

Industrial Economics

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INTRODUCTION

- Industrial economics is a distinctive branch of economics which deals with economic problems of firms & industries & their relationship with society.
- In economic literature it is known by several names viz., Economics of Industries, Industry & Trade, Industrial Organization & Policy, Commerce, Business Economics etc.
- The name Industrial Economics was adopted in early 50's perhaps through the writings of A.W.S. Andrews.

Economic Survey, 2019

“Industrial sector performance is critical to achieving the ambitious goal of making India a five-trillion economy. The sector plays a decisive role in determining the overall growth of national output and employment through its backward and forward linkages with the other two sectors of the economy.”

Elements of Industrial Economics

Descriptive Element

- ...is concerned with the information content of the subject. It aims at providing the industrialist or businessman with a survey of the industrial & commercial organizations.

- It gives complete information about natural resources, industrial climate, infrastructural facilities, supply of factors, trade & commercial policies of the Governments etc.

Business Policy & Decision Making

- ...is concerned with the analytical part dealing with topics such as market analysis, pricing, choice of techniques, location of plant investment planning, hiring & firing of labour, financial decisions, product diversification & so on...

- This is a vital part of subject & much of the received theory of industrial economics is concerned with this.

Industrialization

- Industries plays a very significant role in the process of economic development.
- As Gunnar Myrdal in his book “*Internal Economy*” aptly said...

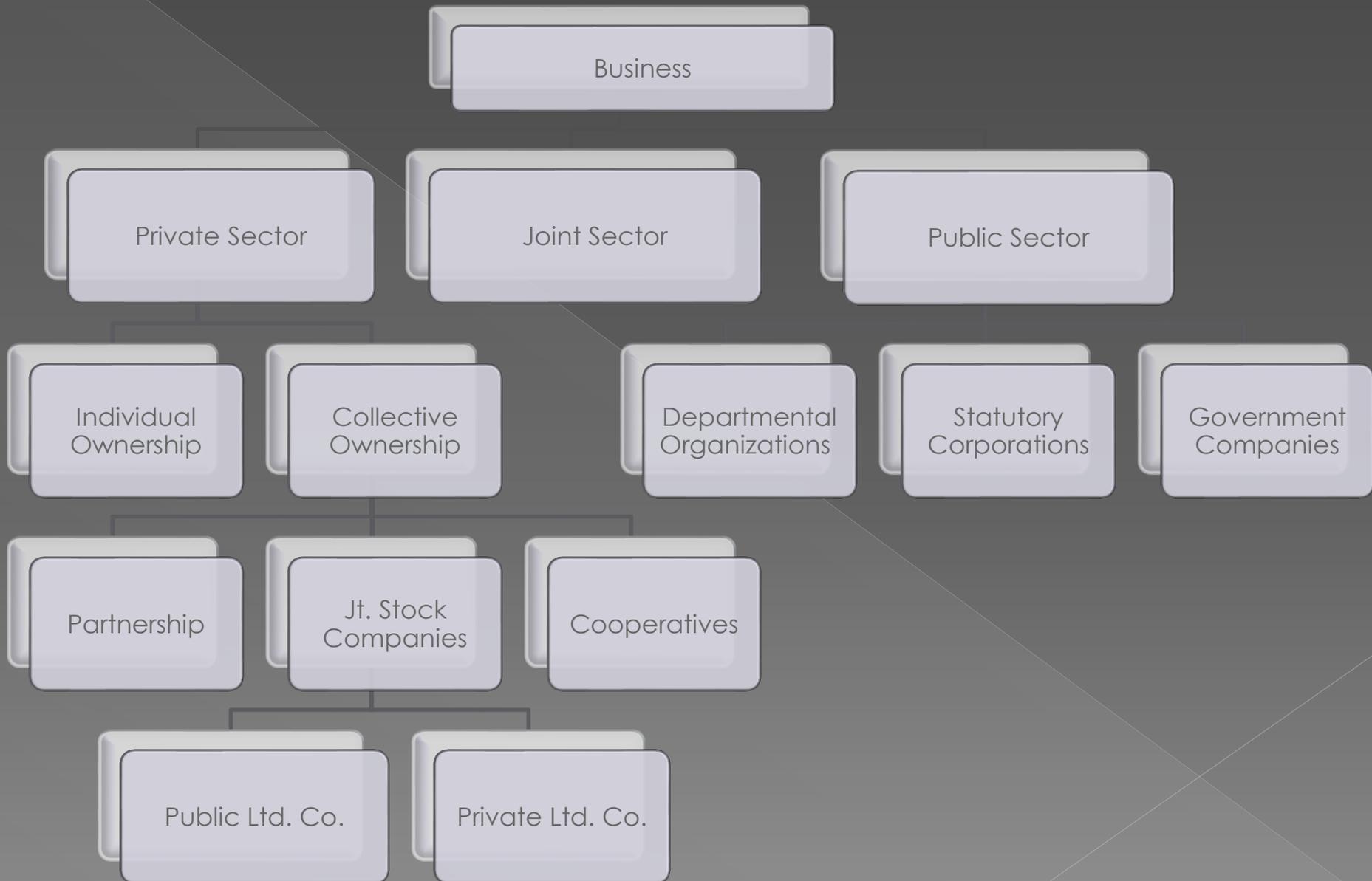
“...in the underdeveloped countries the productivity of manpower in industry tends to be greater than in the traditional agricultural pursuits. Industrialization & the growth of industrial working population is means of raising national income & per capita income”.

Economic Development = f (Industrialization)

Role of Industrialization

- The points follows proves that how industrialization helps economic development-
 1. Absorbing Labour Surplus.
 2. Raising productivity.
 3. Increases income.
 4. Agricultural development.
 5. Expansion of foreign trade.
 6. Generation of economic surplus.
 7. Strengthening the economy.
 8. Social changes.
 9. Providing security.

The Organizational Forms



Basic Concepts of Industrial Framework

Market Structure

- Concentration
- Size, Dist., no. of firms
- Barriers to entry
- Monopolistic competition etc...

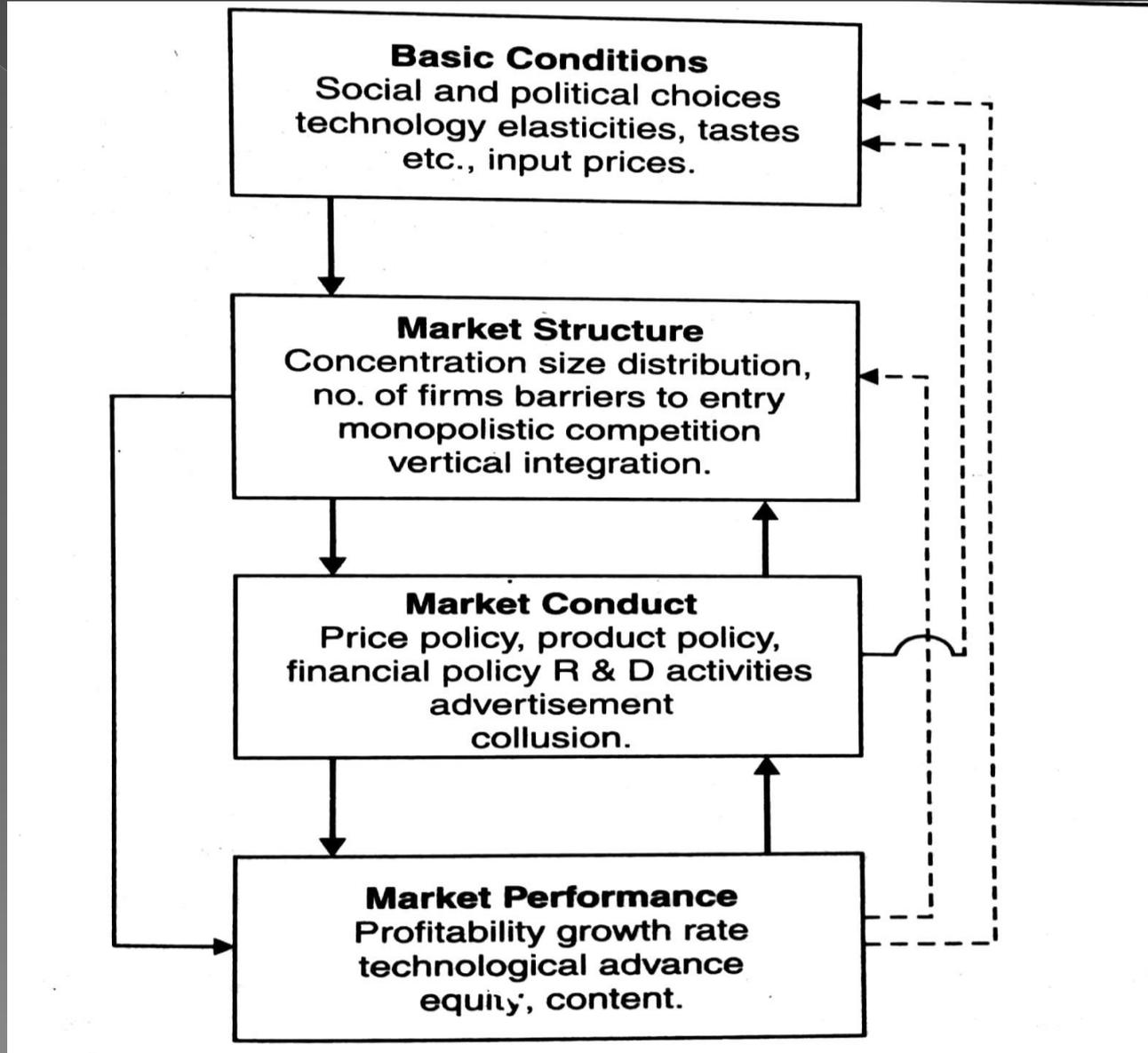
Market Conduct

- Price Policy
- Product Policy
- Financial policy
- R & D Activities
- Advertisement
- Mergers & Acquisition (M & A), etc...

Market Performance

- Profitability
- Growth Rates
- Technological advancement
- Equity contents, etc...

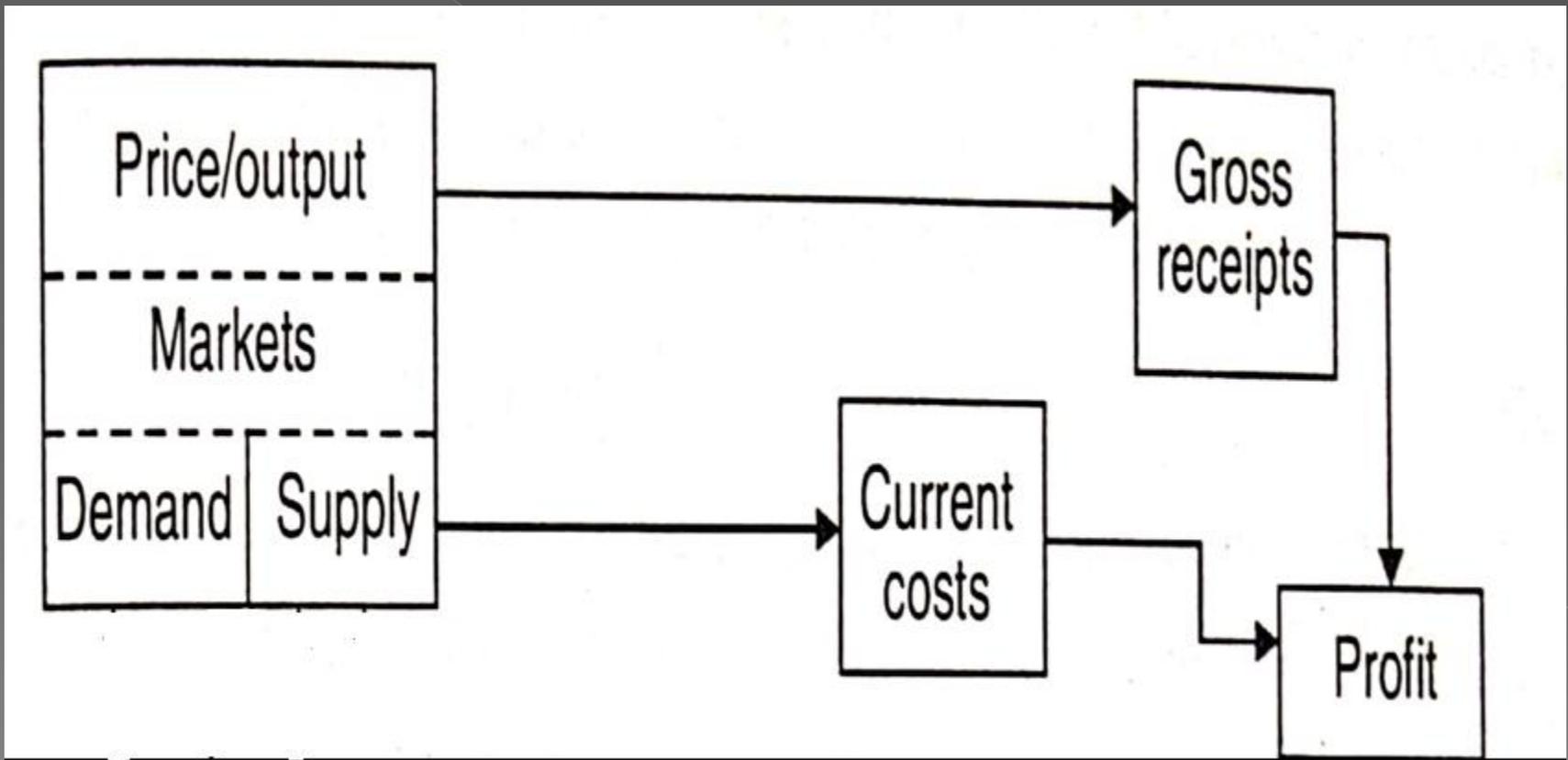
General Framework of Industrial Economics



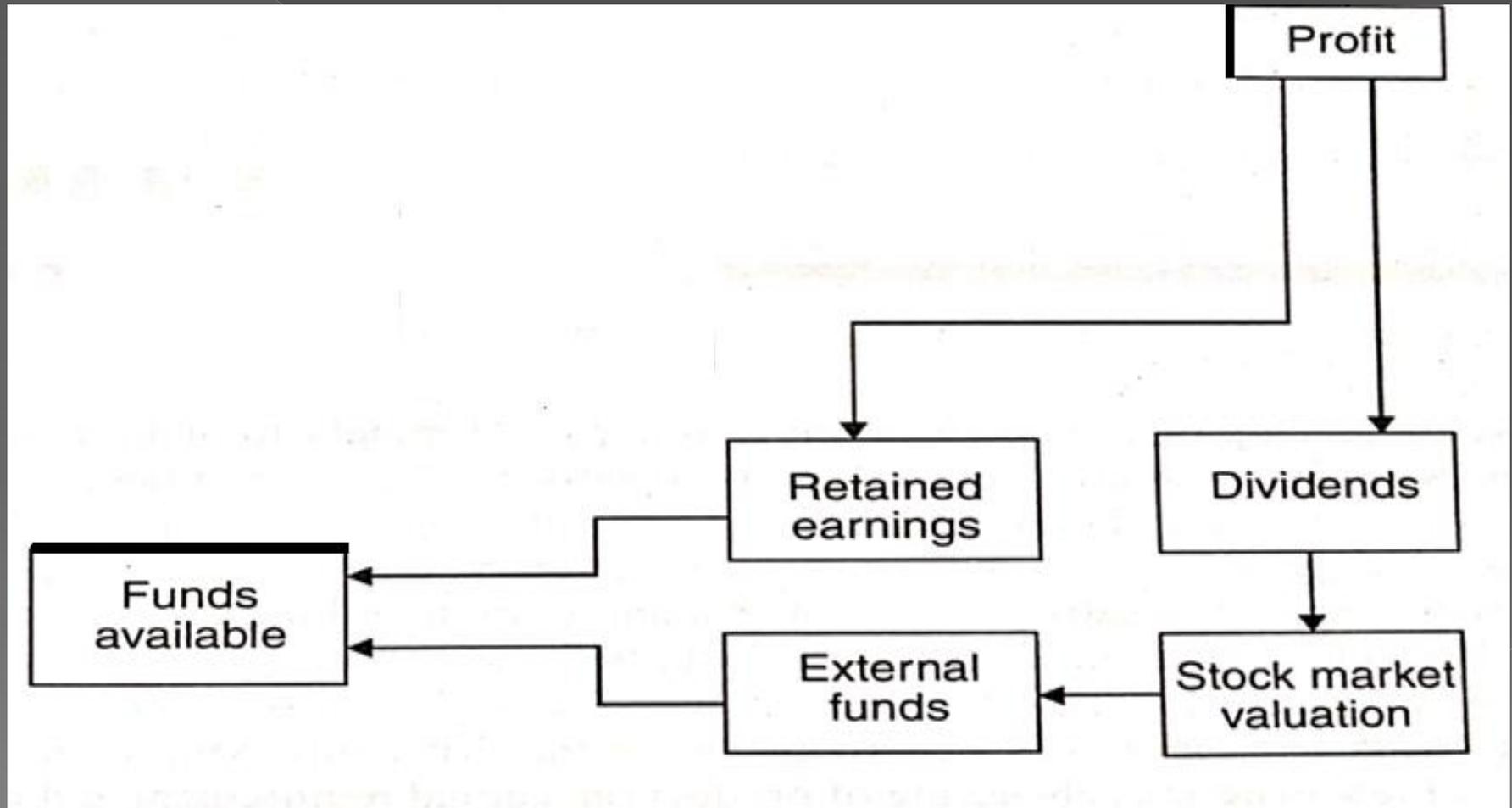
Hay & Morris Framework

- Donald A. Hay & Derk J. Morris (1979) in their book entitled “Industrial Economics : Theory & Evidences”, Oxford University Press, Oxford emphasized the use of an integrated market & financial model as a framework to study the economic behavior of firms.
- The market side of model deals with the study of price & output decisions in the light of supply & demand conditions & their consequences for profit, cost & investment behaviour.
- The Financial side concerns with the topics such as dividend payments, retained earning policies, their impact on the value of equity shares, sources & uses of fund & so on.

