(b) Nidhis: They deal with members and act as mutual benefit funds. The deposits from the members are the major source of funds and they make loans to members at reasonable rate of interest for the purposes like house construction or repairs. They are highly localized and peculiar to South India. Both Chit Funds and Nidhis are unregulated.

4. **Finance Brokers:** They are found in all major urban markets especially in cloth, markets, grain markets and commodity markets. They are middlemen between lenders and borrowers.

8.2 MONEY MARKET INSTRUMENTS AND REFORMS IN INDIA SINCE 1991

The Committee to Review the Working of Monetary System chaired by S. Chakravarty made several recommendations in 1985 to develop Indian money market. As a follow-up, the RBI set up a Working Group on money market under the chairmanship of N Vaghul, in 1987. Based on the recommendations of Vaghul Committee, RBI intiated a number of measures to widen and deepen the money market. The main measures are as follows.

1. Deregulation of Interest Rates: From May 1989, the regulatory on interest rates on the call money, inter-bank short-term deposits, bills rediscounting and inter-bank participation was removed and the rates were permitted to be determined by the market forces. Thus, the system of administered interest rates is being gradually dismantled.

2. Introduction of New Money Market Instruments: In order to grow and diversity the Indian money market RBI has introduced many new money market instruments such as 182 days treasury bills, 364 day treasury bills, CDs & CPs. Through these instruments the government, financial institutionscommercial banks, and corporate can raise funds through the money market. They also provide investors additional instruments for investments. In order to expand the investor base for CDs and CPs the minimum amount of investment and the minimize maturity periods are reduced by guidelines of RBI.

3. Repurchase Agreements (Repos): RBI introduced repos in government securities in December 1992 and reverse repos in November 1996. Repos and reverse repos help to even out short-term fluctuations in liquidity in the money market. They also provide a short-term avenue to banks to utilize their surplus funds. Through changes in repo and reverse repo rates RBI transmits policy objectives to entire money market.

4. Liquidity Adjustment Facility (LAF): RBI has introduced LAF since June 2000 as acrucial tool for balancing liquidity through repos and reverse repos. Thus, in the recent years RBI is using repos and reverse repos as a policy to adjust liquidity in the money market and therefore, to stabilize the short-term interest rates or call rates. LAF has, therefore, considered as a major instrument of monetary policy.

5. Money Market Mutual Funds (MMMF): RBI introduced MMMFs in April 1992 to enable the individual investors to participate in money market. To make the scheme adjustable, flexible and attractive, RBI has brought about many modifications. The important features of this scheme as of now are:

(i) It can be set up by commercial banks, financial institutions and private sector.

(ii) Individual investors, corporates and others can invest in MMMFs.

(iii) Resources mobilized through this scheme can be invested in money market instruments as well as rated corporate bonds and debentures with a maturity period up to one year.

6. Discount and Finance House of India (DFHI): In order to impart liquidity to money market instruments and help the development of secondary market in such instruments. DFHI was set up in 1988 jointly by RBI, Public sector banks and financial institutions.

7. Development of Inter-bank Call and Notice Money Market: The call and notice money market is an inter-bank market the world over and therefore the Narsimham Committee has recommended that we adopt the same in India. However RBI had given permission to non-banking institutions to participate in the call money market as lenders. As per the advisory of Narsimham Committee by RBI in 2001-02 hashigh-lighted the necessity for transforming the call money market into a pure inter-bank money market.

8. **Regulation of NBFCs**: The RBI Act was amended in 1997 to provide for a comprehensive regulation of NBFC sector. According to the amendment, NFBC not permissible to carry on any business of a financial institution, including acceptance of public deposit, without obtaining a Certificate of Registration (CoR) from RBI.

9. **The Clearing Corporation of India Limited (CCIL):** The CCIL was registered on April 30, 2001 under the Companies Act, 1956, with the State Bank of India as the chief promoter. The CCIL clears all transactions in government securities and repos reported on the Negotiated Dealing System (NDS) of RBI.

8.3 CAPITAL MARKET- STRUCTURE AND GROWTH

Capital market is the market for medium and long term funds for both equity and debt raised within and outside the Country. It refers to all the facilities and the institutional arrangements for borrowing and lending term funds (medium-term and long-term funds). Effective capital market is necessary for enhancing more investment for economic growth. The demand for long-term funds comes mainly from industry, trade, agriculture and government. The central and state governments invest not only on economic overheads such as transport, irrigation, and power supply but also a basic and consumer goods industries and hence require large sums from capital market. The supply of funds comes largely from individual savers, corporate savings, banks, insurance companies, specialized financial institutions and government.