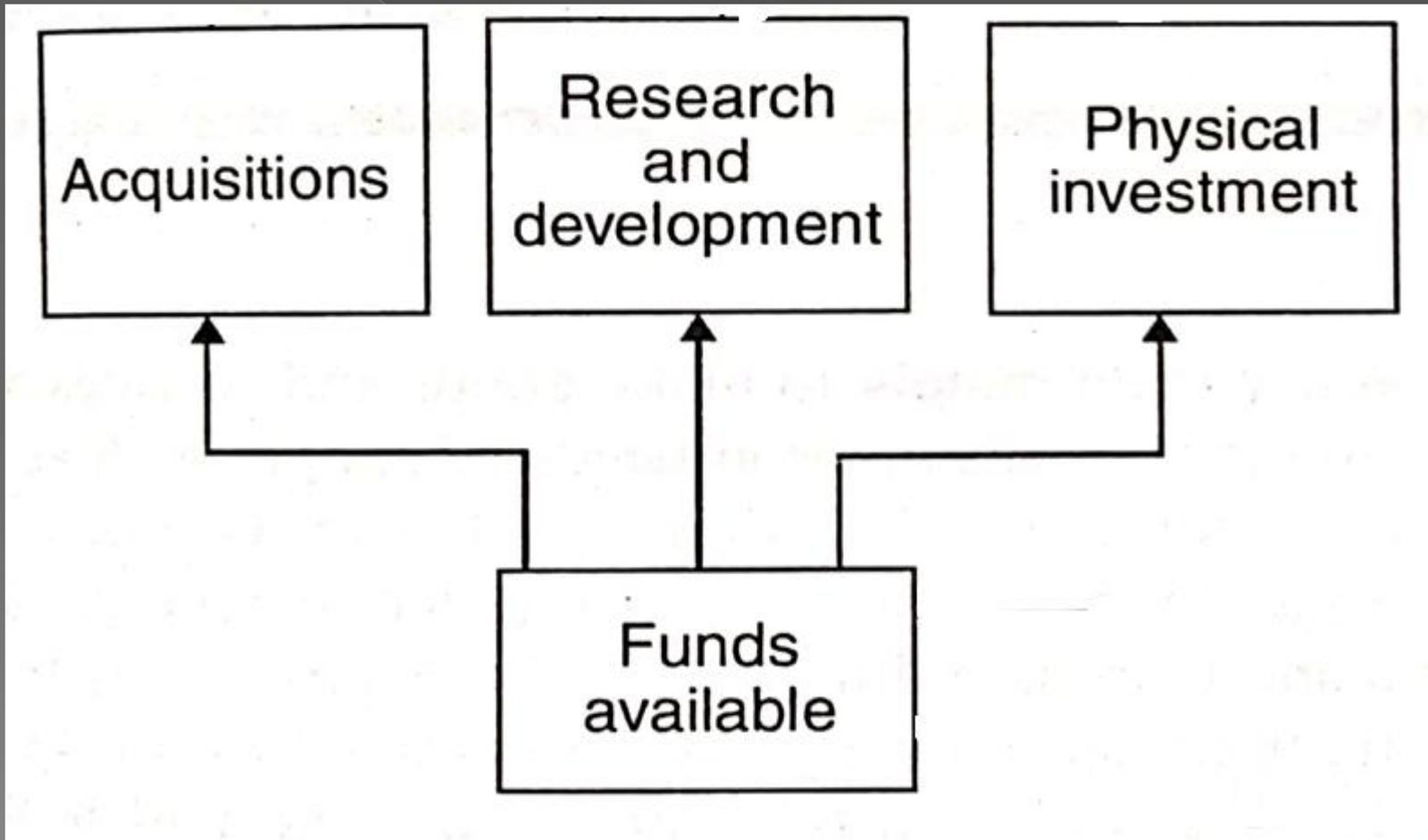
Market Model



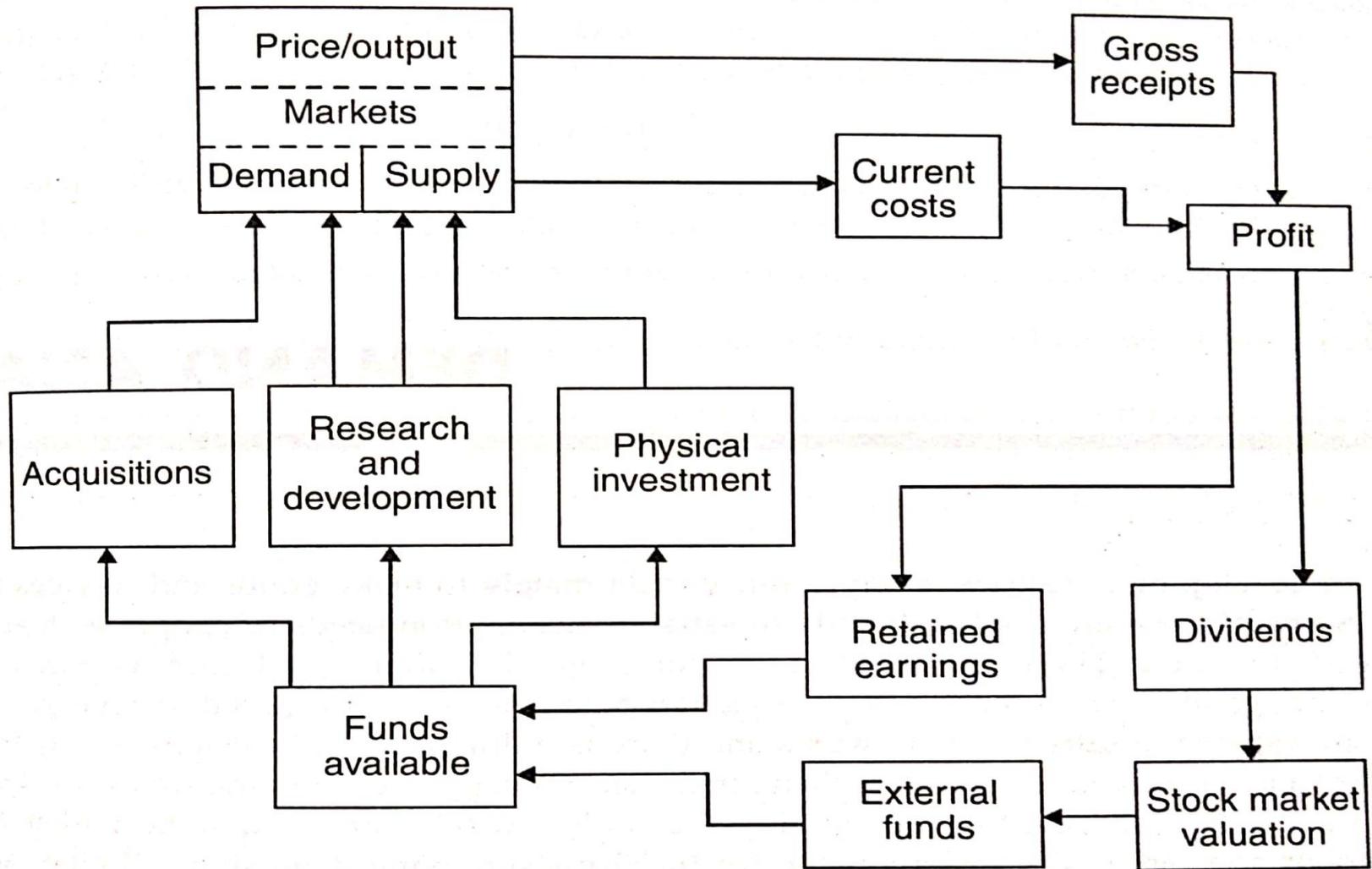
Financial Model



Expenditure Model



Framework of Industrial Economics



Trends of Industrial Production

Phase	Period	Description
I	1951-1965	Building up of strong industrial base.
II	1965-1980	Industrial deceleration & structural retrogression.
III	1981-1991	The period of industrial recovery.
IV	1991 onwards	LPG Phase.

Trends of Industrial Production (in%)						
Phase	Year	Basic Goods	Capital Goods	Intermediate Goods	Consumer Goods	General Index (IPP)
Ist	1951-55	4.7	9.8	7.8	4.8	5.7
	1955-60	12.1	13.1	6.3	2.4	7.2
	1960-65	10.4	19.6	6.9	4.9	9.0
IIInd	1965-76	6.5	2.6	3.0	3.4	4.1
	1974-79	8.4	5.7	4.3	5.5	6.1
IIIrd	1981-85	8.7	6.2	6.0	5.1	6.4
	1985-90	7.4	14.8	6.4	7.3	8.5
	1990-91	3.8	17.4	6.1	10.4	8.3
IVth	8 th FYP	6.8	8.9	8.5	6.6	7.4
	9 th FYP	4.1	4.7	5.8	5.5	5.0
	10 th FYP	6.6	14.4	6.2	9.6	8.2
	11 th FYP	5.4	14.3	4.0	7.8	6.9

Reasons for Ups & Downs

Phase	Name	Cause
II 1965-80	Industrial Deceleration & Structural Retrogression	Drought condition, infrastructural constraints, Oil crisis in 1973, slow growth of agricultural sector, less demand for industrial products etc.
III 1981--91	Industrial Recovery	New industrial policy, increasing contribution of agriculture sector & service sector, Poor infrastructural facilities etc.
IV 1991 onwards	LPG	Exposure to external competition, slowdown in investment, infrastructural bottleneck, difficulties in obtaining funds for expansion, slow growth of export, Confusing tariff structure, contraction in consumer demand etc.

Problems of Industrial Development in India

1. Gaps between targets & achievements.
2. Missing middle sector (Small & large industries).
3. Underutilization of capacity.
4. Poor performance of public sector.
5. Infrastructural constraints.
6. Industrial sickness.
7. Emerging external challenges.

Industrial Policy

- An **industrial policy** is its official strategic effort to encourage the development and growth of part or all of the manufacturing sector as well as other sectors of the economy.
- The government takes measures “aimed at improving the competitiveness and capabilities of domestic firms and promoting structural transformation.” (UNCTAD & UNIDO, 2011, p.34)

Industrial Policy Prior to 1991

Industrial Policy	Features / Objectives
Industrial policy Resolution, 1948 (In force 6 th April,1948)	1. To Accept the importance of both private & public sectors in industrial economy of India. (Mixed Economy)
Industries (Development & Regulation) Act, 1951 (In force from 8 th May,1951)	<ol style="list-style-type: none">1. Regulation of industrial investment & production.2. protection of small entrepreneurs.3. prevention of monopolies.4. balanced regional development.
Industrial Policy Resolution, 1956	<ol style="list-style-type: none">1.To accelerate the growth rate & to speed up industrialization.2. To develop heavy industries.3. To expand public sector.4. To reduce income & wealth disparities.5. To develop cooperative sector.6. To prevent monopolies.
Amendments in Industrial Policy,1973,1977, 1980	Did the necessary amendemnts in respect to the above objectives.

Industrial Policy of India

Pre Reforms Policies	Post Reform Policies
1. Licensing & underutilization of capacity.	1.Exemption from licensing / de-licensing.
2.Concentration of economic power.	2.Relaxations to MRTP & FERA.
3.Discretionary power to licensing authorities.	3.Re-endorsement of capacity.
4.Regional Imbalances.	4.Minimum economies of scales of operations.
5.Delays in processing of applications.	5. Development of backward areas.
	6.Incentives to export production.
	7.Enhancement of investment limits.

New Industrial Policy, 1991

- The Government of India announced its New Industrial Policy (N.E.P.) in a post liberalized era on 24th July, 1991.
- The main objectives of NEP are...
 1. To build on gains already made.
 2. To correct the distortions or weaknesses that might crept in.
 3. To maintain a sustained growth in productivity & gainful employment.
 4. To attain international competitiveness.

Initiative Taken / Features

- The Government of India took the following initiatives to attain the said objectives...
 - A. Abolition of Industrial Licensing.
 - B. Dilution of role of Public Sector.
 - C. MRTP Act goes.
 - D. Free entry to Foreign Investment & Technology.
 - E. Other Liberalized measures-
 - (i) Liberalized Industrial location policy.
 - (ii) Abolition of Phased Manufacturing Programs.
 - (iii) Removal of Mandatory Convertible Clause.

Appraisal of N.E.P.

- Positive Changes:
 - According to J.C. Sandesara, NEP seeks to raise the efficiency & accelerate industrial production in 5 different ways...
1. No prior clearance from Govt. which saves time.
 2. Attract foreign capital which solves the problem of scar financial resources.
 3. Enhance allocative efficiency which improves the performance of PSUs.
 4. Implementation of MoUs which monitors the working of loss making PSUs.
 5. By removing MRTP Act Small firms gets fair chance to participate in the process of industrial production.

Appraisal of N.E.P.

● Negative Points...

1. Erratic & fluctuating industrial growth.
2. Distortions in production structure.
3. Threat from foreign competition.
4. Dangers of business colonization.
5. Misplace faith in foreign investment.
6. Personalistic relationship & corrupt practices continue to prevail.

Public Sector in Indian Economy

- At the time of independence, activities of public sector were restricted to a limited fields like irrigation, power, railways, ports, communication & some departmental undertakings...however in post independence the area of activities of public sector expanded at very rapidly.
- If we have a glance at the division of fields of industrial activity into public & private sectors, the heavy & basic industries were kept for public sector & the entire consumer goods industry (having high & early returns) was left to private sector.

Role of Public Sector in Indian Economy

1. Public sector & capital formation.
2. Development of infrastructure.
3. Strong industrial base.
4. Economies of scale.
5. Removal of regional disparities.
6. Import substitution & export promotion.
7. Check over concentration of economic power.

Performance of Public Sector

1. Expansion of Public sector & its share in National production:

No. of PSUs		Capital Employed (in Rs. Crore)		Turnover (in Rs. Crore)	
1951	2019-20	2004-05	2019-20	2004-05	2019-20
5	256	5,04,407	30,38,492	7,44,307	24,61,712

2. The question of profitability.

3. Employment & labour Welfare. (12.34 lakhs –Mar.,2016)

4. Corporate Social Responsibility.

5. Public sector & foreign exchange earnings.
(Approx 1 cr.-2015-16)

6. The question of efficiency.

Problems of Public Sector

1. Price policy of public enterprises.
2. Underutilization of capacity.
3. Problem of planning & construction of projects.
4. Problems of labour, personnel & management.

Policy Towards Public Sector: Disinvestment

- For purposes of privatization, the government has adopted the route of disinvestment which involves the sale of public sector equity to the private sector & the public at large.

Rationale (need) of Disinvestment/ Privatization

- Improvement in the efficiency & performance.
- Delegating or fixing responsibility is easier.
- Private units are subject to market discipline.
- Political interference is unavoidable in public enterprise.
- Succession planning.
- Response time in case of private sector is less.
- Remedial measures can be taken at earliest.
- Privatization leads to better service to customer.

A Critique of Disinvestment/ Privatization

- Undervaluation of Assets.
- Mis-utilization of money from disinvestment.
- Leads to unemployment.
- Its just a step towards, transfer of public monopoly to private monopoly.
- Wide spread corruption between the Government & business groups.
- No positive relationship between ownership & performance.

Disinvestment in PSUs (1991-2015)

Year	Target Receipt for the year (In Rs. Crs.)	Actual Receipt for the year (In Rs. Crs.)
1991-92	2500	3037.74
1992-93	2500	1912.51
1993-94	3500	-
1994-95	4000	4843.10
1995-96	7000	168.48
1996-97	5000	379.67
1997-98	4800	910.00
1998-99	5000	5371.11
1999-2000	10000	1860.14
2000-01	10000	1871.26
2001-02	10000	5657.69
2002-03	12000	3347.98
2003-04	14500	15547.69
2004-05	4000	2764.87
2005-06	Prepared by No Target Fix	1569.68

Disinvestment in PSUs (1991-2015)

Year	Target Receipt for the year (In Rs. Crs.)	Actual Receipt for the year (In Rs. Crs.)
2006-07	No Target Fix	-
2007-08	No Target Fix	4181.39
2008-09	No Target Fix	-
2009-10	No Target Fix	23552.93
2010-11	40000	22144.21
2011-12	40000	13894.05
2012-13	30000	23956.81
2013-14	40000	15819.45
2014-15	36925	24328.93
2015-16	41000	1610.00
2016-17	56500	46100
2017-18	72500	1,00,000
2018-19	80,000	NA
Total		1,78,729.42

Source: Department of Disinvestment, Government of India.

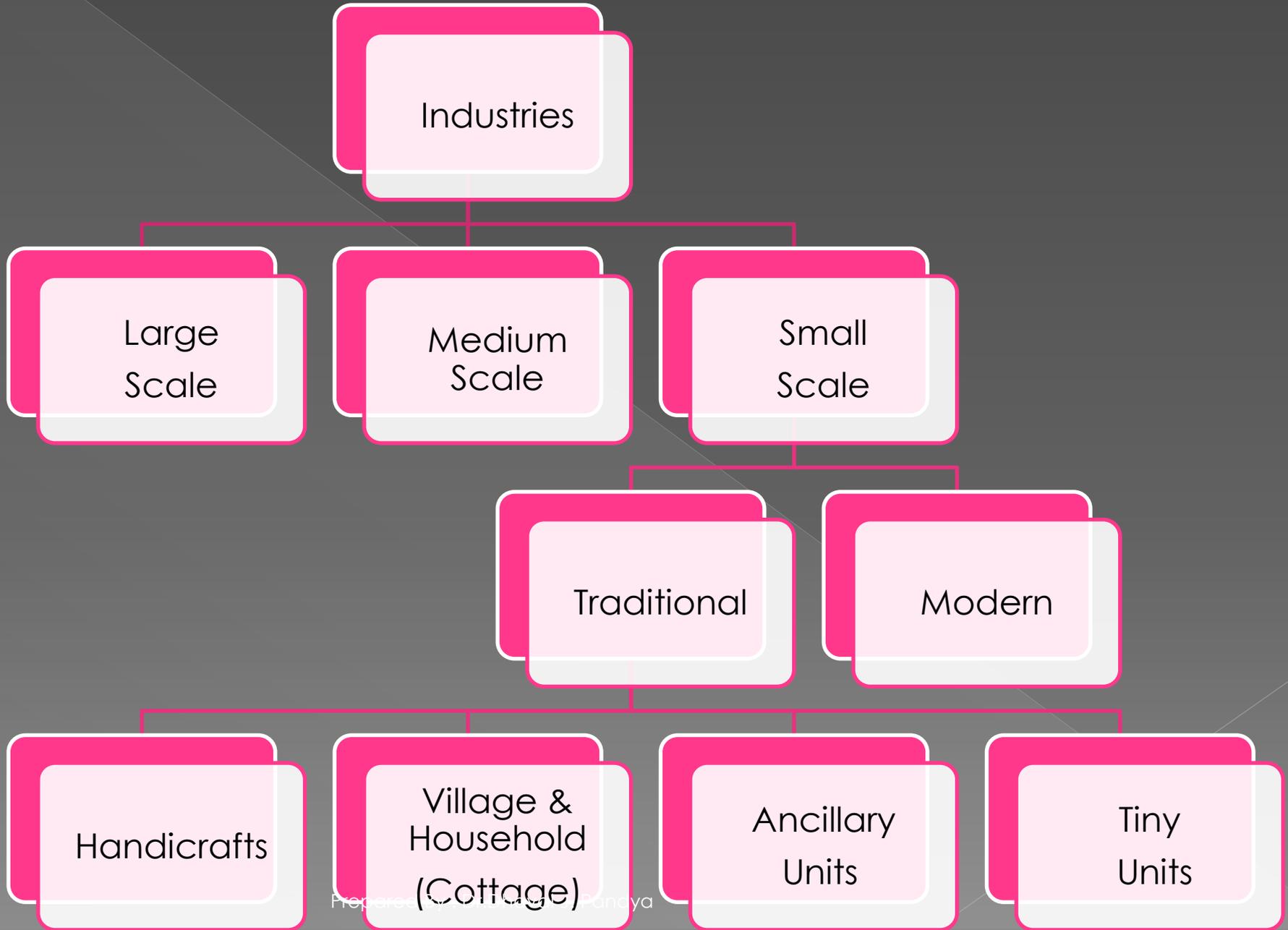
<http://disinvest.nic.in>

Prepared By : Dr.Dhaval J. Pandya

Small Scale Industries (SSIs)

- The SSI is vital constituent of India's industrial sector.
- It contributes significantly to India's GDP & export earnings besides meeting the social objectives including that of providing employment opportunities to millions.

Structure of Indian Industries



Categories of SSIs

Small Scale Industrial Undertakings

Ancillary Industrial Undertakings

Export Oriented Units

Tiny Enterprises

Small Scale Service enterprises

Small Scale Service Business enterprise (Industrial Related)

Artisans, Village & Cottage Industries

Women Entrepreneur enterprises

Introduction of SSIs

- The basic distinction among different types of industries (viz., large scale, medium scale & small scale industries) is generally the size, capital resources & labour force of the industrial units. However, the SSI & Cottage industries are categorized as under -

Criterion	SSIs	Cottage
Location	Semi urban or Urban	Rural
Mode of Production	Partially or fully by machines	Fully by hands
Labour	From outside	From family
Fixed Capital Investment	Changes from time to time...	

Fixed Capital Investments

Period	SSIs	Ancillary Units	Tiny Units
Prior to 1975	7.5 lakh	10 Lakh	10 lakh
1975	10Lakh	15 lakh	15 lakh
1980	20 lakh	25 lakh	25 lakh
1991	60 lakh	75 lakh	5 lakh
2000	1 crore	1 crore	25 lakh

On October 2, 2006 there was an enactment of Micro, Small & Medium Enterprise Act popularly known as MSME Act.

Micro, Small & Medium Enterprise

- Since 2006, separate investment limits were prescribed for manufacturing & service enterprises. The minimum investment in plant & machinery for these segments are as follows-

MSME	Micro	Small	Medium
Manufacturing	Less than 25 lakh	25 lakh – 5 crore	5 crore – 10 crore
Service	Less than 10 lakh	10 lakh – 2 crore	2 crore – 5 crore

New Criteria for MSME-2021-22

- Revised definition of MSMEs:
 - Removal of distinction between manufacturing and service MSMEs.
 - Upward revised definition of MSMEs in industry and service sector.The upper limit as per new definition is as follows:

	Investment in Plant and Machinery or Equipment	Annual Turnover
Micro	< ₹1 crore	< ₹ 5 crore
Small	< ₹ 10 crore	< ₹ 50 crore
Medium	< ₹ 50 crore	< ₹ 250 crore

- Simplified registration process for MSMEs.
- Increasing market access to micro and small industries (MSEs) under public procurement policy: All Central Ministries, Government Departments and CPSEs are required to procure 25 per cent of their annual requirements of goods and services from MSEs. Further, no global tenders for procurement up to ₹ 200 crores.

Source: Economic Survey-2021-22, Table-7, p.37

Micro, Small & Medium Enterprise

- On February 7, 2018, the Government approved proposal of redefine micro, small & medium enterprise based on **Annual Sales Turnover replacing** the investment criterion.
- According to new definition-

	Micro	Small	Medium
Businesses with Sales	Up to 5 crore	5 crore – 75 crore	75 crore – 250 crore

Overall Performance of MSMEs

Year	No. of MSMEs (In lakh)	Market Value of fixed assets (In Rs. Crs)	Gross Value of Output (In Rs. Crs)	Employment (In lakh)
1994-95	2.57	2,98,886	2,66,054	14.66
2001-02	105.2	1,54,349	2,82,270	249.3
2006-07	361.8	8,68,544	11,98,818	805.2
2010-11	428.7	11,05,934	16,53,622	965.2
2014-15	510.6	14,71,913	36,58,196	1,171.3
2015-16	633.88	NA	40,59,660	1110.0
2018-19	NA	NA	57,41,765	NA

Source:

(i) Gol, Ministry of MSME, Annual Report, 2015-16, Table-2.2, p.8 & Table-2.3, p.9.