Importance of Capital Market in economic development

Capital market has a crucial significance to capital formation. Sufficient capital formation is indispensable for a speedy economic development. The main function of capital market is the collection of savings and their distribution for industrial development. This stimulates capital formation and hence, accelerates the process of economic development.A sound and efficient capital market facilitates the process of capital formation and thus contributes to economic development. The significance of capital market in economic development is explained below.

1. **Mobilization of Savings:** Capital market is an organized institutional network of financial organizations, which not only mobilizes savings through various instruments but also utilize them into productive purpose. By making available various types of financial assets, the capital market promote savings. By providing liquidity to these financial assets through the secondary markets capital market is able to mobilize large amount of

savings from various sections of the people such as individuals, families and associations. Thus, capital market mobilizes these savings and make the same available for fulfilling the large capital needs of industry, trade and business.

2. Channelization of Funds into Investments: Capital Market plays a crucial role in the economic development by channelizing funds in accordance with development priorities. The financial intermediaries in the capital market are better placed than individuals to channelize the funds into investments which are more beneficial for economic development.

3. Industrial Development: Capital market contributes to industrial development in the following ways:

(a) It provides adequate, cheap and diversified finance to the industrial sector for various reasons.

(b) It provides funds for diversified purposes such as for expansion, modernization, upgradation of technology, establishment of new units etc.

(c) It provides a variety of services to entrepreneurs such as provision of underwriting facilities, participating in equity capital, credit rating, and consultancy services etc. This helps to stimulate industrial entrepreneurs such as provision of underwriting facilities, participating in equity capital, credit rating, consultancy services, etc.

4. Modernization and Rehabilitation of Industries: Capital market can contribute towards modernization, rationalization and rehabilitation of industries. As given, the setting up of development financial institutions in India such as IFCI, ICICI, IDBI and so on has helped the existing industries in the country to adopt modernization and replacement of obsolete machinery.

5. Technical Assistance: An important bottleneck faced by entrepreneurs in developing countries is technical assistance. By offering advisory services relating to the preparation of feasibility reports, identifying growth potential and training entrepreneurs in project management, the financial intermediaries in the capital market play an important role in stimulating industrial entrepreneurship. This helps to enhance industrial investment and thus promotes economic development.

6. Encourage Investors to invest in Industrial Securities: Secondary market in securities motivates investors to invest in industrial securities by making them liquid. It provides facilities for continuous, regular and ready buying and selling of securities. Thus, industries are able to raise considerable amount of funds from various segments of the economy.

7. Reliable Guide to Performance: The capital market serves as a reliable guide to the performance and financial position, and thereby promotes efficiency. It values companies accurately and boost up manager compensation to stock values. This gives benefits to managers to maximize the value of companies. This stimulates efficient resource allocation and growth.

Structure of capitalmarket in India.

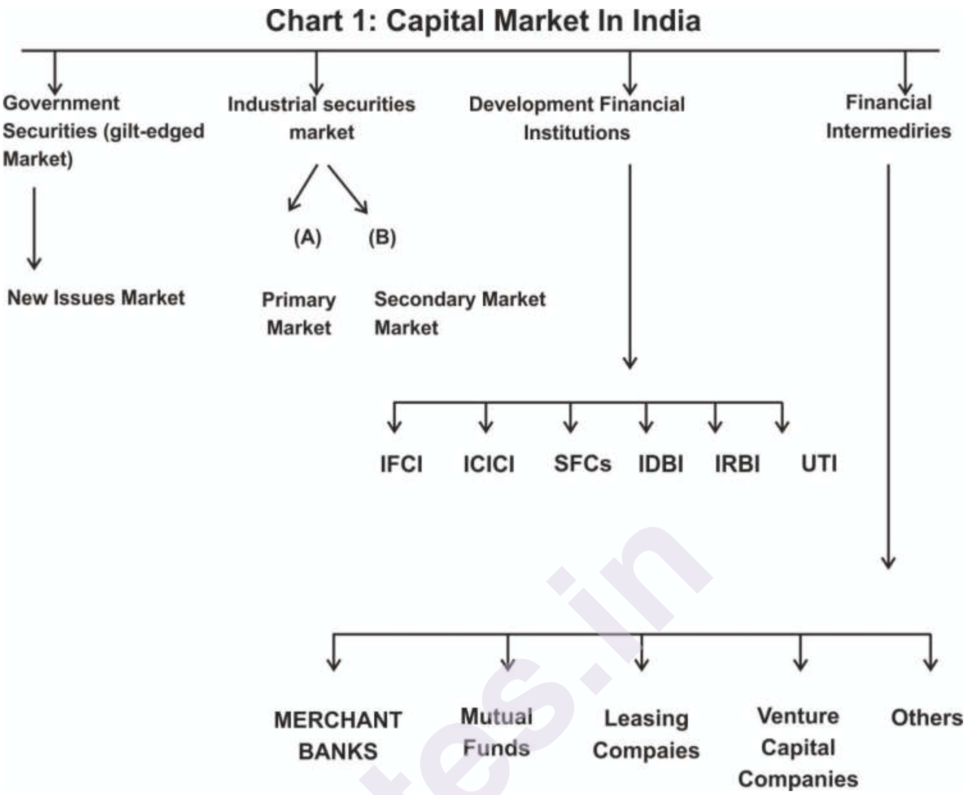
In the financial market all those institutions and organizations which provide medium term and long-term funds to business enterprises and public authorities, constitute the capital market. In simple words, the market which lends long-term funds is called the capital market.
The capital market brings both those who demand funds and those who supply funds. Thus, the borrowers and lenders in the financial market for medium-term and long-term funds constitute the capital market.