(ii) RBI, Handbook of Statistics on Indian Economy, 2016-17, Table-36, p.84., Mumbai (2017)

Share of MSME in GDP

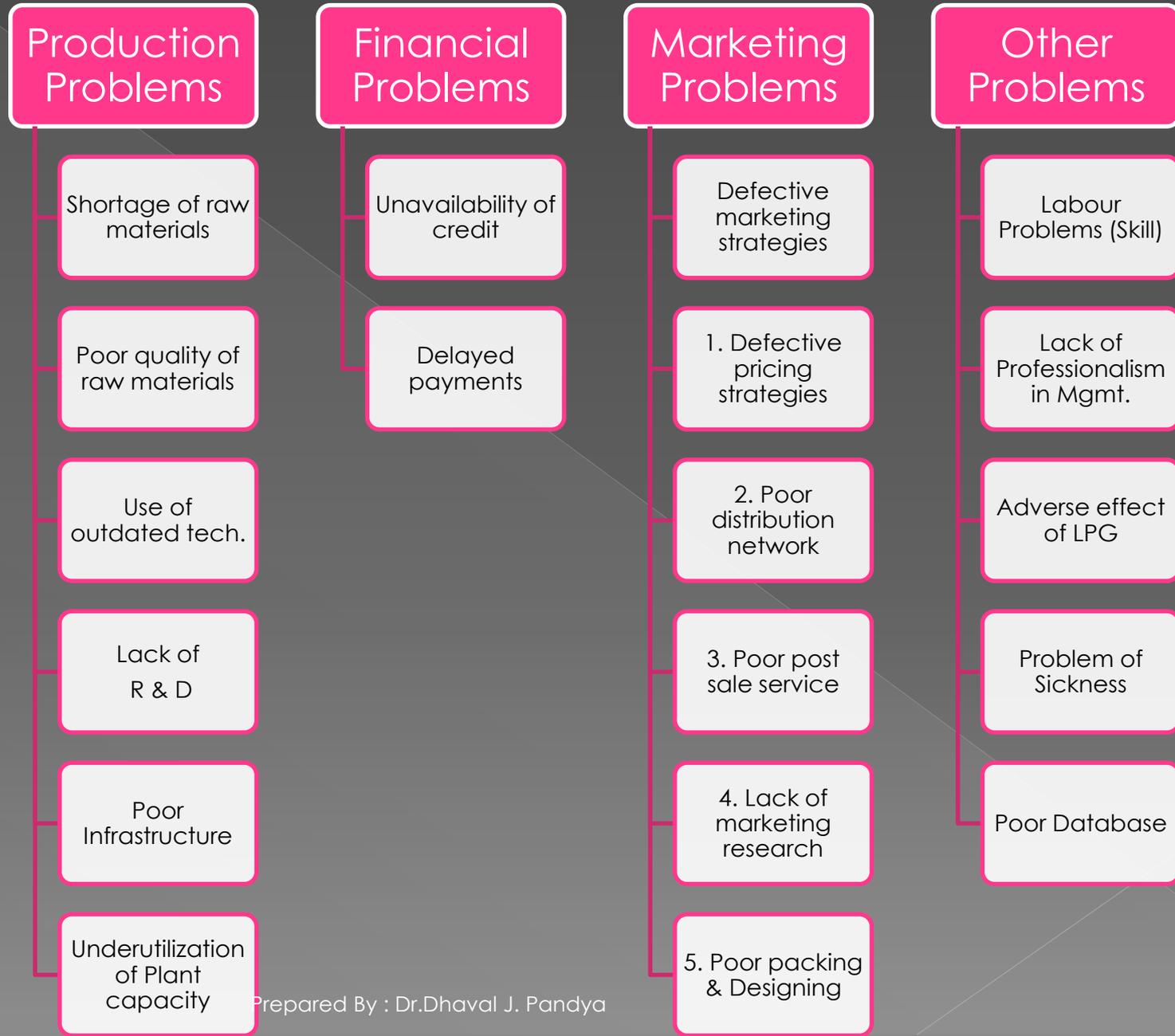
Year	Total GDP	Share of MSME in GDP
2014-15	1,24,67,959	29.34
2015-16	1,37,71,871	29.48
2016-17	1,53,91,669	29.25
2017-18	1,70,98,304	29.75
2018-19	1,89,71,231	30.21

Source: Government of India, Ministry of M.S.M.E., Annual Report, 2020-21, T-2.1,p.22

The Role & Performance of Cottage & SSIs in Indian Economy

1. Expansion of SSI sector & its share in industrial production.
2. Employment Generation.
3. Efficiency of SSIs (Labour & Capital productivity rises faster than large scale industries from 1980-1994).
4. Equitable distribution of national income.
5. Mobilization of capital & entrepreneurial skills.
6. Removal of regional disparities.
7. Contribution to exports. (In 1971-72- Rs.155Cr (9.6%) & in 2012-13- Rs. 6,77,318 (41.4%).)

Problems of SSI



Measures to Solve SSIs problems

- Recognizing the significance of SSIs the Government of India took several policy measures to overcome the problems & improve the performance. The policy measures can be divided in two groups-
 1. Pre 1991 measures (Protective Measures)
 2. Post 1991 measures (Positive Measures)

Measures...

- Pre 1991 measures...

1. Organizational framework-

- a. Promotional Boards.
- b. Establishment of National Small Industries Corporation in 1955.
- c. Establishment of Small Industries Development Organization in 1954.
- d. NABARD for SSIs, tiny units & cottage industries.
- e. Setting up of Small Industrial Development bank of India (SIDBI) in 1990.
- f. Regional Service Institutions.

2. Establishment of Industrial Estates

3. District Industrial Centers.

4. Reservation of Products. (873 items reserved)

5. Increase in plan expenditure on SSIs. (From Rs.42 Crs in 1st FYP to Rs.8384 Crs in 9th FYP)

6. Credit Guarantee Scheme (RBI- 1960)

Measures...

- Post 1991 measures...

1. Introduction of New small Enterprise Policy, 1991.

2. Comprehensive Policy Package- 2000

- a. Raising investment limits.
- b. Credit Guarantee Fund (Aug., 2000)
- c. Schemes for technological up gradation.
- d. Extension of Integrated Infrastructure Development (IID).
- e. Market Development Assistance – to promote production.
- f. Dereservation.
- g. Prompt Credit delivery to SSI sector.
- h. Pradhan Mantri Mudra Yojna- funding to non-corporate small business.
- i. Enactment of MSME Act in 2006.
- j. National Manufacturing Competitiveness Programme
- k. Cluster Development Programme.
- l. Prime Minister Employment Generation Programme.
- m. Public Procurement Policy.
- n. Udyog Aadhar Memorandum.
- o. A Scheme for Promoting Innovation & Rural Entrepreprurs (ASPIRE)

Agro-based Industries

- The **agro-based industry** includes industries related to textiles, sugar, paper and vegetable oil. These **industries** use agricultural products as their raw materials. Textile **industry** is the largest **industry** in the organized sector.
- **Agro-based industry** would **mean** any activity involved in cultivation, under controlled conditions of agricultural and horticultural crops, including floriculture and cultivation of vegetables and post-harvest operation on all fruits and vegetables.
- All branches of **agro based industry** are very **important** because they increase industrial products, provide employment, earn foreign exchange, increase income level and also provide employment to women and provide base for development for backward areas.

Types of Agro based Industries in India

- ◉ Textile **Industry:**
- ◉ Sugar **Industry:**
- ◉ Vegetable Oil **Industry:**
- ◉ Tea **Industry:**
- ◉ Coffee **Industry:**
- ◉ Leather Goods **Industry:**
- ◉ Dairy Industry
- ◉ Food processing Industry

Importance of Agro based Industries in India

- **Agriculture** is one of the major raw material providing **sector** for major **industries** like paper, sugar, textile, fertilizers, chemical, edible oil, etc., **Agro-based industries** can play an **important role** to a large extent in solving the problem of poverty, unemployment and inequality in **India** and can significantly ...
- All branches of **agro based industry** are very **important** because they increase industrial products, provide employment, earn foreign exchange, increase income level and also provide employment to women and provide base for development for backward areas.

Special Economic Zones (SEZs)

- ◉ India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965.
- ◉ This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes.

Objectives of SEZs

- The main objectives of the SEZ Act are:
 1. Generation of additional economic activity.
 2. Promotion of exports of goods and services.
 3. Promotion of investment from domestic and foreign sources.
 4. Creation of employment opportunities.
 5. Development of infrastructure facilities.

The SEZ Rules provide for...

- (i) Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs.
- (ii) Single window clearance for setting up of an SEZ;
- (iii) Single window clearance for setting up a unit in a Special Economic Zone;
- (iv) Single Window clearance on matters relating to Central as well as State Governments;
- (v) Simplified compliance procedures and documentation with an emphasis on self certification

Board of Approval

S.No	Department	Members
(1)	Secretary, Department of Commerce	Chairman
(2)	Member, CBEC	Member
(3)	Member, IT, CBDT	Member
(4)	Joint Secretary (Banking Division), Department of Economic Affairs, Ministry of Finance	
(5)	Joint Secretary (SEZ), Department of Commerce	Member
(6)	Joint Secretary, DIPP	Member
(7)	Joint Secretary, Ministry of Science and Technology	Member
(8)	Joint Secretary, Ministry of Small Scale Industries and Agro and Rural Industries	Member
(9)	Joint Secretary, Ministry of Home Affairs	Member
(10)	Joint Secretary, Ministry of Defence	Member
(11)	Joint Secretary, Ministry of Environment and Forests	Member
(12)	Joint Secretary, Ministry of Law and Justice	Member
(13)	Joint Secretary, Ministry of Overseas Indian Affairs	Member
(14)	Joint Secretary, Ministry of Urban Development	Member
(15)	A nominee of the State Government concerned	Member
(16)	Director General of Foreign Trade or his nominee	Member
(17)	Development Commissioner concerned	Member
(18)	A professor in the Indian Institute of Management or the Indian Institute of Foreign Trade	Member
(19)	Director or Deputy Secretary, Ministry of Commerce and Industry, Department of Commerce	Member Secretary

Administrative Set up

- The functioning of the SEZs is governed by a three tier administrative set up. The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce.
- Once an SEZ has been approved by the Board of Approval and Central Government has notified the area of the SEZ, units are allowed to be set up in the SEZ.
- All the proposals for setting up of units in the SEZ are approved at the Zone level by the Approval Committee consisting of Development Commissioner, Customs Authorities and representatives of State Government.

Fact Sheet of SEZ in India

No. of Formal Approvals	474
No. of Approval SEZs	376 (Including 7 Central Govt.+12 State Govt. / Private Sector SEZs). (As on 22.11.22)
Operational SEZs	270 (As on 30.9.22)
Units approved in SEZs	5620 (As on 30.9.22)
Employment	28,07,256 person (As on 30.6.22)
Investment	Rs. 6,45,785.18 Cr. (As on 30.6.22)
Exports	Rs. 6,93,595 Cr. (As on 31.10.22) Growth of 28.58% over the exports of the corresponding period of FY 2021-22)

Source: <http://sezindia.nic.in/upload/637c92e65675eNew%20FACT%20SHEET.pdf>
Access on 26.11.22 @13.28

List of SEZ in India (As on 22-11-22) [Established by Central Government]

S.N o	Name of SEZ	Location	Type	Establishment Year
1.	Kandla SEZ	Kandla, Gujarat	Multi product	1.11.2000
2.	SEEPZ Special Economic Zone	Mumbai, Maharashtra	Multi product	1.11.2000
3.	Noida Special Economic Zone	Uttar Pradesh	Multi product	1.1.2003
4.	MEPZ Special Economic Zone	Chennai, Tamil Nadu	Multi product	1.1.2003
5.	Cochin Special Economic Zone	Cochin, Kerala	Multi product	1.11.2000
6.	Falga Special Economic Zone	Falga, West Bengal	Multi product	1.1.2003
7.	Visakhapatnam SEZ	Vishakhapatnam, Andhra Pradesh	Multi product	1.1.2003

List of SEZ in India (As on 22-11-22)

[Established by State Government/ Private]

S.No	Name of SEZ	Location	Type	Establishment Year
8.	Surat SEZ	Surat, Gujarat	Multiproduct	1.11.2003
9.	Indore SEZ	Indore, M.P.	Multiproduct	1.8.2003
10.	Manikanchan SEZ	West Bengal	Gems and Jewellery	12.6.2003
11.	Wipro SEZ	West Bengal	IT	12.8.2005
12.	Surat Apparel Park	Surat, Gujarat	Apparel	31.1.2005
13.	Mahindra World City Developers Limited.	Kancheepuram District, Tamil Nadu	IT/Hardware & Bio-Informatics	26.10.2004
14.	Mahindra World City Developers Limited.	Kancheepuram District, Tamil Nadu	Auto Ancillary	26.10.2004
15.	Mahindra World City Developers Limited.	Kancheepuram District, Tamil Nadu	Apparel & Fashion Accessories	26.10.2004
16.	Nokia Telecom SEZ	Tamil Nadu	Mobile Hardware & Software	17.8.2005
17.	Jaipur SEZ	Jaipur,Rajasthan	Gems and Jewellery	1.7.2003
18.	Jaipur SEZ	Jaipur,Rajasthan	Gems and Jewellery	24.2.2004
19.	Moradabad SEZ	Moradabad, Uttar Pradesh	Handicraft broad banded with Engineering	30.9.2003

Any Questions???

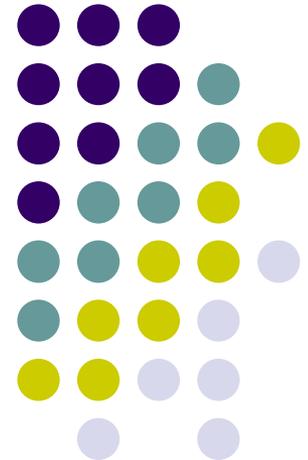
Any Queries???

Any Doubts???

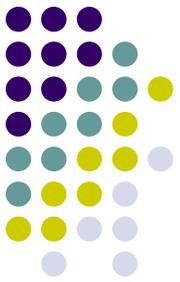
Thank You

Service Sector in India : A Paradigm Shift

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Glossary - GVA V/s GDP



- Gross value added (GVA) is defined as the value of output less the value of intermediate consumption. It is used to measure the output or contribution of a particular sector. When such GVAs from all sectors (\sum GVA) are added together and adding taxes (product) and reducing subsidies (product), we can get the GDP (at market price). GVA thus shows the production contribution of a particular sector.

Technically,

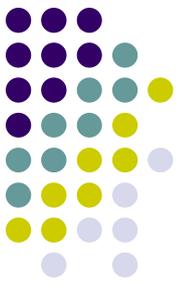
$$\text{GDP at Market Prices} = \sum \text{GVA at basic prices} + \text{product taxes} - \text{product subsidies.}$$

- In this context, when GVA from all sectors are added together and necessary adjustment for taxes and subsidies are made, we will get the GDP for the economy.

Remember:

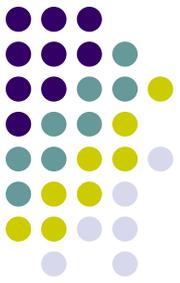
- GVA is for a particular sector
- \sum GVA is for the economy
- GDP is for the economy
- When the value of taxes on products (less subsidies on products) is added to the gross value added, the sum of gross value added for all resident units gives the value of gross domestic product (GDP). Thus, Gross Domestic Product (GDP) of any nation represents the sum total of gross value added (GVA) in all the sectors of that economy during the said year after adjusting for taxes and subsidies.

Introduction



- In most of the low income economies, agriculture is the predominant sector. As these economies progress, the share of the industrial sector in economic activities increases. The development of industries, in turn, promotes the wide range of activities in service sector like banking & insurance, transportation, trade, communication.
- On the basis of this observed development pattern of various countries, some economists like Fisher(1939), Clark(1940), Rostow (1960) & Kuznets (1971) have suggested that the development is a three stage process. The dominance of service sector in the growth process is associated with the third stage of development.

Major Activities included in Service Sector



Logistics & Transportation(Road, Rail, Port & Air)

Communication & I.T.

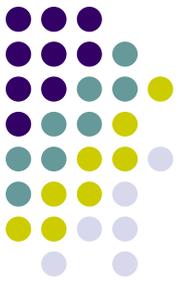
Tourism, Hotels & Restaurants

Professional Services

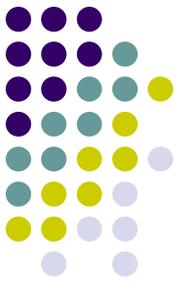
Banking & Insurance

Other Services
(Education, Health, Aviation, Consultancy Services, Construction etc.)

Indian Service Sector



- In India, the acceleration in the growth in recent years has been due to the dynamism of the service sector, while the contribution of industry has tended to remain stagnant over the last three decades.
- Services now contribute 59 percent to India's GDP & have contributed to more than 60 percent of India's growth during the period of the last decade & half. Some economists observed this as a “**services-led growth**” of India.



Growth & Contribution of Service Sector in India

Prepared By : Dr. Dhaval J. Pandya

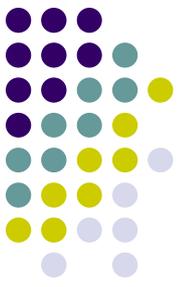
GDP Current Prices Annual Growth Rate (YoY) (1950-51- 2019-20) (In Percentage)



Financial Year	Agriculture	Industry	Services	GDP
1950-51	3.45	11.87	6.65	5.58
1960-61	4.89	18.96	10.08	9.47
1970-71	2.83	8.33	9.78	6.38
1980-81	26.44	16.02	15.42	19.51
1990-91	17.09	16.34	16.50	16.49
2000-01	-0.18	10.98	9.18	7.68
2010-11	23.15	16.08	18.96	18.66
2014-15(P)	16.67	5.44	13.04	11.54
2019-20				

Source: Central Statistical Organization -2014

https://niti.gov.in/planningcommission.gov.in/docs/data/datatable/data_2312/DatabookDec2014%202.pdf (Access on 21-03-21 @ 12:30)

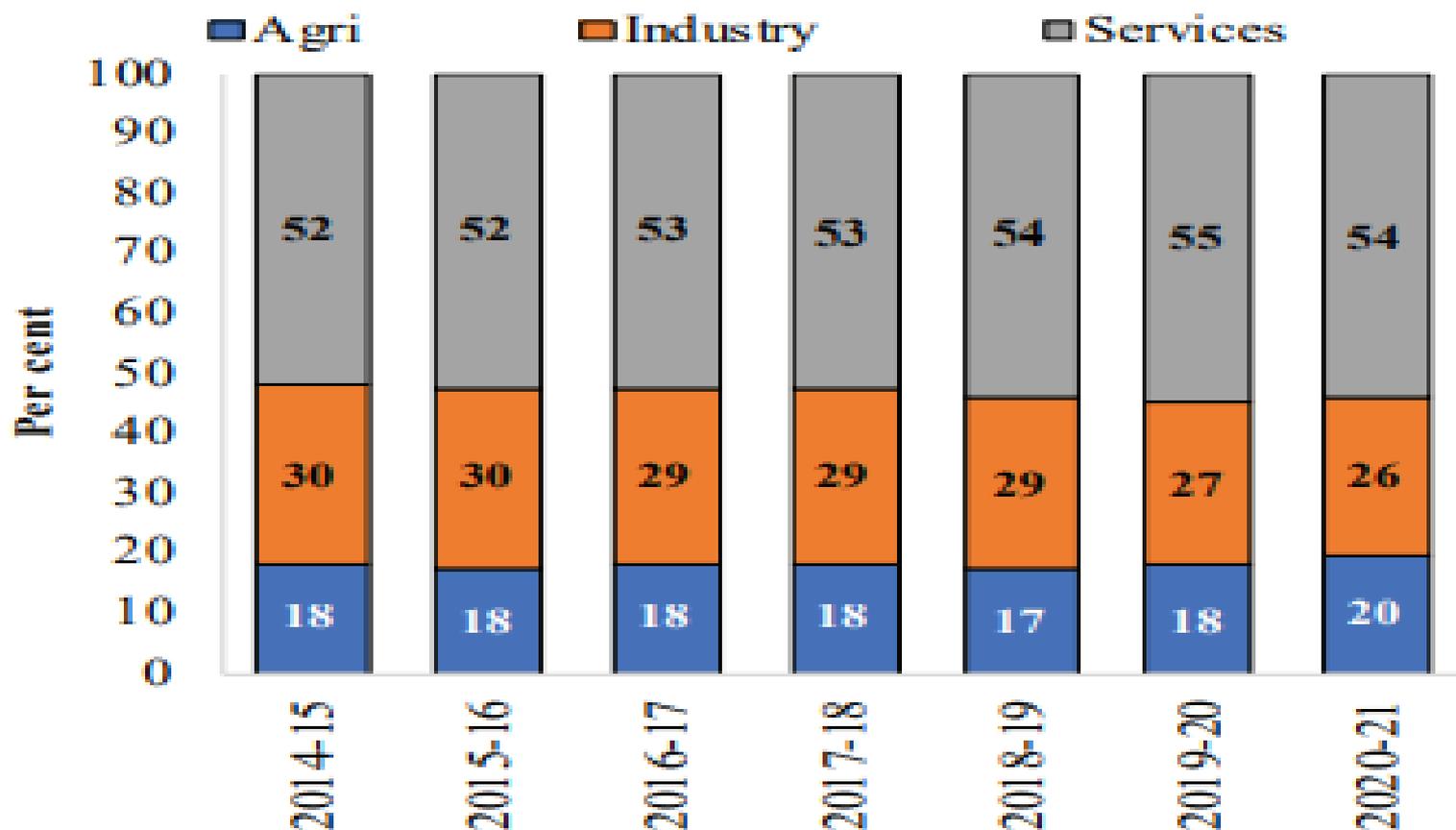


Sectoral Share in GDP /GVA

Sector	1950-51 (GDP)	1960-61 (GDP)	1970-71 (GDP)	1980-81 (GDP)	1990-91 (GDP)	2000-01 (GDP)	2011-12 (GDP)	2020-21 (GVA)
Primary	53.1	48.7	42.2	36.1	29.6	22.3	14.4	20.0
Secondary	16.1	20.5	24.0	25.9	27.7	27.3	28.2	26.0
Tertiary	30.3	30.8	33.8	38.0	42.7	50.4	57.4	54.0

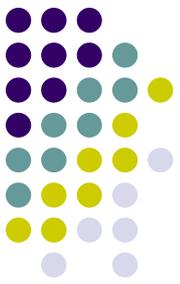
Source: 1. Handbook of Statistics on Indian Economy, RBI, Mumbai, 2020.
2. Economic Survey, Government of India, New Delhi, 2020-21.