The Indian Capital Market is broadly divided into two categories:
1. The securities market consisting of (a) The gilt-edged market and (b) The industrial securities market; and 2. The financial institutions (Development Financial Institutions) (DFIs). Thus, the Indian capital market is composed of (a) The gilt-edged market or the market for government securities and industrial securities or corporate securities market.

(b) Capital market includes Development Financial Institution (DFIs) such as IFCI, SFC, LIC, IDBI, UTI, ICICI, etc. They provide medium-term funds for business enterprises and public authorities.

(c) Apart from the above, there are financial intermediates in the capital market such as merchant bankers, mutual funds, leasing companies, venture capital companies etc. They help in channelize savings and supplying funds to investors.

THE CAPITAL MARKET IN INDIA IS SHOWN BY CHART



(1) Gilt-Edged Market:

Gilt-edged market is also known as the government securities market. As the securities are safe and secure, they are known as gilt-edged i.e the best quality securities.The Investors in the gilt-edged market are predominantly institutions. They are required by regulation to invest a certain portion of their funds in these securities. These institutions include commercial banks, LIC, GIC, and the provident funds.The transactions in the government securities market are very huge. Since June 1992, government securities have been mostly issued sealed bid auctions.RBI plays a major role in the gilt-edged market through its open market operations.Thus, government securities are considered the most liquid debt instruments.

(2) The Industrial Securities Market:
It is a market of shares, debentures and bonds which can be bought and sold freely.

(A) Primary Market:
The new issue market called the primary market and (b) old issue market, commonly known as stock exchange or stock market. It is called the secondary market.

The new issue market is concerned with the raising of new capital in the form of shares, debentures andbonds. Many public limited companies often raise capital through the primary market for expanding their business. It may be noted that the new issue market is important because of its impact on economic growth of the country.

(B) Secondary Market:
The stock exchange market or the secondary market is a market of the purchase and sale of quoted or listed securities. It is a highly organized secondhand market for regulating and controlling business in buying, selling and dealing in secondhand securities.

(3) Financial Institutions: We have specified that there are special financial institutions which offers long-term capital to the private sector in the capital market. These institutions are called Development Financial Institutions.

(4) Financial Intermediaries: The Indian capital market has shown steady improvement after 1951. During the Five-Year Plans, Capital market has witnessed tremendous growth. Both the volume of saving and investment has shown phenomenal improvement. In fact, in the last two decades, the volume of capital market transactions has increased substantially. Besides, its functioning has been diversified indicating the growth of the Indian economy.

8.4 REFORMS IN CAPITAL MARKET

The reforms in the capital market are explained below with respect to primary and capital markets in India.

PRIMARY MARKET REFORMS IN INDIA
A number of measures have been taken in India especially since 1991 to develop primary market in India. These measures are discussed below.

1. Abolition of Controller of Capital Issues: The Capital Issues (Control) Act, 1947 governed capital issues in India. The capital issues control was administered by the Controller of Capital Issues (CCI). The Narasimham Committee (1991) had recommended the abolition of CCI and wanted SEBI to protect investors and take over the regulatory function of CCI. Thus, government replaced the Capital Issues (Control) Act and abolished the post of CCI. Companies are allowed to approach the capital market without prior government permission subject to getting their offer documents cleared by SEBI.

2. Securities and Exchange Board of India (SEBI): SEBI was set up as a non-statutory body in 1988 and was made a statutory body in January 1992. SEBI has introduced various guidelines for capital issues in the primary market.

3. Disclosure Standards: Companies are required to disclose all material facts and specific risk factors associated with their projects. SEBI has also introduced a code of advertisement for public issues for ensuring fair and truthful disclosures.