Share of Components of GVA

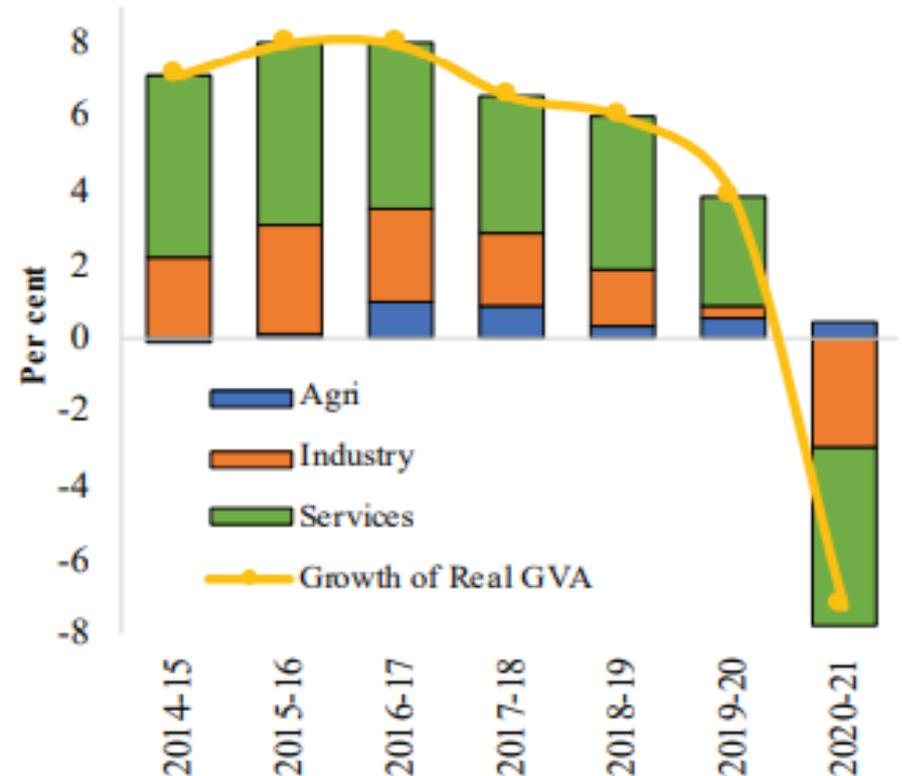


Source: Economic Survey- 2020-21 Vol-II. P. 45

Sectoral Contribution to Overall GVA Growth (COVID 19 Effect)



- Gross Value Added (GVA) growth is pegged at -7.2 per cent in 2020-21 as against 3.9 per cent in 2019-20. Only Agriculture contributed to positive growth while Service and Industry contributed to the contraction in GDP.
- Agriculture is set to cushion the shock of the Covid-19 pandemic on the Indian economy in 2020- 21 with a growth of 3.4 per cent – resulting in an increase in its share in GDP to 19.9 per cent in 2020-21 from 17.8 per cent in 2019-20.
- Industry and Services are estimated to contract by 9.6 per cent and 8.8 per cent during the year.



Source: Economic Survey:2020-21,
Vol-II

Share of Service sector – Category wise



Table 1: Services Sector Performance in India's GVA

Sector	Share in GVA (per cent)		Growth (per cent YoY)				
	2020-21	2018-19	2019-20	2020-21	2020-21	2020-21	
	(AE)	(1st RE)	(PE)	(AE)	(H1)	Q1	Q2
Total Services (Excluding construction)	54.3	7.7	5.5	-8.8	-15.9	-20.6	-11.4
Trade, hotels, transport, communication & services related to broadcasting	15.4	7.7	3.6	-21.41	-31.5	-47.0	-15.6
Financial, real estate & professional services	22.2	6.8	4.6	-0.82	-6.8	-5.3	-8.1
Public administration, defence & other services	16.7	9.4	10.0	-3.68	-11.3	-10.3	-12.2

Source: Ministry of Statistics and Programme Implementation.

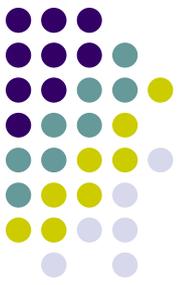
Note: Shares are in current prices and growth in constant 2011-12 prices; RE: Revised Estimates. PE: Provisional Estimates. AE: Advance Estimates



Reasons for Rapid Growth in Services

- Splintering. (J. Bhagwati, 1994)
- Demand side impetus to growth.
- Role of liberalization.
- Technological advancement.
- Mutual dependence of industrial & services growth.

Employment in Service Sector



- Although the service sector has grown at a fast rate during the period of economic reforms (since 1991). However, its share in total employment continues to be quite low.

Share of Service in Employment

	1990-91	2013-14	2016-17
GDP	42.7	59.9	53.6
Employment	24.4	28.7	30.6

- This indicates that India has witnessed a relatively jobless service sector growth during post reform period.

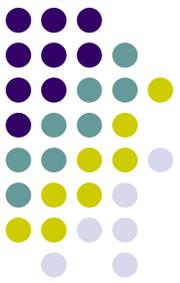
Share of Services in Employment (2018-19)



- Region wise : Tertiary or Service sector has 17.4% of the workforce in rural areas and about 60% of the workforce in urban areas.
- Gender wise: In tertiary sector, women account to about 17.2% of the workforce and men account to about 30.5% of the workforce.
- Overall: The total percentage of workforce in tertiary sector is about 26.8%.

FDI Flows into Service Sector

Source: Economic Survey-2020-21, Vol.-II



- India improved its position from 12th in 2018 to 9th in 2019 in the list of the world's largest FDI recipients according to the latest World Investment Report 2020 by United Nations Conference on Trade and Development (UNCTAD). FDI into India recorded almost 17 per cent jump during April-September 2020 over the corresponding period last year, despite the global slowdown, the COVID-19 pandemic, lockdown measures and supply chain disruptions. Services sector, being the largest recipient of FDI in India, witnessed a strong growth during April-September 2020.
- The gross FDI equity inflows (excluding re-invested earnings) into the services sector jumped 34 per cent YoY during April-September 2020 to reach US\$ 23.61 billion, accounting for almost four-fifth of the total gross FDI equity inflows into India during this period.
- The jump in FDI equity inflows was driven by strong inflows into the 'Computer Software & Hardware' sub-sector, wherein FDI inflows increased to US\$ 17.55 billion which is over 336 per cent higher over the corresponding period last year. High growth in FDI inflows was also present in subsectors such as 'Retail Trading', 'Agriculture Services', and 'Education'.

Sub Sectors of FDI in Service Sector



A.1. SUB SECTORS OF FDI EQUITY INFLOWS IN SERVICES SECTOR

(From January, 2000 to December, 2019):

Sub Sectors	Amount of FDI equity inflows		%age with total FDI inflows
	Rs crore	US\$ million	
Financial	155,928.38	27,827.26	6.08
Banking Services	41,612.00	7,372.60	1.61
Insurance	81,585.56	13,084.75	2.86
Non-Financial Services/Business Services	118,182.56	20,760.62	4.54
Outsourcing	12,860.48	2,315.31	0.51
Research & Development (R&D)	6,357.89	1,081.46	0.24
Courier	7,287.35	1,247.79	0.27
Technical Testing And Analysis	2,581.30	428.89	0.09
Commodity Exchange	1,855.44	451.79	0.10
Other Services	33,954.07	6,121.46	1.34
Total of above	462,205.03	80,691.95	17.64

A.2. SHARE OF TOP FIVE COUNTRIES ATTRACTING FDI EQUITY INFLOWS FOR SERVICES SECTOR (From January, 2000 to December, 2019):

Ranks	Country	Amount of FDI equity inflows		%age with total FDI inflows
		Rs crore	US\$ million	
1.	Mauritius	150,251.14	27,185.60	33.69
2.	Singapore	119,984.44	19,691.73	24.40
3.	U.S.A	35,022.37	6,006.74	7.44
4.	Japan	30,670.50	5,087.96	6.31
5.	Netherland	29,621.15	5,005.64	6.20
Total of above		365,549.60	62,977.67	78.04

Note:

- i. *These amounts include the inflows received through FIPB/SIA route, acquisition of existing shares and RBI's automatic route only; and
- ii. The amount of FDI equity inflows, in respect of country/sector specific data was not provided by RBI, Mumbai, prior to January 2000.

Share of Top Five States in Attracting FDI in Service Sector (Oct.,2019 to Dec.,2019)



Ranks	State	Amount of FDI equity inflows		%age with total FDI inflows
		Rs crore	US\$ million	
1.	Maharashtra	8,977.70	1,261.54	61.05
2.	Delhi	1,919.16	269.92	13.05
3.	Karnataka	1,647.19	231.49	11.20
4.	Telangana	546.15	76.72	3.71
5.	Rajasthan	535.11	75.25	3.64
Total of above		13,625.31	1,914.92	92.65

Note:

- i. **These amounts include the inflows received through FIPB/SIA route, acquisition of existing shares and RBI's automatic route only; and*
- ii. *The amount of FDI equity inflows, in respect of country/sector specific data was not provided by RBI, Mumbai, prior to January 2000.*
- iii. *RBI regional office wise data has been discontinued and it has been replaced with state-wise data w.e.f October 2019.*

Source: [SERVICE SECTOR i 2019.pdf \(dipp.gov.in\)](https://dipp.gov.in)

International Economics

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Basic Concepts

- Trade
- Types of trade
- Foreign trade (Volume, Composition & Direction).
- Balance of Payments.
- Trade policies.

Meaning of Trade

- Exchange of goods & services which has economic value between the two or more parties or countries or regions within & outside the national territory is known as trade.
- Broadly speaking, trade can be classified in two parts viz.,
 - i. Internal Trade
 - ii. International Trade (External)

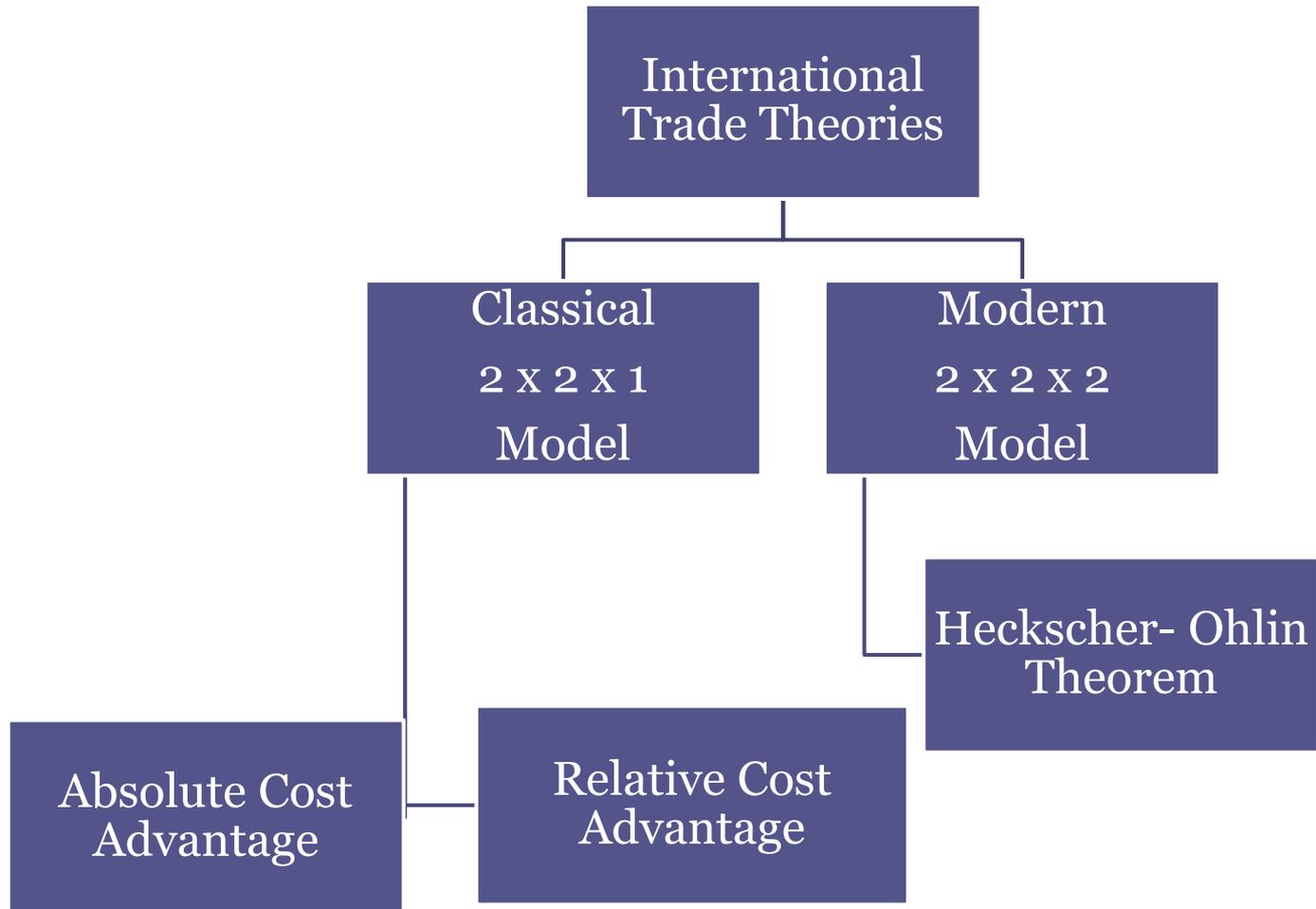
Basis of International Trade

- Why do Nations Trade?
 - a. Difference in the basic labour cost.
 - b. Factor proportion/ endowment.
 - c. Technology.
 - d. Institutional Policies related to Finance.
(International Economic Organization viz., I.M.F., World Bank, WTO, UNCTAD etc.).
 - e. Trade Polices. (Free Trade & Protection)

Theories of International Trade

“Every man lives by exchanging.”
Adam Smith

Types of International Theory



Theories of International Trade

1. Absolute Cost Advantage theory – Adam Smith.
2. Relative / Comparative Cost Advantage Theory – David Ricardo.
3. Factor Proportion Theory / Modern Theory – Heckscher & Ohlin.

Classical Theories

- The classists believes that the differences in the relative price of goods between different nations is the basis of international trade.
- Classical economists stress mainly on supply factors affecting trade or in other words, classical theories are supply oriented theories.
- Difference in the supply conditions at home & abroad is the base of international trade.

Absolute Cost Advantage Theory : A. Smith

- Smith developed this theory & it is traced in his monumental work – “*An Enquiry into the Nature & Causes of Wealth of Nations*” (1776).
- According to him, trade will emerge only if one country has an absolute cost advantage in the production of one commodity & absolute cost disadvantage in the production of others.
- Each country will export that commodity in the production of which it commands an absolute cost advantage & import that commodity in which it has an absolute cost disadvantage.

Smith's 2 x 2 x 1 Matrix

Countries	Commodities	
	Cotton	Jute
India	5	10
Bangladesh	10	5

Note: Figures shows the cost of commodity per unit.

Limits of Smith's Matrix

- P.T. Ellesworth & J. Clark argues that if country has no specific line of production in which it was clearly superior? Or if country has more factor inputs then what?

Ricardo's Comparative Cost Advantage Theory

- In Ricardo's work on "*Principles of Political Economy & Taxation*" (1817) he formulated the pure theory of international trade.
- At the centre of Ricardian theory it is the Principle of Comparative Cost which plays significant role for trade.
- Ricardo aptly remarks that "*it is the comparative quantity of commodities which labour will produce that determines their present & past relative values*".
- Labour Theory of Value (Price = Labour Cost)

Ricardian's 2 x 2 x 1 Matrix

Countries	Commodities	
	Cloth	Wine
Portugal	90	80
England	100	120

Note: Figures shows the cost of commodity per unit.

Balance of Payments

Trade balance refers to the difference between countries imports and exports for a period of time.

Balance of Payments (B/Ps.)

- The principal tool for analyzing the monetary aspects of international trade is the balance of payments statement.
- The study of B/Ps was of great importance for the mercantilists. The term B/Ps. Made its entry into the English economic literature during the mercantilist period.
- Generally, the international B/Ps of a country is a statistical record in the form of balance sheet. It presents the summary account of all economic transactions of a county during any given period of time.
- It is symbolically expressed as B/Ps.

Definitions

- According to U.S. Department of Commerce, *the “B/Ps of a country consists of the payments made, within a stated period of time between the residents of that country & residents of the foreign countries”*. It may be defined in a statistical sense as an itemized account of transactions involving receipts from foreigners on one hand & payments to foreigners on the other hand. Since the former relate to the international income of a country called ‘Credits’ & the later relate to the international out go they are called ‘Debits’.

Definitions

- Kindleberger C.P. defines B/Ps as *“a systematic record of all economic transactions between the residents of the reporting country & residents of foreign countries during a given period of time”*.
- In the language of I.M.F. *“the B/Ps of a country is a systematic records of all economic transactions between residents of the country (reporting country) & residents of rest of the world over a specific period of time”*.
- For me, Balance of payments is *“a summation of 4 “S” i.e., it’s a Systematic, Summarized, Statistical, Statement of all economic transactions of domestic country with rest of the world, during a specific period of time (usually a year)”*.

Glossary

- **Economic Transactions:** ...refers to the exchange of values for which there is monetary price. Therefore, it involves the transfers of ownership of goods, rendering of services, transfer of money & transfer of assets & liabilities from residents of one country to other.
- **Residents:** ...refers not only to individuals but it also includes the Government, corporate bodies, institutions, non-profit organizations, business enterprise etc.

Equation of B/Ps

- Since B/Ps is a systematic records of the country's total money receipts received from & payments made to abroad, the difference between receipts & payments is either surplus or deficit. Thus B/Ps of a country can be expressed as –

$$B/Ps = R - P$$

OR

$$B/Ps = (Rd + Rf) - (Pd + Pf)$$

$$\text{Since } Rd = Pd$$

$$\text{Therefore, } B/Ps = Rf - Pf$$

Kinds of B/Ps

Surplus (Positive/Favourable)

Where, $R_f > P_f$

Deficit (Negative/Adverse)

Where, $R_f < P_f$

Balanced (Zero/Balance/Equilibrium)

Where, $R_f = P_f$

Components of Balance of Payments

Sr. No.	Receipts (Credits)	Payments (Debits)
1.	Exports of Goods & Services a. Merchandise of goods. b. Services c. Income from foreign investments.	Imports of Goods & Services a. Merchandise of goods. b. Services. c. Foreign income from investments made at home.
2.	Sales of Long term claims. a. Equity claims. b. Debt claims.	Purchase of long term claims. a. Equity claims. b. Debt claims.
3.	Sales of short term claims. a. Against deposits. b. Others.	Purchase of short term claims. a. Against deposits. b. Others.
4.	Sales of Gold.	Purchase of Gold.
5.	Unilateral Receipts	Unilateral Payments.
6.	Errors & Omissions. (1+2+3+4+5 = 3000 USD)	Errors & Omissions. (1+2+3+4+5 = 2800 USD)

Structure of Balance of Payments

- The structure of B/Ps is usually composed of two accounts namely,
 1. Current Account.
 2. Capital Account.
- These accounts come from two types of transactions viz.,
 - a. Real Transactions (which taken into account real sense of actual transfer of goods & services).
 - b. Financial Transactions (which involves only the transfer of money & currencies or claims to money or titles to investments).

Current Account of B/Ps

- Current account mainly consists of two sub groups namely,
 - a. merchandise or trade account or visible account.
 - b. Invisible account.
- In trade or **merchandise account**, only transactions related to goods are entered. That is all goods exported or imported are recorded in goods account. The invisible account usually comprises the service account & the gift or charities account. The **services account** records all the services exported or imported by residents of the nation. It comprises items like, banking & insurance charges, interests on loans, transit expenditure, transportation charges etc.

Capital Account

- Capital account deals with the payments of debts & claims or loans.
- It consist of all such items employed in financial both imports & exports namely private balance, therefore, it includes private balances assistance by international institutional agencies viz., I.M.F., I.B.R.D..(World Bank) , A.D.B. etc. & balances held on Governmental account (all government transactions).

Country's Balance of Payments Account

Receipts (In Rs. Crs.)		Payments (In Rs. Crs.)	
Current Account Transactions			
Merchandise exported	200	Merchandise Imported	300
Services exported	100	Services imported	200
Income from foreign investments	200	Foreign income from investment	200
Unilateral receipts	200	Unilateral payments	100
Sub Total	700	Sub Total	800
Capital Account Transactions			
Long term borrowings	200	Long term lendings	80
Short term borrowings	100	Short term lendings	60
Sales of gold/assets.	100	Purchase of gold/assets	50
Sub Total	400	Sub Total	190
Grand Total	1100	Grand Total	990
		E & Os.	110

Balance of Payments V/s. Balance of Trade (B/Ps V/s. B/T)

- There is a market distinction between these two concepts. B/Ps is a wider concept than B/T. In fact, balance of trade is a part of balance of payments.
- Balance of trade is a part of current account. So, it refers only to the value of exports & imports of goods., i.e., visible items only. It does not include services.
- On the other hand, balance of payments is more comprehensive in scope & covers the total debits & credits of all items, visible as well invisible.
- Thus, B/T is only a segment of B/Ps.

Types of Disequilibrium in Balance of Payments

Types	Description
Cyclical Disequilibrium	It occurs on the account of trade cycles. Depending on the different phases of trade cycles like prosperity & depression, demand & other forces vary, causing changes in terms of trade as well; growth of trade accordingly surplus or deficit will result in B/Ps.
Structural Disequilibrium	It emerges on account of structural changes in some sectors of the economy at home or abroad which may alter the demand or supply relations of exports or imports or both. E.g. Agricultural distortions may affect other industries & thereby affect the overall B/Ps.
Short term Disequilibrium	This type of disequilibrium is temporary one, lasting for short period, which may occur once in a while. When a country borrows or lends internationally, it will have short term effect, as these loans are usually for short period or even if they are for long period, they are redeemed later on. , hence position will be automatically correct & poses no serious problems.
Long term Disequilibrium	It refers to the deep rooted, persisted deficit or surplus in B/Ps of the country. Its secular disequilibrium emerging on account of the chronological accumulated short term disequilibria. It endangers the exchange stability & F E Reserves.

Causes of Disequilibrium in B/Ps.

1. Trade cycles.
2. Huge development & investment programmes.
3. Changing export demand.
4. Population growth.
5. Huge external borrowings.
6. Inflation.
7. Demonstration effect.
8. Alteration in reciprocal demands.

Balance of Payments is always in Balance

- The B/Ps, in an accounting sense must always balance. Debits must be always equals to credits if entries are consistently made. Thus, there can be no disequilibrium in B/Ps as a whole.

$$\text{Total Debits} = \text{Total Credits}$$

Autonomous Transactions	Accommodating Transactions
Transactions for its own sake.	Mostly done by monetary authorities.
Pure business purpose of exports (Xs) & imports (Ms).	Sales of gold, supply of foreign exchange

- Disequilibrium in B/Ps is either because of current account or because of capital account. Mainly, disequilibrium is due to the continuous deficit in the B/Ps.

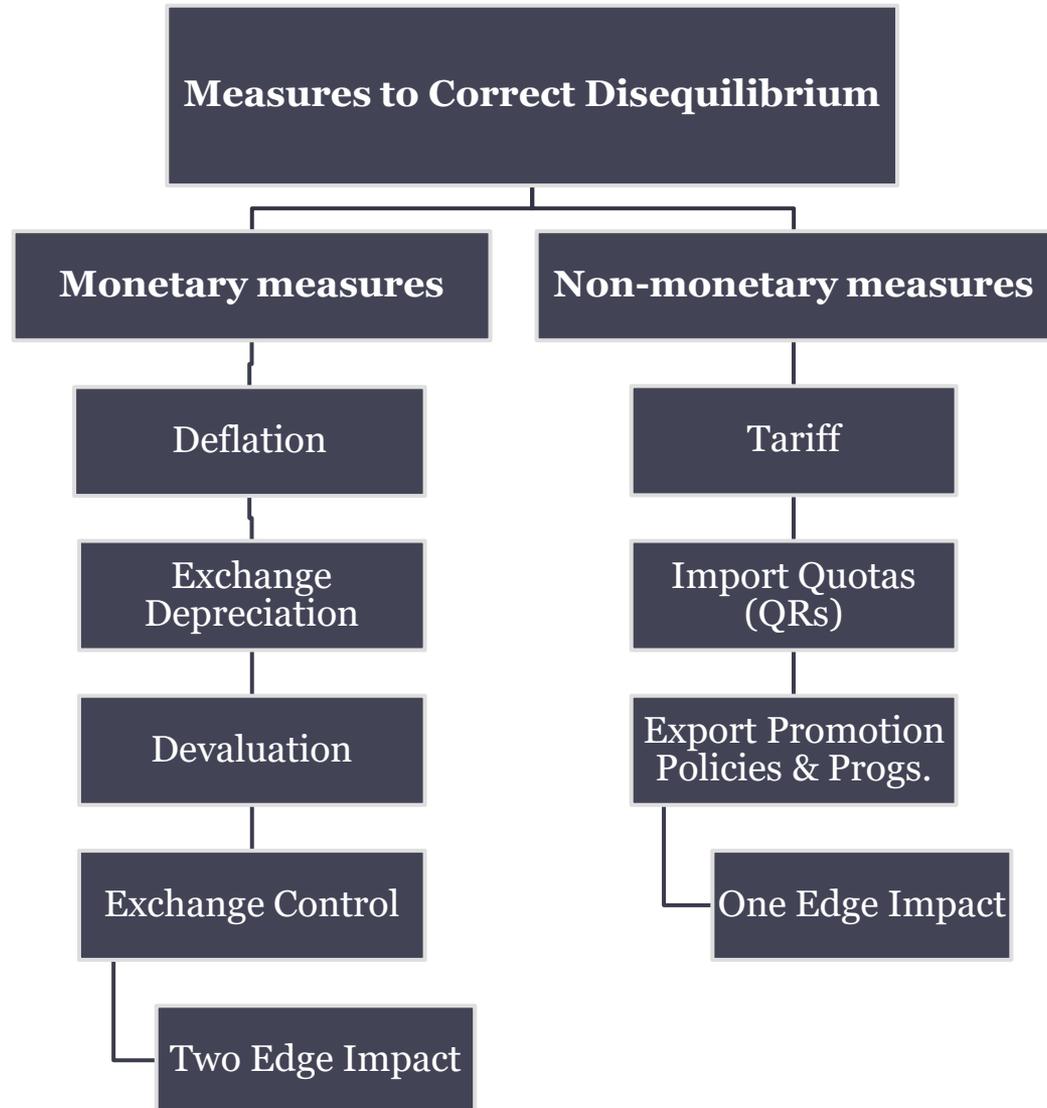
Measures to correct disequilibrium in B/Ps.

- Any disequilibrium (deficit or surplus) in B/Ps. When it persists consistently is certainly because of its disastrous effect on country's economy. Since both deficit or surplus is certainly bad for economic development so it has to be restored at earliest.
- The various measures that may be used for correcting an adverse B/Ps. Are of two types viz.,
 1. Monetary measures.
 2. Non-monetary measures.

Monetary Measure & Non-Monetary Measures

- Monetary measures have a two edge impact in improving the B/Ps position. They boost up exports as well checks or curtails imports. Monetary measures, however, function indirectly.
- While that of non-monetary measures effects directly & improves B/Ps. Position. But they works one way only. In other words, non monetary measures checks only over imports.

Measures to correct disequilibrium in B/Ps.



Deflation

- Basically, a deficit B/Ps occurs due to high imports & low exports. This is to be reversed. In this regard traditionally, it has been suggested that a country may adopt **deflationary or dear money policy** by raising the bank rate & restricting credit.
- Under deflation, prices of domestic goods fall which makes exports attractive & imports relatively costlier.

Exchange Depreciation

- Another important method for correcting an adverse B/Ps is to depreciate the external (exchange) value of home currency. In simple words, it's a decline in the rate of exchange in one country in terms of another. Suppose the exchange rate between the Indian Rs. & US is $1\$ = \text{Rs.}10$. If India experiences adverse B/Ps in regard to USA, the Indian demand for American currency will rise. Consequently, the price of the USD in terms of Rs. will appreciate in its external value. Thus the new exchange rate will be $1\$ = \text{Rs.}12$. which implies 20 % exchange depreciation of Indian Rupees.
- This method, is however, not feasible under present IMF system.

Devaluation

- This is the most commonly used method for correcting disequilibrium in B/Ps. It is suitable under IMF system.
- Devaluation means official decrease in external value of currency in terms of foreign currency. When a country has a persistent deficit in B/Ps it may devalue its currency with permission of IMF.
- When a country's currency is devaluated, the impact would be relative cheapness of its exports to the foreigners & relative dearness of its imports. Consequently, export will rise & imports will decline.
- In modern times, generally a country resorts to devaluation when it intends to correct a chronic or fundamental deficit disequilibrium.

Conditions for Successful Devaluation

1. A fairly elastic demand.
2. Structure of exports & imports.
3. Domestic price stability. (Inflation)
4. International co-operation.
5. Co-ordination of other measures.

Drawbacks of Devaluation

1. Devaluation is acknowledgement of country's economic weakness.
2. It may induce inflationary tendencies in domestic economy.
3. It inflates the burden of debt servicing.
4. It takes considerable time to show its effect.
5. Its effect is general & drastic.

Exchange Control

- Restrictions on the use of foreign exchange by the Central Bank are called exchange control.
- When an exchange control is adopted, all the exporters & importers have to surrender their foreign exchange earnings to the Central Bank.
- Under exchange control , the Central Bank releases foreign exchange only for essential imports & conserves the rest of the balance.
- This method offers no permanent solutions to the problem of disequilibrium in B/Ps.

Non- Monetary Methods : Tariff

- Tariff is a fiscal device which may be used for correcting deficit disequilibrium in B/Ps.
- A schedule of duties levied upon the importation of commodities into a given nation from abroad is called tariff. It refers to custom duties imposed on imports.
- Imposition of import duties will rise the prices of imported goods which curtails the imports of a country.

Import Quotas/ Quantitative Restrictions (Q.Rs.)

- Under the quota system, the Government may fix & permit maximum quantity or value of a commodity to be imported during a given period. By restricting imports through quota system deficit is reduced or eliminate & thereby the B/Ps conditions will be improved.
- Its impact is direct & it is better then import duties or tariff.
- Quota have immediate effect of restricting imports as the marginal propensity to import becomes zero once the quota limit is reached.

Export Promotion Policies & Programmes

- To improve the deficit disequilibrium in B/Ps one has to increase their exports & that's why the Government may adopt this method.
- An export promotion programmes includes subsidies, tax concession to exporters, marketing facilities, incentives for exports, loan proprieties to the export sector under credit policy of the Central Bank etc.
- “***Export or Perish***” is the slogan for any country facing the problem of fundamental disequilibrium in its B/Ps.

Foreign Exchange Management

“Foreign Exchange is the Engine for International Trade”.

Foreign Exchange Management

- Some mechanism of international payment is essential for effectuating international transactions of goods & capital movement.
- Different countries have different currencies with different values. Hence it is essential to connect these currency values to each other in order to measure the values of international transactions.
- For this purpose the concept of foreign exchange came into operation.

Foreign Exchange Market (FEM)

- The foreign exchange market is a place where foreign currencies are bought & sold.
- C. P. Kindleberger defines FEM as “*a place where foreign money are bought & sold*”. Its an institutional arrangement for buying & selling of foreign currencies. Exporters sell the foreign currencies & importers buy them.
- FEM is a part of the money market in the financial centers.

Functions of F.E.M.

Function(s)	Description
Transfer Function	It transfers the purchasing power of two national currencies from one nation to another.
Credit Function	It provides the credit for international trade.
Hedging Function	It provides the hedging facilities to the players of international trade.

Foreign Exchange Rate : FER

- **Meaning:** When goods & services are exchanged, there has to be determined some rate of exchange or exchange ratio between them. In other words, there must be some “*price*” at which the goods & services can be exchanged & this exchanged price is known as foreign exchange rate.
- Thus, foreign exchange rate can be defined as – *the rate at which the currencies of two nations are exchanged at par (equality) for each other* are termed as rate of foreign exchange.

Meaning & Significance of FER

- Foreign exchange is the starting point for international trade. For instance, if one USD is exchanged for Rs. 70 then FER would be $1\$ = \text{Rs.}70$.
- In other words, rate of exchange is nothing but the value or price of a country's currency expressed in terms of foreign currency.
- Significance of FER:
 1. FER is a link to international trade.
 2. FER affects the volume, direction & composition of international trade.

Determination of FER

Determination of FER

Demand for FER

(D_{FE})

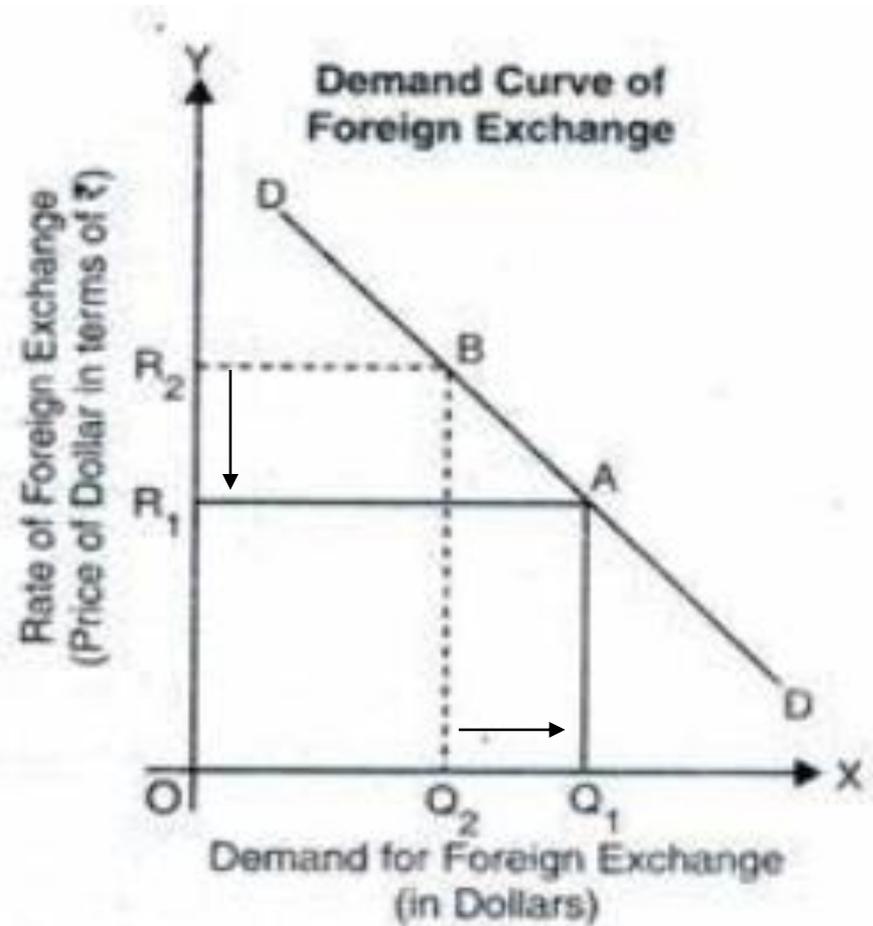
Supply of FER

(S_{FE})

$$FER = f(D_{FE} \& S_{FE})$$

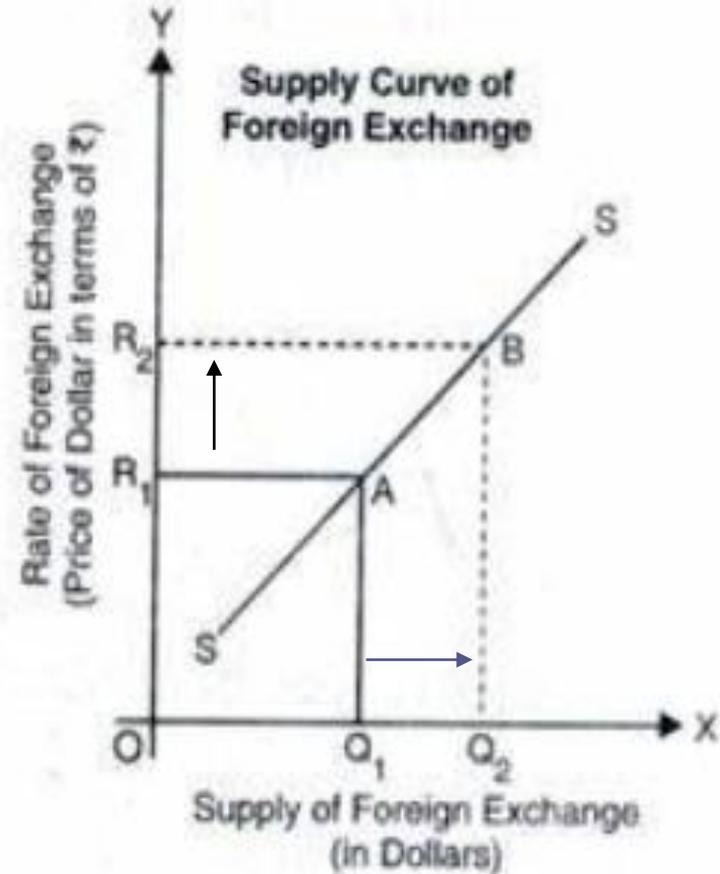
Demand for FER

- A demand schedule for foreign exchange is a schedule showing the different amounts of foreign exchange demanded at different rate of foreign exchange, ceteris paribus.
- The FER & demand for foreign exchange is inversely related with one another.
- Why there is a Demand for FE ?
 1. Imports.
 2. Investment. (Capital Outflow)
 3. Unilateral Transfers.



Supply of FER

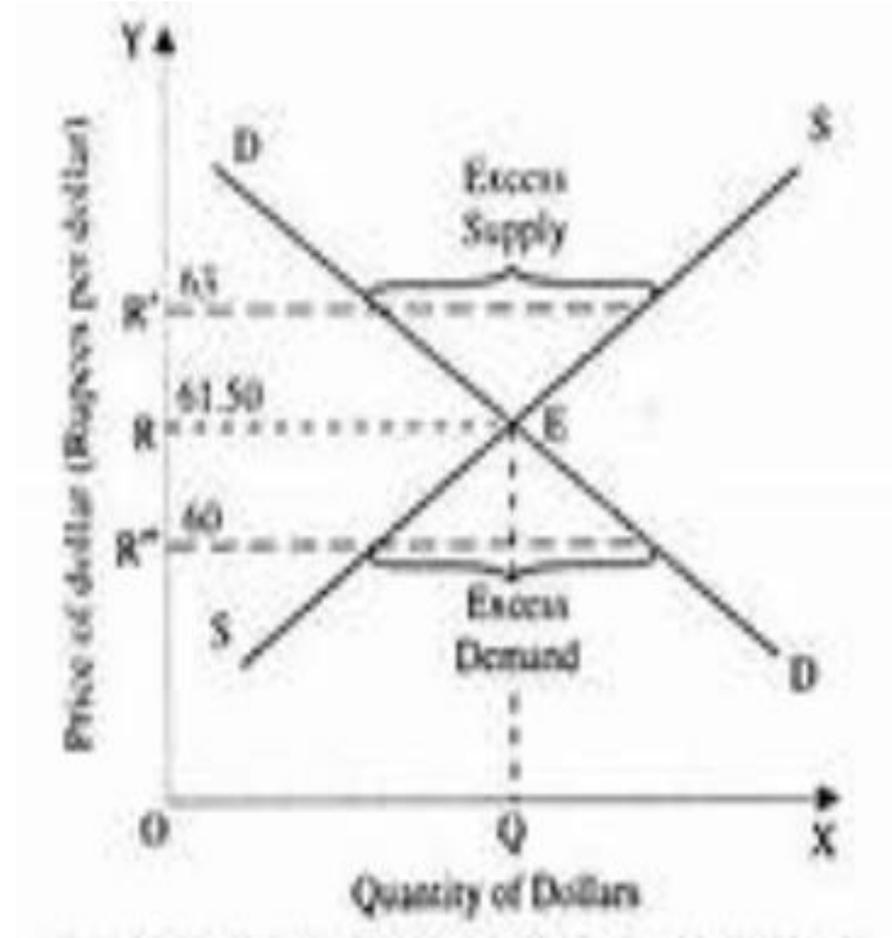
- The supply schedule of foreign exchange shows the different amounts of foreign exchange that are available at different foreign exchange rate in the foreign exchange market.
- There is a positive relationship between FER & supply of foreign exchange. Meaning thereby, higher the FER, higher will be the supply.
- Why there is a Supply of foreign exchange?
 1. Exports.
 2. Investments (Capital Inflow).
 3. Unilateral Transfers.



Equilibrium FER

- The FER in a foreign exchange market is determined by the interaction between demand & supply of foreign exchange.
- At the equilibrium foreign exchange rate the total amount of foreign exchange demanded by buyers (importers) equals to the total amount of foreign exchange offered for sales by the sellers (exporters).
- At any other FER, other than OR the foreign exchange market will be in disequilibrium.
- In short,

$$\text{FER} = f(D_{\text{FE}} + S_{\text{FE}})$$



Theories on Determination of FER

Mint Parity Theory

Purchasing Power Parity Theory

Balance of Payments Theory

Mint Parity Theory



Purchasing Power Parity Theory

- With the breakdown of the gold standards during the period of first world war (1914-1918), gold parities & free movement of gold are ceased & with this mint parity approach lost its significance.
- The theory of Purchasing Power Parity (PPP) was coined in 1802 by Richard Wheatley in his famous work, “*Remarks on Currency & Commerce*” in his book named “THE THEORY OF INTERNATIONAL PRICES”.
- The theory was later popularized in 1918 by the Swedish economist Gustav Cassel who used the term *Purchasing Power Parity*.

The Statement

- The basic principle underlying the PPP theory is that foreign exchange (a foreign money) is demanded by the nationals (citizens) of a country because it has the power to command goods in its own country.
- When the domestic currency of a nation is exchanged for foreign, what in fact is done is that domestic purchasing power is exchanged for foreign purchasing power.
- The main factor determining the exchange rate is the relative purchasing power of two countries' currencies. Meaning thereby, when two currencies are exchanged, what are exchanged, in fact, are the internal purchasing powers of two different national currencies.

The Theory

- The theory further states that the rate of exchange between two inconvertible paper currencies tends to approximate the ratio of their purchasing power.
- In nutshell, according to this theory we can compare the value of 1 unit with other currencies like USD, Sterling Pound, Yen etc.
- The theory has been presented in two versions viz.,
 1. Absolute Version
 2. Relative Version

Absolute Version of Theory

- The absolute version of purchasing power parity stresses that the rate of exchange should normally reflect the relation between the internal purchasing power of the various national currency units.
- For instance, let us assume that there presentative collection of goods cost Rs. 500 in India & the same in USA costs \$100. In this case the current rate of exchange is $\text{Rs. } 5 = 1\$$.

The Formula

The Formula of Absolute Version:

$$\text{Exchange Rate} = \frac{\text{No. of currency A}}{\text{One unit of currency B}} \times \frac{\text{Ip of B}}{\text{Ip of A}}$$

- Where, Ip stands for internal purchasing power which is reciprocal of the index of general price level. It means if price increases, purchasing power declines.
- The right hand side of equation shows the FER ,where B is regarded as foreign country.