4. Freedom of Determine the Par Value of Shares: The requirement to issue shares at a par value of Rs.10 and Rs.100 was withdrawn. SEBI has allowed the companies to determine the par value of shares issued by them. SEBI has allowed issues of IPOs through "book building" process.

5. Underwriting Optional: To reduce the cost of issue, underwriting by the issuer is made optional. It is subject to the condition that if an issue was not underwritten and was not able to collect 90% of the amount offered to the public, the entire amount collected would be refunded to the investors.

6. FIIs Permitted to Operate in the Indian Market: Foreign institutional investors such as mutual funds and pension funds are allowed to invest in equity shares as well as in debt market, including dated government securities and treasury bills.

7. Accessing Global Funds Market: Indiancompanies are allowed to access global finance market and benefit from the lower cost of funds. They have been permitted to raise resources through issue of American Depository Receipts (ADRs), Global Depository Receipts (GDRs), Foreign Currency Convertible Bonds (FCCBs) and External Commercial Borrowings (ECBs). Indian companies can list their securities on foreign stock exchanges through ADR/GDR issues.

8. Intermediaries under the Purview of SEBI: Merchant bankers, and other intermediaries such as mutual funds including UTI, portfolio managers, registrars to an issue, share transfer agents, underwriters, debenture trustees, bankers to an issue, custodian of securities and venture capital funds have been brought under the purview of SEBI.

9. Credit Rating Agencies: Various credit rating agencies such as Credit Rating Information Services of India Ltd.(CRISIL – 1988), Investment Information and Credit Rating Agency of India Ltd. (ICRA – 1991). Cost Analysis and Research Ltd. (CARE – 1993) and so on were set up to meet the emerging needs of capital market.

SECONDARY MARKET REFORMS

A number of measures have been taken by the government and SEBI for the growth of secondary capital market in India. The important reforms or measures are explained below.

1. Setting up of National Stock Exchange (NSE): NSE was set up in November 1992 and started its operations in 1994. It is sponsored by the IDBI and co-sponsored by other development finance institutions, LIC, GIC, Commercial banks and other financial institutions.

2. Over the Counter Exchange of India (OTCEI): It was set in 1992. It was promoted by a consortium of leading financial institutions of India including UTI, ICICI, IDBI, IFCI, LIC and others. It is an electronic national stock exchange listing an entirely new set of companies which will not be listed on other stock exchanges.

3. Disclosure and Investor Protection (DIP) Guidelines for New Issues: In order to remove inadequate and systematic deficiencies, to protect the investors and for the orderly growth and development of the securities market, the SEBI has put in place DIP guidelines to govern the new issue activities. Companies issuing capital in the primary market are now required to disclose all material facts and specify risk factors with their projects.

4. Screen Based Trading: The Indian stock exchanges were modernized in the 90s, with Computerized Screen Based Trading System (SBTS). It electronically matches orders on a strict price / time priority. It cuts down time, cost, risk of error and fraud, and therefore leads to improved operational efficiency.

5. Depository System: A major reform in the Indian Stock Market has been the introduction of depository system and scripless trading mechanism since 1996. Before this, the trading system was based on physical transfer of securities. A depository is an organization which holds the securities of shareholders in electronic form, transfers securities between account holders, facilities transfer of ownership without handling securities and facilitates their safekeeping.

6. Rolling Settlement: Rolling settlement is an important measure to enhance the efficiency and integrity of the securities market. Under rolling settlement all trades executed on a trading day are settled after certain days.

7. The National Securities Clearing Corporation Ltd. (NSCL): The NSCL was set up in 1996. It has started guaranteeing all trades in NSE since July 1996. The NSCL is responsible for post-trade activities of the NSE.Clearing and settlement of trades and risk management are its core functions.

8. Trading in Central Government Securities: In order to encourage wider participation of investors, including retail investors, across the country, trading in government securities has been introduced since January 2003. Trading in government securities can be carried out through a nationwide, anonymous, order-driver, screen-based trading system of stock exchanges in the same way in which trading takes place in equities.

9. Mutual Funds: Emergency of diversified mutual funds is one of the most important development of Indian capital market. Their main function is to mobilize the savings of general public and invest them in stock market securities. Mutual funds are an important avenue through which households participate in the securities market.

8.5 SUMMARY

In this unit we understand the concept and importance of money and capital market. Students will also learn the features of money market and capital market in India. A number of measures have been taken in India especially since 1991 to develop primary market in India, these reforms in Indian money and capital market since 1991 is thoroughly explained in this unit.

8.6 QUESTIONS

1. Explain the structure of Indian Money Market.
2. State the Money Market Instruments and Reforms in India since 1991.
3. Explain the Structure and growth of Capital Market.
4. State the various reforms in Capital Market.

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