Statistical Formula

- In statistical terms thus the FER may be expressed as –

$$R = \frac{P_b \times Q_o}{P_a \times Q_o}$$

- Where, P_a = prices in country A
 P_b = prices in country B
 Q_o = the corresponding weights/ quantities
 P = the prices related to representative bundles of items with assigned weights being the same for two countries.
- Thus, the FER is determined by the ratio of the internal purchasing power of foreign money & internal purchasing power of domestic money.

Limits of Absolute Version

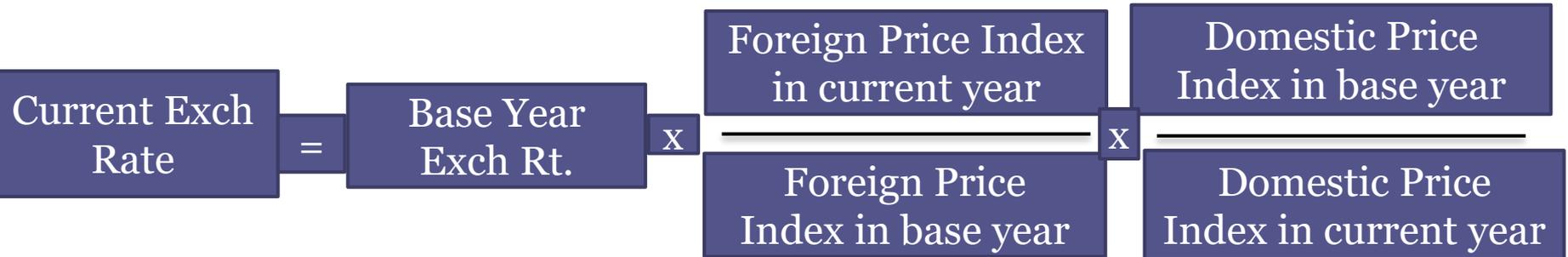
1. Absolute version measures the absolute level of internal prices. As we know that the value of money can not be measured in absolute terms.
2. The goods produced & demanded in two different countries are not of same kind of quantity & of same quality.

Relative Version of Theory

- The relative version of PPP theory was propounded by G. Cassel.
- The theory in its relative version states that the changes in the equilibrium rate of exchange will be governed by the changes in the ratio of their respective purchasing power. Here, some past exchange rate is assumed to be an equilibrium rate & is adopted as a base rate.

The Formula

The Formula of Relative Version:



Symbolically,

$$R_1 = R_0 \times \frac{P_{b1} / P_{b0}}{P_{a1} / P_{a0}}$$

Illustration

- To illustrate this point, let us assume there is a bilateral trade between India & USA. In the base year the FER is 1 Re. = 20 Cents & price indices are 100 in both these nations. Now, suppose in later period the price index in India goes up to 300 & in US it goes to 150, then the new exchange rate will be 1Re. = 10 Cents.

$$R_1 = 20 \text{ Cents} \times \frac{150}{100} \times \frac{100}{300} = 10 \text{ Cents}$$

Therefore , the new exchange rate will be 1Re. = 10Cents.

Interpretation

- From the illustration we can say that when the prices in country A doubled relative to price in country B from period 0 to 1, the rate of exchange should fall by half or the price of foreign exchanged expressed in local currency should double.
- The theory also suggest that ***inflation has its impact on the exchange rate***. A country's currency tends to appreciate or depreciate in proportion to difference between Domestic Inflation Rate (DIR) & Foreign Inflation Rate (FIR), if it is to maintain its PPP.

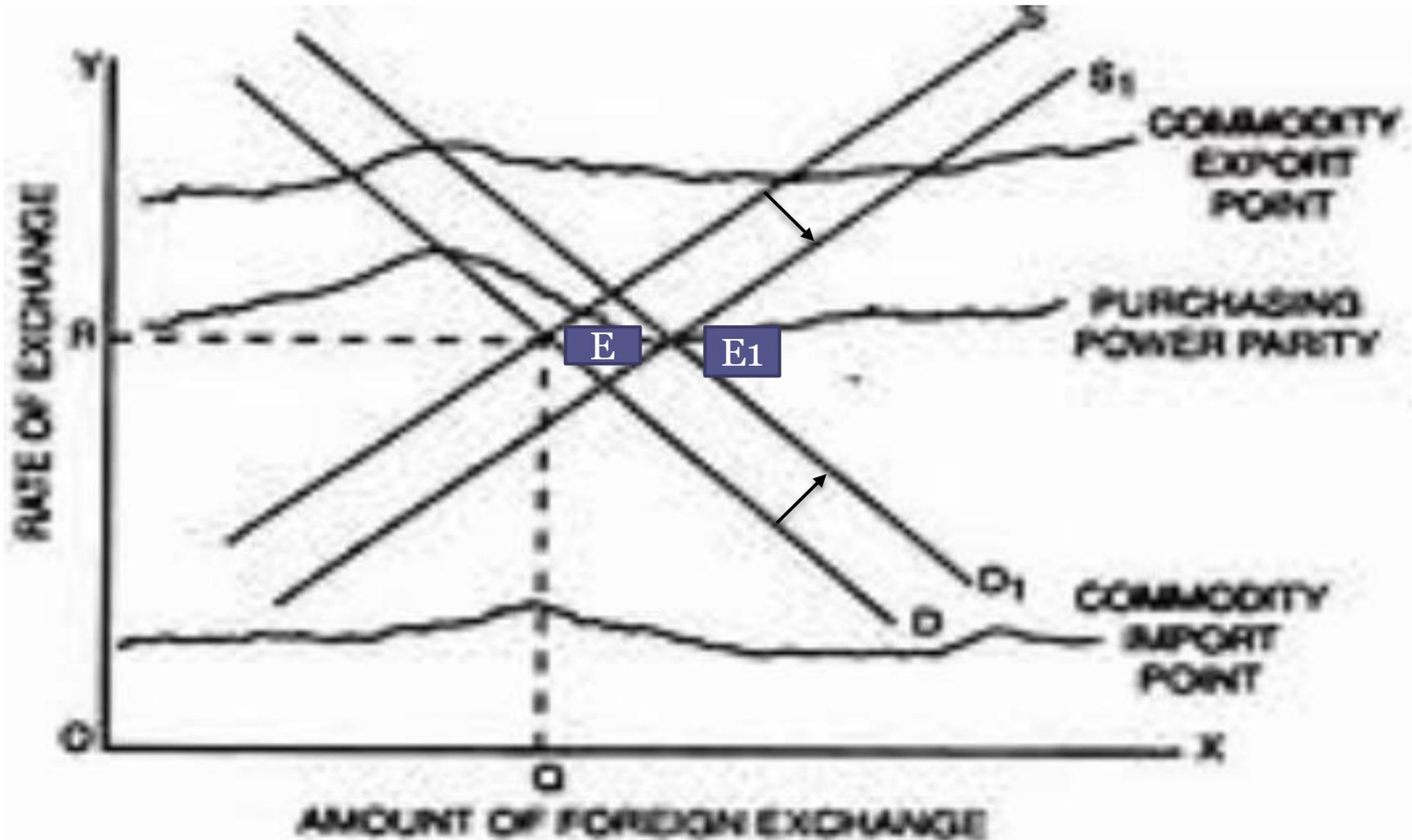
$$PPP = DIR - FIR$$

Where, DIR = Domestic Inflation Rate

FIR = Foreign Inflation Rate

If **DIR > FIR** then there will be ***depreciation of home currency*** & if **FIR > DIR** then there is ***appreciation of home currency***.

Diagrammatic Explanation



Major Criticisms of PPP Theory

- It ignores many real determinants.
- It is based on unrealistic assumptions.
- The theory is an empty truism.
- The theory overlooks the importance of demand & supply in foreign exchange.
- It holds good in long run.
- Issue of old exchange rate(Base rate).
- It disregards the basis of international trade.
- Practical difficulty in measuring true purchasing power of a currency.
- The theory ignores capital transactions.
- Unrealistic assumption of exchange rate as a passive variable.
- Static theory.
- Unrealistic assumption of free trade & absence of exchange control.
- It does not include the elasticities of reciprocal demand.
- It is crude approximation.
- It fails to explain large volatility.

Factors affecting FER

- Trade movement
- Capital movement
- Stock exchange operations
- Speculation transactions
- Banking operations
- Monetary policy
- Political conditions

BLACK MONEY

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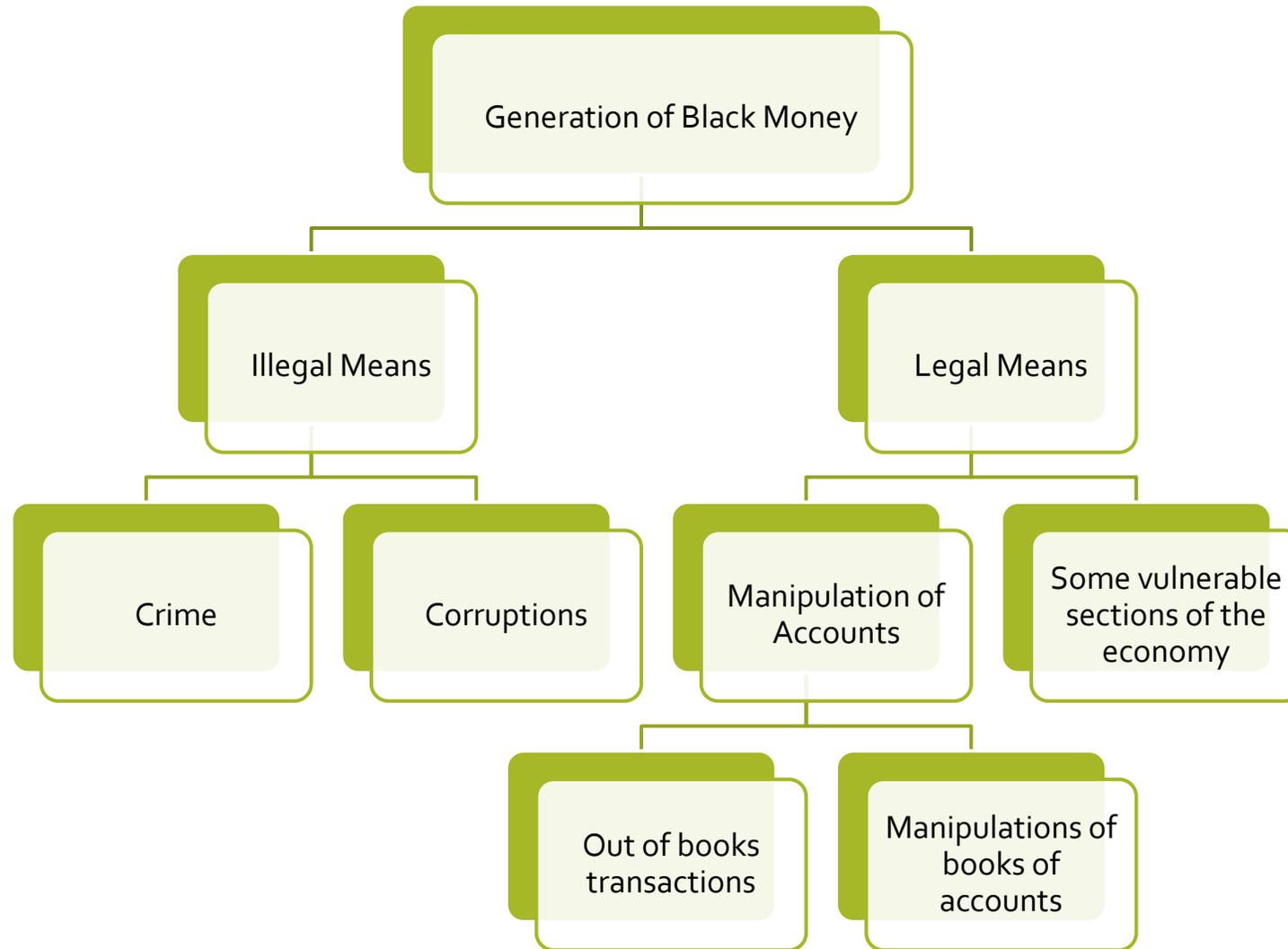
Introduction

- Black money or Black economy or parallel economy or black income or unaccounted income or illegal economy or under ground wealth or shadow economy or unofficial economy are terms which are used interchangeably in economic literature.
- In the post independence period, the size of the black economy has increased considerably in India giving immense power to unethical people to influence State polices in their favour & marginalized the common & poor people.

Definitions

- The White paper on Black Money released by the **Government of India** in May, 2012 defined black money as *"assets or resources that have neither been reported to the public authorities at the time of their generation nor disclosed at any point of time during their possession."* (G.O.I., Ministry of Finance, White Paper on Black Money, **May, 2012**, New Delhi, p.2).
- This definition is in consonance with the definition used by the National Institute of Public Finance & Policy (NIPFP) in its report on **Aspects of Black Money in India** released in **1985**.
- The NIPFP defined black money as *"the aggregate of incomes which are taxable but are not reported to the tax authorities"*. (NIPFP, Aspects of Black Money in India, 1985, New Delhi, p.10).
- Further, black incomes or unaccounted incomes are the *"extent to which estimates of national income & output are biased downwards because of deliberate, false reporting of income, output & transactions for reasons of tax evasion, flouting of other economic control & relative motive"*. (NIPFP, Aspects of Black Money in India, 1985, New Delhi, p.12).
- Thus, black money include...
 1. Tax evaded income.
 2. Unaccounted income.

Generation of Black Money



Generation of Black Money

- From the above definitions, it is clear that black money is used to refer to money that is not fully legitimate in the hands of owner. Black money, can be generated either by illegal means or legal means.

1. Illegal Means: Black money can arise from illegal activities such as crime & corruptions. The 'Criminal' component of black money may include proceeds from a range of activities including racketeering, trafficking in counterfeit & contraband goods, smuggling, production & trade of narcotics, forgery, illegal mining, illegal selling of forest, illicit liquor trade, robbery, kidnapping, human trafficking, sexual exploitation & prostitution, cheating & financial fraud, drug money, bank fraud, illegal trade in arms. The 'corrupt' component of such money could stem from bribery & theft by those holding public office.

2. Legal Means: Black money is usually generated & accumulated by failing to pay the dues to the public exchequer in one form or the other. Black money generation through legal mean can be discussed under two headings viz.,

- a. Generation of black money through manipulation of accounts &
- b. Generation of black money in some vulnerable sections of the economy.

Generation of Black Money

a. Generation of black money through manipulation of accounts :

Any transactions entered into by the tax payers must be entered into books of accounts which are summarized at the end of the year in the form of financial statement. Tax evaders resort to different kinds of manipulations of financial statements resulting in tax evasion & the generation of black money. This can be broadly divided into categories-

- (i) Out of book transaction.
- (ii) Manipulations of books of accounts.

b. Generation of black money in some vulnerable sections of the economy.

In this context, white paper specifically mentions the following sectors (or activities) – real estate, the bullion & jewellery market, financial market, public procurement, non profit organization, external trade, international transactions involving tax havens, informal service sector.

Methods of Estimating Black Money

- Estimating the size of black economy is very difficult. This is due to the reason that the black economy exists in the shadows & no one reports their black incomes. Therefore, estimation has to be done through indirect ways.
- Different economists have used different methods & the sources of data also vary considerably.
- The main methods adopted for estimating the quantum of black money in India are as follows –
 1. Input/Output method.
 2. The monetary approach.
 3. The Survey Approach.
 4. Fiscal Approach.

Estimation of Black Money in India

Expert Group Committees	Estimation
Nicholar Kaldor's Estimation	Kaldor estimated the amount of black money at Rs. 600 Crs. In 1953-54 which was 6% of GNP at market price in that year.
Wanchoo Committee's Estimation	For the year 1961-62 the income which is escaped tax was Rs.811 Crs. After making some adjustments, it scaled down to Rs. 700 Crs. which was 4.4 % of GNP. For the year 1965-66 , the committee estimated Rs. 100 Crs. Which is 4.2 % of GNP in that year.
O.P. Chopra's Estimates	According to him, black money in 1960-61 was Rs. 916 Crs which was 6.5 % of GNP at factor cast in the same year. This rose to Rs. 8098 Crs. In 1976 -77 (11.4% of GNP).
Estimates by Poonam Gupta & Sanjeev Gupta	The size of the black economy in 1967-68 was Rs. 3034 Crs. which rose to as high as Rs. 46,867 Crs. In 1978-79, i.e., more than 15 times. In Percentage terms, 1967-68, the underground economy formed nearly 9.5 % of measured GNP. By 1978-79, it had jumped to 48.8 % . Thus, 1978-79 almost half of the official income was been produced outside the 'legal' sector.
Parliamentary Standing Committee on Finance	A Parliamentary Standing Committee on Finance quoted unofficial estimates of black money at Rs. 1,10,000 crore in 1994-95. Prof. Madhu Dandavate, the then Deputy Chairman of the Planning Commission recently quoting an unofficial estimate, disclosed that black money worth Rs. 80,000 crore was in circulation in the country.

Chopra's Estimation of Unaccounted Income

Year	Unaccounted income: "Wanchoo method" (Rs crore)	Unaccounted income: "Own method" (Rs crore)	Column (1) as percentage of GNP at current factor cost	Column (2) as percentage of NNP at current factor cost	Column (1) as percentage of GNP at current factor cost	Column (2) as percentage of GNP at current factor cost
	(1)	(2)	(3)	(4)	(5)	(6)
1960-61	747	916	5.6	6.9	5.3	6.5
1961-62	801	716	5.7	5.1	5.4	4.8
1962-63	897	837	6.1	5.6	5.7	5.3
1963-64	1008	1452	5.9	8.6	5.6	8.1
1964-65	1132	1564	5.7	7.8	5.4	7.4
1965-66	1231	1539	6.0	7.5	5.6	7.0
1966-67	964	1685	4.0	7.1	3.8	6.7
1967-68	1563	1816	5.6	6.5	3.9	4.6
1968-69	1651	1318	5.8	4.6	5.5	4.4
1969-70	2104	2714	6.7	8.6	6.3	8.1
1970-71	1908	2062	5.6	6.0	5.2	5.7
1971-72	2208	1392	6.0	3.8	5.7	3.6
1972-73	1897	1795	4.7	4.5	4.4	4.2
1973-74	2869	4757	5.7	9.4	5.4	8.9
1974-75	4110	8611	6.9	14.5	6.5	13.7
1975-76	4107	7292	6.6	11.7	6.2	11.0
1976-77	4551	8098	6.8	12.1	6.4	11.4

Source : 1. Chopra (1982).
2. Government of India, Economic Survey, 1982-83.

Source:

The Unaccounted Economy in India: A Critical Survey of Some Recent Estimates (Jan, 1983), Shankar N Acharya and Associates.

Web link :

https://www.nipfp.org.in/media/pdf/working_papers/WP_1983_1.pdf
accessed on 29/03/2021 @17:38

NIPFP Estimation (1975-1983)

Year	Estimate of Black Money (In Rs. Crs.)	Percent of GDP
1975-76	9,958 to 11,870	15- 18%
1980-81	20,362 to 23,678	18-21%
1983-84	31,584 to 36,786	18-20%

Source: NIPFP, Aspects of Black Money in India, (1985), New Delhi, Table XIII. 2.6 p.481 & Table XIII.2.7 p.433

Magnitude of Black Money

Year	Amount of Black Money (In Rs. Crs.)	Percent of GDP
1953-54	600	6
1961-62	700	4.4
1965-66	100	4.2
1971-72	2208	5.7
1976-77	8098	11.4

Causes of Black Money

1. Money laundering.
2. High tax rates & black income.
3. State controls & black economy.
4. Urban land & property deals.
5. Complex tax structure & poor enforcement of tax laws.
6. Generation of black money in the public sectors.
7. Corruption in awarding public works.
8. Telecom & Mining Scams.
9. Bribes for out-of- turn favors.
10. Donations to political parties.

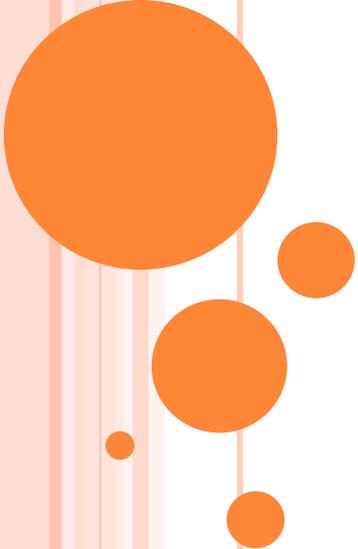
Consequences (Effect) of Black Money

1. Loss of revenue.
2. Loss of control over policy. (Policy Failure).
3. Unproductive investments.
4. Transfers of funds.
5. Corrupt political system.
6. Soaring urban land values.
7. Criminalization.
8. Spread of rotteness in public life.

Government's Policy to Curb Black Money

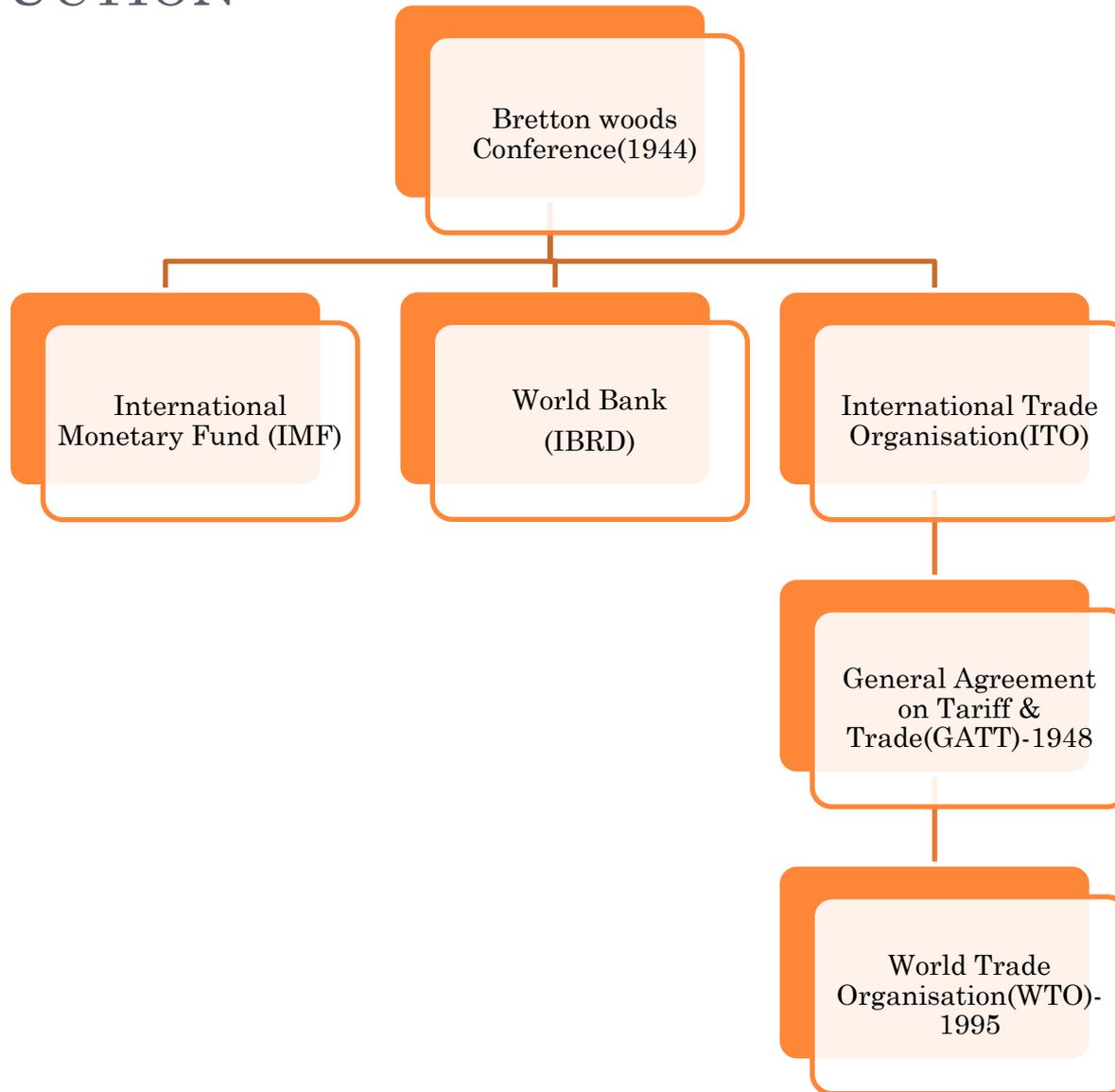
1. Measures to check tax evasion.
2. Demonetization.
3. Special barer Bond Scheme.(1981).
4. Voluntary Disclosure Scheme (1997-98).
5. Prevention of Money Laundering Act, 2002.(Enforce from 1st July,2005).
6. Right to Information Act, 2005.
7. Lokpal (Centre) & Lokayukt (State) Bill, 2011. (Passed by Parliament in Dec.,2013).

A JOURNEY- FROM GATT TO WTO



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INTRODUCTION



GENERAL AGREEMENT ON TARIFF & TRADE- GATT

- GATT which has been drawn up as an interim agreement to fill up the gap until the ITO charter was ratified, became the framework for international trading system since 1948.
- GATT was signed by 23 countries in 1947. Over the years the membership of GATT swelled & in 1994 it became 118 countries. India was a founder member of GATT.
- The guiding principle of GATT was what is known as Most Favoured Nations(MFN) clause-
“any advantage, favour, privilege or immunity granted by a contracting party to any product originating in or destined for any country shall be accorded immediately & unconditionally to the like product originating in or destined for the territories of all contracting parties”.

OBJECTIVES OF GATT

1. To raise standard of living.
2. To ensure full employment & a large & steadily growing volume of real income & effective demand.
3. To develop the full use of resources of the world.
4. To expand production & international trade.

For realization of its objectives, GATT adopted certain principles.

PRINCIPLES OF GATT

1. Non discrimination.
2. Prohibition of Quantitative Restrictions (QRs).
3. Consultation.



ROUNDS OF GATT

- In all there are 8 Rounds of GATT among which Uruguay Round is to be considered as a crucial round of GATT.

Rounds	Place	Negotiations
I	Geneva (Switzerland)- 1947	On 30/10/1947,GATT was signed by 23 nations.
II	Annecy (France)-1949	The contacting parties exchanged some 5000 tariff concessions.
III	Torquay (UK)-1950-51	The contacting parties exchanged some 8700 tariff concessions yielding tariff reduction of about 25%.
IV	Geneva (Switzerland)-1956	Produced some \$2.5Bn. worth of tariff reduction
V	Geneva (Switzerland)-1960-61	Negotiations with EEC for creation of single schedule of tariff
VI	Geneva (Switzerland)-1964-67	Further general round of tariff negotiations
VII	Tokyo (Japan)-1973-79	99 nations participated & negotiations related to tariff & NTBs.
VIII	Punta- Del-Este (Uruguay) 1986-94	Reducing specific trade barriers, strengthening of disciplines & problems of liberalisation like TRIPS & TRIMs.

WHY URUGUAY ROUND WAS CRUCIAL ?

- Mr. Arthur Dunkel ,Director General of GATT prepared a Draft popularly known as Dunkle Draft includes the following issues –
- Features of Uruguay Round(negotiations)
 1. Average cut of 40% on industrial products,
 2. An average increase in the % of tariff binding from 21-73%(for developing countries) & from 78-99% (for developed countries)
 3. A comprehensive programme of agricultural reforms. (including subsidies)
 4. Transformed the multi trading system which exists under GATT into the permanent WTO.

This draft was heavily biased in favour of DCs & it was so designed to surrender the sovereignty of LDCs. Later all 125 nations refused to signed this Black Draft.

WORLD TRADE ORGANISATION- W.T.O.

- The signing of the Final Act of Uruguay Round in April,1994 paved the way for the setting up of WTO. This agreement was signed by 104 members.
- The WTO agreement came into force from January 1, 1995 & India become the founder member of WTO.
- The WTO is a new international organisation set up as a permanent body & is designed to play a role of a dogwatch in the sphere of trade in goods & services, foreign investments, IPRs etc.
- At present the Director General of W.T.O. is Ngozi Okonjo-Iweala - first woman and the first African to serve as Director-General took charge on 1st March,2021.
- It has 164 member countries. (as on Today)

MEMBER NATIONS OF W.T.O.



FUNCTIONS OF WTO

- The WTO shall facilitate the implementation, administration & operation of the multilateral trade & shall also provide the framework of the plurilateral trade agreements.
- The WTO shall provide the forum for negotiation among its members.
- The WTO shall administer the understanding on Rules & Procedure governing the settlement of Disputes.
- The WTO shall administer the Trade Policy Review Mechanism with a view to achieve greater coherence in global economic policy making.



PRINCIPLES OF WTO

- Non discrimination.
- Transparency.
- Reciprocity.
- Safety valves.

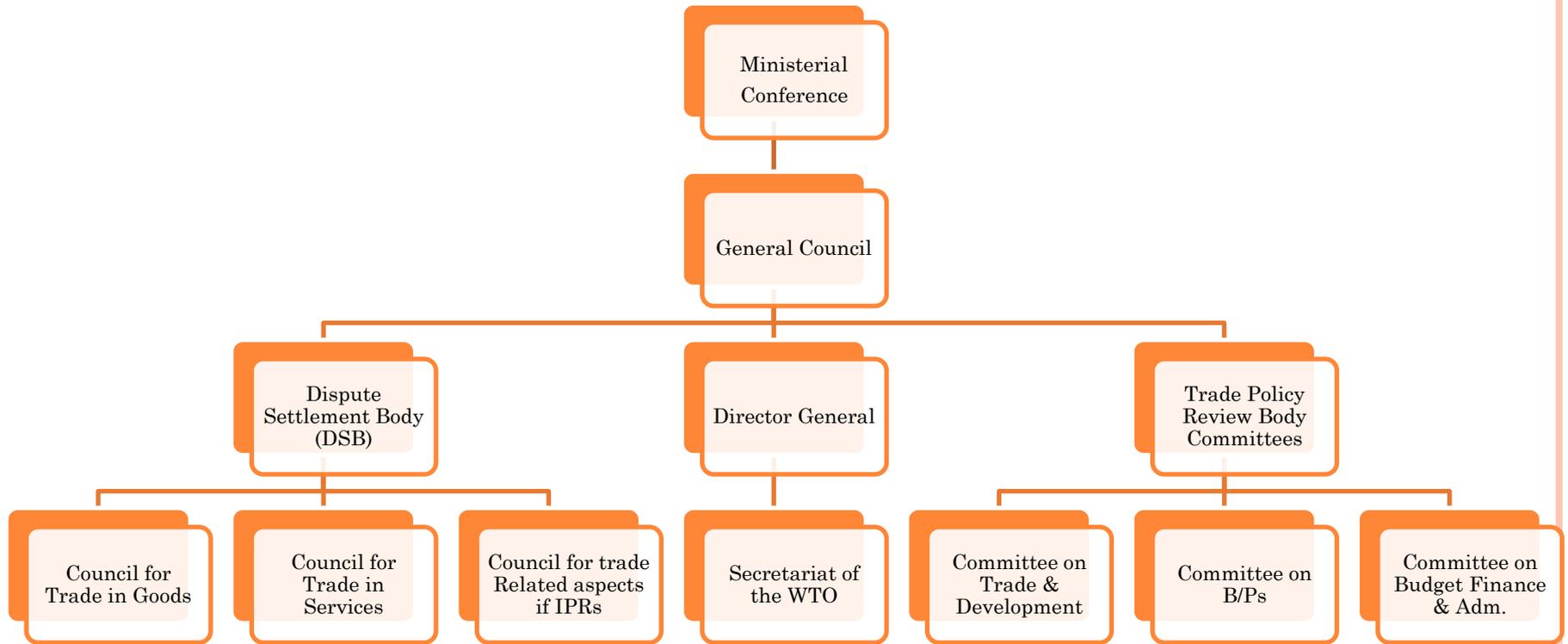


OBJECTIVES OF WTO

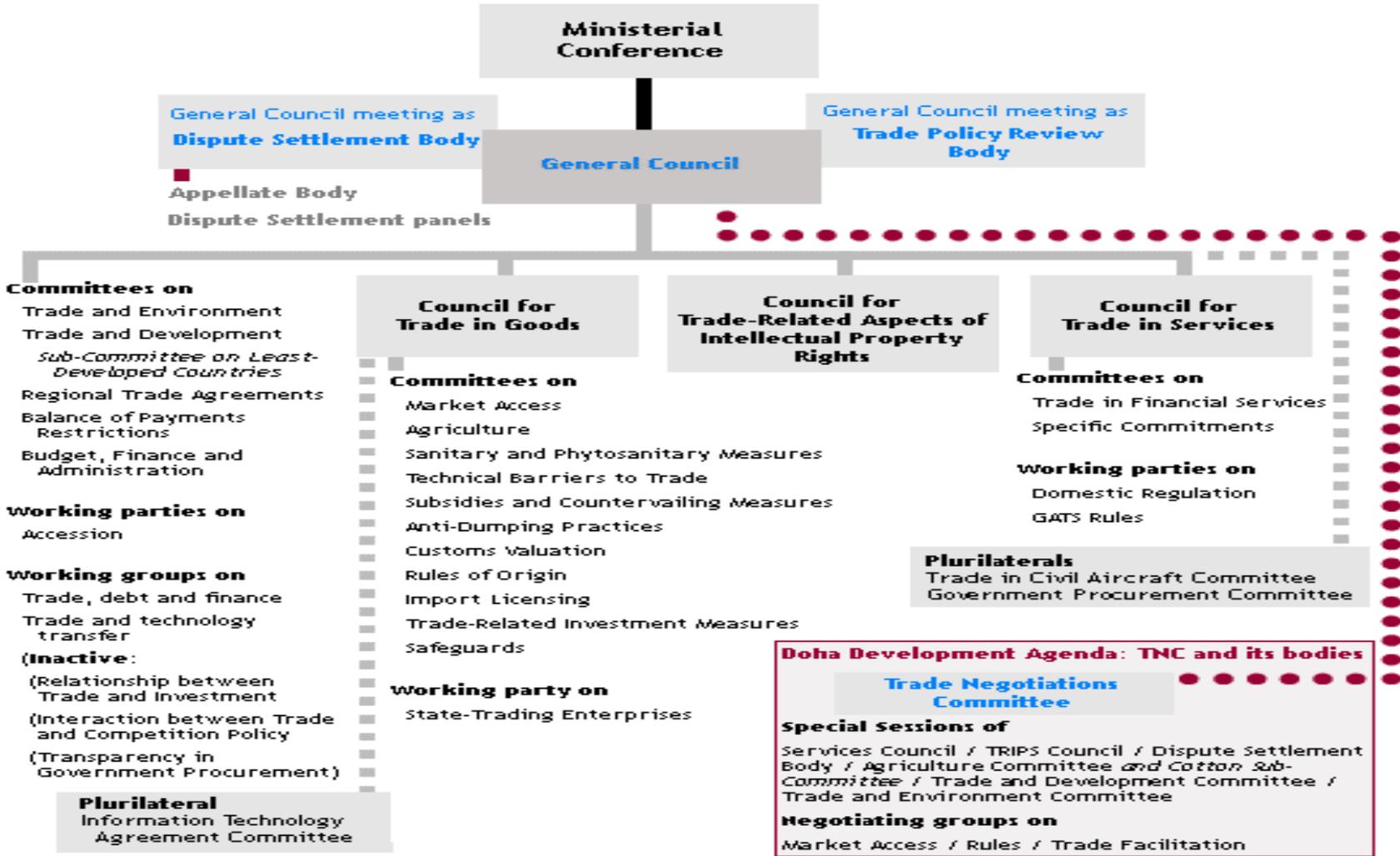
- To eradicate the hurdles in the way of free trade.
- To raise the standard of living & attain full employment.
- To attain sustainable development.
- To maintain fair trade practices.



ORGANISATIONAL STRUCTURE OF WTO



ORGANIZATIONAL STRUCTURE OF WTO



MINISTERIAL ROUNDS OF WTO

Rounds	Place & Year	Negotiations/ Decisions
I	Singapore (1996)	Two separate working parties set up on investments, Comp. Laws & Trade facilitation.
II	Geneva (1998)	Work , Programme on E- commerce launched.
III	Seattle (1999) (Wrong Trade Organisation)	Market Access, A.o.A, Services, Trade facilitation, E Commerce, New Round.
IV	Doha (2001)	New Round, Public health, Agri. Subsidies, Environment & labour standards, Special & differential treatment & Singapore issue
V	Cancun (2003)	No agreement reached.
VI	Hong Kong (2005)	Conclusion for negotiation launched at Doha was proposed.
VI	Mini –Ministerial Meeting (2006)	Non Agricultural Market Access (NAMA)
VII	Geneva (2009)	Provide platform for different groups to access the direction of the negotiations.(India & her coalition partners joins the hands)

MINISTERIAL ROUNDS OF WTO

Rounds	Place & Year	Negotiations/ Decisions
VIII	Geneva (2011)	To sort out the issues withheld at Doha round .However, there was a deadlock in it ; conflict between USA & China as well with USA & Cotton-5 (C-5) countries in South Africa in subsidies issues.
IX	Bali, Indonesia (2013)	Success to India for the subsidies issues.
X	Nairobi, Kenya (2015)	Nairobi Package Includes- 1.Special Safeguard Mechanism (SSM) for Developing nations ; 2. Public Stockholding Food Security; 3.Developing nations should eliminate export subsidy by 2018 ; 4. Cotton & cotton related products originating from LDCs shall be provided duty free & quota free market access from 1Jan.,2016. ; 5. To ease preferential rules applicable to imports from LDCs should be transparent & simple ; 6.Implementation of Preferential treatment in favour of services & service suppliers of LDCs & more participation in Service trade by LDCs.

MINISTERIAL ROUNDS OF WTO

Rounds	Place & Year	Negotiations/ Decisions
XI	Buenos Aires, Argentina (11 th – 14 th December,2017)	The Conference concluded with a number of ministerial decisions, including on fisheries subsidies and e-commerce duties, and a commitment to continue negotiations in all areas.
XII	To be held at Nur Sultan, Kazakhstan in December, 2019	However because of Pandemic COVID 19 it was postponed & rescheduled on 20 June,2020. But in spite of the continuous threat of this pandemic it is now rescheduled on 13 th June,2022 in Geneva, Switzerland.
XII	Geneva, Switzerland 12 th –16 th June,2022	The outcomes of “ Geneva Package ” reached on fisheries subsidies, the WTO response to the pandemic, food insecurity, e-commerce and other issues demonstrate that the multilateral trading system can respond to some of the most pressing challenges of our time.

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INDIA'S COMMITMENTS TO W.T.O. :

1. Tariff Lines :

Not to raise tariff beyond certain level.

2. Quantitative Restrictions:

To improve the B/Ps situation Q.Rs. is to be removed over a period of time.

3. TRIPs :

New patent regime provides for the product patents in the drugs & farm products.

4. TRIMs:

Allowing investments in 22 categories & in production of certain pharmaceutical products.

5. Customs Valuation Rules:

Amendments in custom valuation rules of 1998.



AGREEMENTS OF WTO

- The agreements of WTO can be divided into the following categories-
- 1. Agreement on Agriculture.
- 2. Agreement on trade in textile & clothing (MFAs)
- 3. Agreement on Market Access.
- 4. Agreements on TRIMs.
- 5. Agreement on TRIPs.
- 6. Agreement on Services (GATS).
- 7. Dispute Settlement Body (DSB).



BENEFITS PROCLAIMED FOR INDIA

- 1. Benefits for expansion in trade**-India's competitive advantage in world market.
- 2. Benefits from phasing out of MFA**- India's textile & clothing exports will increase due to phasing out of MFAs by 2005.
- 3. Improved prospects for agricultural**-the reduction in agricultural subsidies & barriers to exports of agri. Products increases India's exports.
- 4. Benefits from Multilateral rules & disciplines**- relating to anti-dumping, subsidies & countervailing measures , safeguards & dispute machinery will ensure greater security & predictability.
- 5. Benefits from market access**-India along with other developing countries has a market access to no. of advanced countries.

DISADVANTAGE TO INDIA

1. TRIPs: It is argued that TRIPs agreement goes against Indian Patent Act of 1970.

Indian Patent Act , 1970	Uruguay Agreement
Only Process Patent	Product patent were also applicable.
Patent expiry period is 5 to 7 years	Patent expiry period is 20 years for all products.
Plants & animals are not patentable.	Micro organisms & biological processes are patentable.
A patent is treated as working only when it is used in local manufacturing.	A patent is treated as working even when it is not used in local manufacturing.

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DISADVANTAGE TO INDIA

2. Competitive advantage may not be up to expectations.
3. Inadequate provision for agricultural subsidies.
4. Services: Services like insurance, banking, telecommunication, transportation is backward in India which is to be provided by developed countries.
5. Effects on Indian industry.
6. Impact on SSIs.
7. Double standards of DCs-Hypocrisy.



GATT V/s. WTO

GATT	WTO
GATT was ad hoc & provisional.	WTO & its agreements are permanent.
GATT has a contracting parties.	WTO has members.
GATT allowed existing domestic legislation to continue even if it is violated a GATT agreement.	WTO does not permit this type of practices.
GATT was less powerful, DSB was slow & less efficient, its ruling could be easily blocked.	WTO is more powerful than GATT ,DS mechanism is faster & more efficient , very difficult to block ruling.

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GLOSSARY

- Under WTO system especially in agriculture segment various categories for domestic support was introduced which includes various boxes which are as follows:

1.Green Box:

Supports considered not to distort trade & therefore permitted with no limits.

2.Blue Box:

Permitted supports linked to production but subject to production limits & therefore minimum trade distortions.

3.Amber Box:

Supports considered to distort trade & therefore subject to reduction commitments.



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Thank You
Any Questions ??



POVERTY

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Poverty



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POVERTY IN INDIA

- In almost all developing countries where per capita income is low, income inequalities has resulted in a number of evils of which poverty is certainly the most serious one.
- In India inspite of all development during the last six decades, 34.3 percent of population was getting less than 1USD.(PPP) a day in 2004-05.

THE CONCEPT OF POVERTY LINE

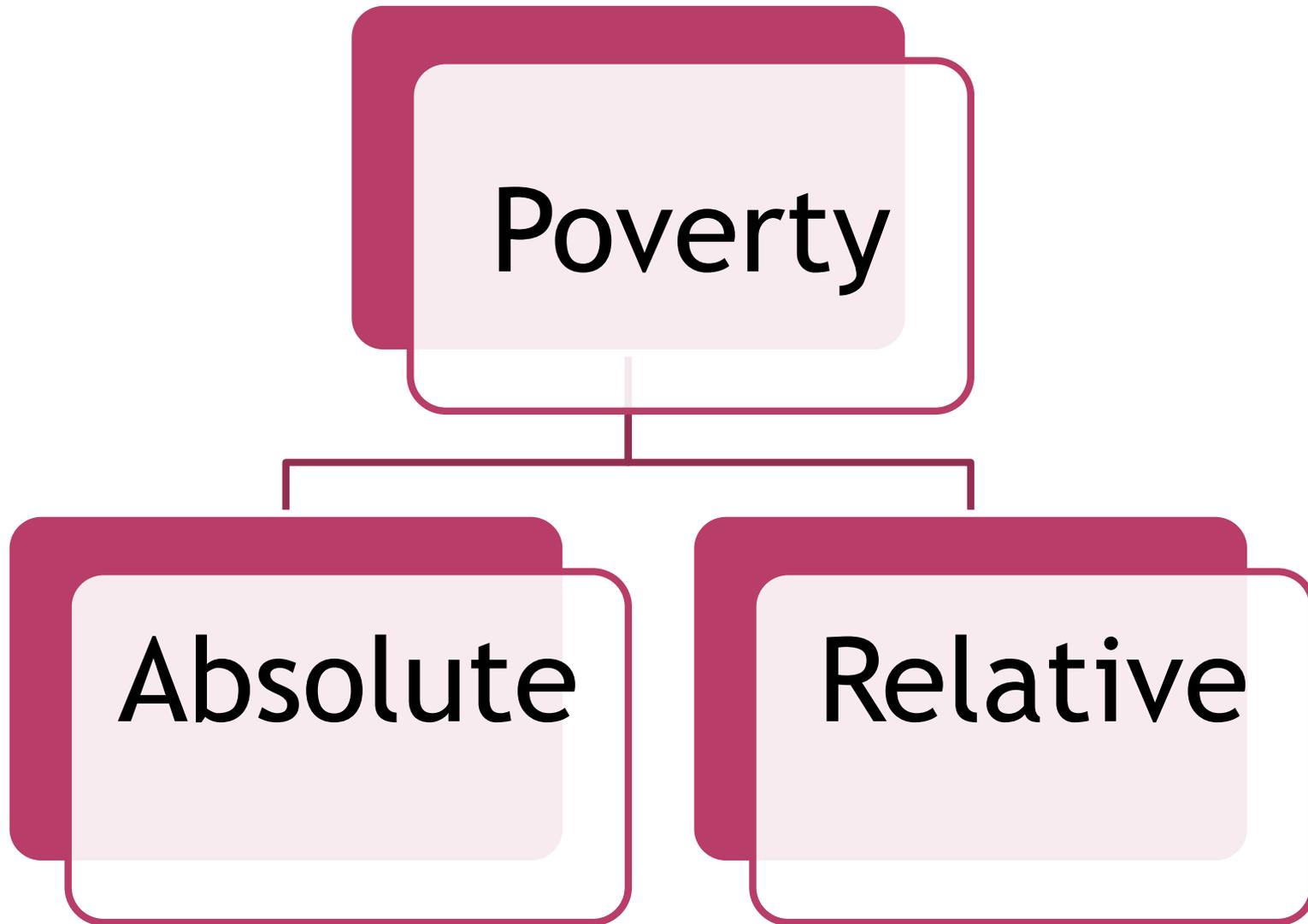
The concept of poverty line was coined by Lord Boiyl -Director of WHO in 1945.

Using the income poverty method, the task Force had defined the poverty line as the mid point of the monthly per capita expenditure class having a daily calorie intake of 2400 per person in rural area & 2100 in urban areas. On the basis the cut off point turn out to be `49.09 for rural areas & `56.64 for urban areas at 1973-74 prices. These figures constituted the *official poverty lines* for that year.

POVERTY GAP INDEX

- The poverty gap index is defined by the mean distance below the poverty line expressed as a proportion of that line (where the mean is formed over the entire population, counting the non poor as having zero poverty gap).
- The poverty gap thus measures the transfer that would bring the income of every poor person exactly up to the poverty line, thereby eliminating poverty.

TYPES OF POVERTY



ABSOLUTE V/S. RELATIVE POVERTY

- ◉ Absolute poverty implies laying down the absolute norms for living like minimum physical requirement & these physical quantities are then converted in to monetary terms as per price quotations.
- ◉ Relative poverty measures the pattern income distribution amongst the various sections of population & a comparison of levels of living.

INDICATORS OF POVERTY

1. Per capita Income.
2. Monthly per capita consumption expenditure.
3. Calorie Intake.
4. Level of literacy.
5. Housing.
6. Size of Family.
7. Pattern of Income Distribution.
8. Unemployment & underemployment.

STUDIES ON POVERTY

Studies	Year	Total Incidence (in %)
P.D. Ojha	1960-61 & 1967-78	44
P.K. Bardhan	1960-61 & 1967-68	54.0(1967-68)
B.S. Minhas	1956-57, 1963-64, 1969-70	37.1 (1967-68)
M. Ahluwalia	1956-57, 1963-64, 1967-68 & 1973-74	56.4 (1967-68)
V.M. Dandekar & Rath	1960-61, 1968-69, 1969-70	41, 40, 41,
V.M. Dandekar	1971-72, 1977-78, 1983-84	
Minhas, Jain & Tendulkar	1987-88,	42.7
Planning Commission	1973-74, 1983-84, 1993-94, 2004-05	54.9, 44.5, 36.0, 21.8
Expert Group	1993	39.1
Planning Commission	1996-97	29.2
NSSO	1999-2000, 2004-05, 2011-12	26.1, 27.5, 21.9 (Based on PCI)

INCIDENCE OF POVERTY

Areas	1973-74		1993-94		2004-05	
	Poverty Line (in `)	% of persons BPL	Poverty Line (in `)	% of persons BPL	Poverty Line (in `)	% of persons BPL
Rural	49.63	56.4	205.84	37.3		21.8
Urban	56.64	49.0	281.35	32.4		21.7
Combined	-	54.9	-	36.0	-	21.8

Source:

R.B.I., Handbook of Statistics on the Indian Economy, 2009-10, T-162, pp.288-293, Mumbai.

Government of India, Economic Survey, 2007-08, T-10.4, p.243, Delhi

CAUSES OF POVERTY

- ◉ Problem of unemployment.
- ◉ High growth of population among poor.
- ◉ Poor implementation of poverty alleviation programme.
- ◉ Slow economic development.
- ◉ Illiteracy.
- ◉ Unequal distribution of income & wealth.
- ◉ Inflation.
- ◉ Inherent debt.
- ◉ Malpractices by money lenders.
- ◉ Excessive social expenditure.
- ◉ Low agricultural productivity.
- ◉ Social exploitation.

MEASURES TO SOLVE POVERTY

- ⦿ Faster growth.
- ⦿ Improving infrastructural facilities.
- ⦿ Rigorous implementation of land reform programme.
- ⦿ Development of Human resources.
- ⦿ Effective Implementation of public distribution system.
- ⦿ Lowering inflation.

MULTIDIMENSIONAL POVERTY

- Human Development Report-2010 introduced the concept of Multidimensional Poverty Index(M.P.I.) to replace Human Poverty Index(H.P.I.).
- The MPI is the product of the multidimensional poverty head-count (the share of people who are multidimensionally poor) and the average number of deprivations each multidimensionally poor households experiences (the intensity of their poverty).
- It has three dimensions mirroring the H.D.I. viz., health, education & living standards which are reflected in 10 indicators. The maximum score is 100 percent, which each dimension equally weighted (thus the maximum score in each dimension is 33.3 per cent).

TEN M.P.I. INDICATORS

S.No.	Indicators
Education	
1.	No one has completed 5 years of schooling.
2.	At least one school - age child (up to grade 8) who is not enrolled in school.
Health	
3.	At least one member should be malnourished.
4.	One or more children have died.
Standard of Living	
5	No electricity.
6	No access to clean drinking water.
7	No access to adequate sanitation.
8	House has dirty floor.
9	Households uses dirty cooking fuels(dung, wood or charcoal).
10	Households have no car or motorized vehicles & own at most one of these assets- Bicycle, motorcycle, radio, refrigerator, telephone or television.

CALCULATION OF MPI

- M.P.I. is a product of two measures: the multidimensional head-count ratio (H) & the intensity of poverty (A), i.e.,

$$M.P.I. = H * A$$

- Head-count Ratio (H): is the proportion of the population who are multidimensional poor-

$$H = q / n$$

Where, q= no. of people who are multidimensional poor. & n= total population.

- The intensity of Poverty (A): reflects the proportion of the weighted component indicator in which, on average, poor people are deprived.

$$A = \Sigma c / q$$

Where, c is the deprivation score that the poor experience.

M.P.I. VALUE IN INDIA

- Human development Report- 2014 presents estimates of M.P.I. According to this report, the position of India is worrisome.
- The Reports reveals that that 55.3 percent of India's population (i.e., 63.2 Crore people) suffers from multidimensional poverty.
- Moreover, 27.8 percent of India's population suffers from 'severe poverty'.
- According to HDR ,2018, 27.5 % of India's population (36.4 crore) suffers from multidimensional poverty. Moreover, 83.6% of India's population suffers from "Severe poverty".

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THANK YOU
ANY QUESTIONS ???

UNEMPLOYMENT

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THE PLOT

Growth of Labour Force in India

Year	Labour Force (In Crs.)	Average Annual Growth Rate (In %)
1971	18.07	-
1981*	24.20	2.96
1991@	30.60	2.37
2001	40.22	2.78
2011	48.17	1.82
2023	59.64	-

Note: * Excluding Assam & J&K ; @ Excluding J & K

Source: 1. Statistical Outline of India 2012-13, T-30,p.36 ,TSL

2. Planning Commission, Twelfth FYP(2012-17), Vol-III, T- 22.13,
p.135, GoI, New Delhi

DISTINGUISHED FEATURES OF INDIAN LABOUR FORCE

- ◉ Workers- Population Ratio is low in compare to other developed countries.
- ◉ The Rural Workers- Population Ratio is greater than Urban Workers-Population Ratio.
- ◉ The female workers participation rate is much lower as compare to the male worker participation rate. (In 2011 FWFPR was 25.51as compare to MWFPR i.e., 53.26).
- ◉ Worker Participation Rate are considerably different in different states.

FEATURE OF INDIAN LABOUR MARKET

- ◉ High degree of informality in labour market.
- ◉ Indian labour market provide livelihood to more than 90 percent of total workforce.
- ◉ A consistent decline in female labour force participation over the last two decades.
- ◉ India has lowest labour force participation rate for females in rural area in the world.
- ◉ There has been growing use of contract & casual workers in the formal sector over time.
- ◉ A significant segment of the informal labour is self employed engaged in petty economic activities.

CLASSIFICATION OF WORKERS

Main Workers &
Marginal Workers

Rural Workers &
Urban Workers

Male Workers &
Female Workers

MAIN WORKERS & MARGINAL WORKERS

- Main workers are full time workers.

Year	Main Workers (In Crs.)	Annual Growth Rate (In %)	Marginal Workers (In Crs.)	Annual Growth Rate (In %)
1971	17.50	-	0.57	-
1981	22.07	2.35	2.13	14.09
1991	27.89	2.37	2.71	2.44
2001	31.30	1.16	8.92	12.66
2011	36.24	1.48	11.93	2.95
2023	47.00	-	13.00	-

Source: 1. Computed from Statistical Outline of India, 2012-13, T-30, p. 36
2. Agriculture Statistics at a Glance 2015, , 2014, Gol, Delhi

RURAL & URBAN WORKERS

Year	Rural Workers (In Crs.)	Annual Growth rate (In %)	Urban Workers (In Crs.)	Annual Growth rate (In %)
1971	14.91	-	3.16	-
1981	19.51	2.73	4.69	4.03
1991	24.17	2.16	6.43	3.21
2001	31.07	2.54	9.15	3.59
2011	34.86	1.16	13.31	3.82

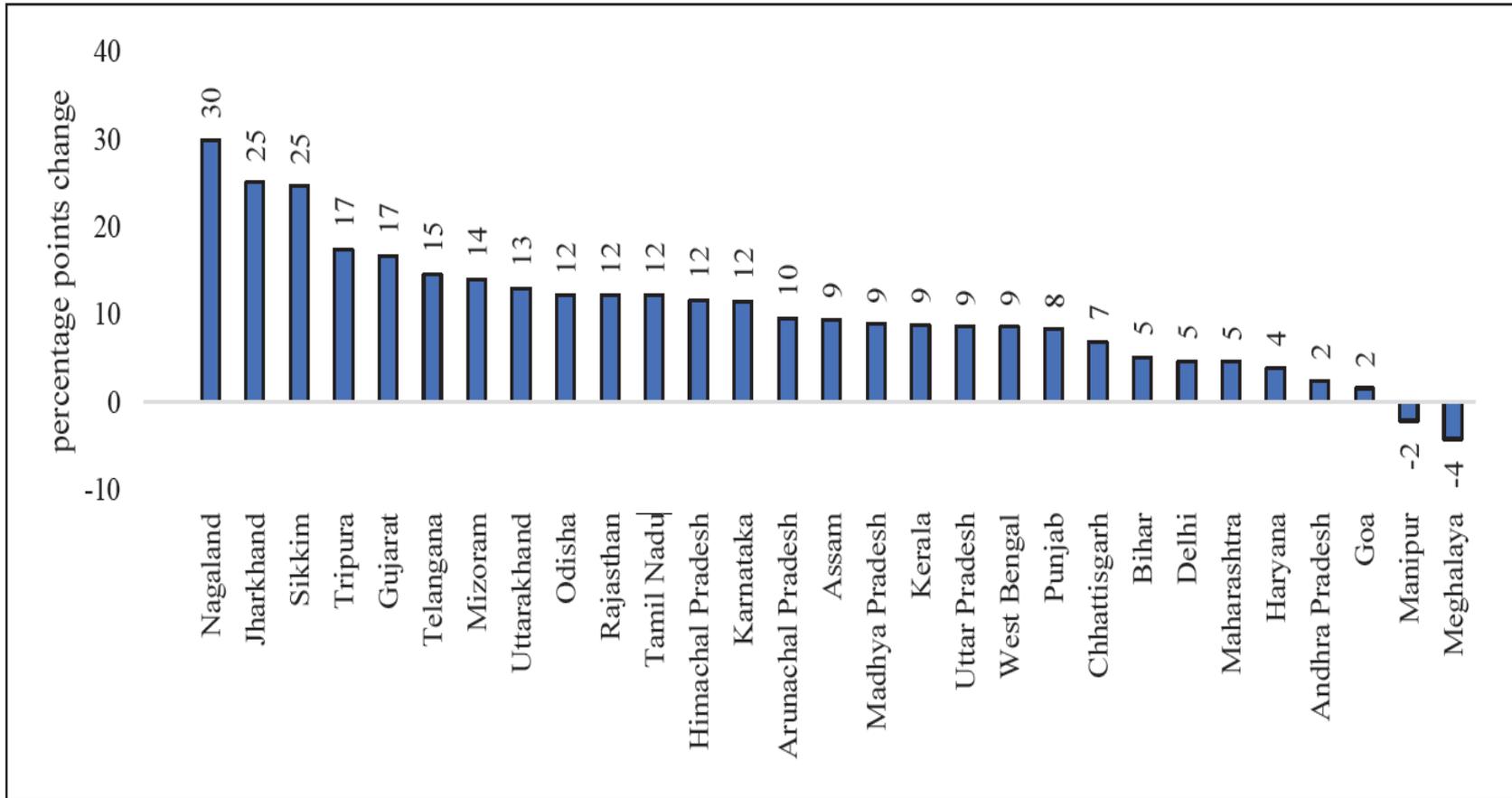
Source: 1. Computed from Statistical Outline of India, 2012-13, T-30, p. 36
2. Agriculture Statistics at a Glance 2015, , 2014, Gol, Delhi
3. Census of India 2001, Gol

MALE- FEMALE WORKERS

Year	Male Workers (In Crs.)	Annual Growth rate (In %)	Female Workers (In Crs.)	Annual Growth rate (In %)
1971	14.44	-	3.63	-
1981	17.93	2.19	6.27	5.61
1991	21.86	2.00	8.77	3.41
2001	27.55	2.34	12.70	3.77
2011	33.19	1.88	14.99	1.67

Source: 1. Computed from Statistical Outline of India, 2012-13, T-30, p. 36
2. Agriculture Statistics at a Glance 2015, , 2014, Gol, Delhi

FEMALE LABOUR FORCE PARTICIPATION RATE (2020-21 OVER 2017-18; USUAL STATUS: ALL AGES)



Source: PLFS, MoSPI

OCCUPATIONAL STRUCTURE IN INDIAN LABOUR MARKET

- Traditionally, in economic theories occupation is divided into three levels viz., primary, secondary & tertiary.

Occupational Distribution of Working Population in India (In Percentage)

Occupation	1951	1961	1971	1981	1991	2001	2011	2022-23
Agriculture	72.1	71.8	72.1	68.8	66.8	56.7	48.9	43.96
Industry	10.7	12.2	11.1	13.6	12.7	18.2	24.4	25.34
Services	17.2	16.0	16.8	17.6	20.5	25.1	26.7	30.70
Total	100							

Source:1. C.S.O., Statistical Pocket Book,1991, Delhi, T-1.4, p.5.
2. Statistical Outline of India, TSL, 2009-10, Mumbai
3.ILO, Indian Labour & Employment Report, 201, New Delhi

DETERMINANTS OF OCCUPATIONAL STRUCTURE

- ⦿ Factors determining Occupational structure:
 1. Geographical factors.
 2. Development of productive force.
 3. Division of labour & specialization.
 4. Level of per capita income.

THE PROBLEM

○ In Indian context there are many socio-economic problems which we are witnessing at present. However, the current topic focuses on three key problems which is faced by Indian Economy viz.,

1. Unemployment.

2. Poverty.

3. Inflation.

UNEMPLOYMENT

○ Definition:

Any person who is willing & capable to work at existing wage rate & still not finding a job in labour market is to be identified as unemployed.

With the above definition we can see there are three criterion with which we can define the problem of unemployment they are-

1. Willingness of a person to work.
2. Ability or capability to do work.
3. At existing wage rate.

CONCEPTS OF UNEMPLOYMENT

Current Daily
Status

Current Weekly
Status

Usual Principal
Status

THE CONCEPTS...

- The National Sample Survey Organisation (N.S.S.O.) has developed & standardized concepts & definitions of employment & unemployment in India.
- The three concepts of unemployment developed by NSSO are:

Concept	Description
The Usual Status	The U.S. unemployment rate is a person rate & indicates chronic unemployment because all those who are found usually unemployed in the reference year are counted as unemployed.
The Current Weekly Status	A person having worked for an hour or more on any one or more days during the reference period gets the status of employed.
The Current Daily Status	A person who works for one hour but less than four hours is considered having worked for half a day. If he works for four hours or more during a day, he is considered as employed for the whole day.

ECONOMIC GROWTH & EMPLOYMENT

- In the recent past, there has been deceleration in the growth of employment in India inspite of the accelerated economic growth called as.. *'Job Less Growth'*.

Period	GDP (ln % p.a.)	Employment (ln % p.a.)	Employment Elasticity
1972-73 to 1983	4.7	2.4	0.52
1983 to 1993-94	5.0	2.0	0.41
1993-94 to 2004-05	6.3	1.8	0.29
2004-05 to 2011-12	8.5	0.5	0.04
2022-23	6.5		

Source: Various Rounds of N.S.S.O.

TRENDS OF UNEMPLOYMENT IN INDIA

◉ The trends of unemployment can be examined from three different angles.

1. Sector's point of view- organised & unorganised.
2. Gender point of view-male & female.
3. Location point of view- rural & urban.

Employment & Unemployment (By UPSS)

Indicators	1993 - 1994	1999- 2000	2004- 2005	2009- 2010	2011- 2012	2020- 2021	2022- 2023
Labour Force	381.9 4	406.8 5	468.7 3	472.32	483.7 5	NA	NA
Workforce	374.4 5	397.8 8	457.5 6	462.49	472.9 1	NA	NA
Unemployed	7.49	8.97	11.17	9.84	10.84	NA	NA
Unemployment Rate	2.0	2.2	2.4	2.1	2.2	4.2	3.2

Source: C. Ranjrajan, Seema & Vibeesh, “Developments in Workforce Between 2009-10 & 2011-12”, EPW, June7,2014, T-2,p.118.

LFPR, WPR & UR FOR 2020-21

Rates	Rural			Urban			Rural+Urban		
	male	female	person	male	female	person	male	female	person
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
PLFS 2020-21									
LFPR	57.1	27.7	42.7	58.4	18.6	38.9	57.5	25.1	41.6
WPR	54.9	27.1	41.3	54.9	17.0	36.3	54.9	24.2	39.8
UR	3.9	2.1	3.3	6.1	8.6	6.7	4.5	3.5	4.2

Source:

<https://pib.gov.in/PressReleaselframePage.aspx?PRID=1833855>

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EMPLOYMENT TRENDS

(AS PER USUAL STATUS FOR ALL AGE GROUPS)

(PRINCIPAL STATUS + SUBSIDIARY STATUS)

(per cent)

		Rural			Urban			Rural + Urban		
		2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Male	LFPR	55.1	56.3	57.1	56.7	57.8	58.4	55.6	56.8	57.5
	WPR	52.1	53.8	54.9	52.7	54.1	54.9	52.3	53.9	54.9
	UR	5.6	4.5	3.9	7.1	6.4	6.1	6.0	5.1	4.5
Female	LFPR	19.7	24.7	27.7	16.1	18.5	18.6	18.6	22.8	25.1
	WPR	19.0	24.0	27.1	14.5	16.8	17	17.6	21.8	24.2
	UR	3.5	2.6	2.1	9.9	8.9	8.6	5.2	4.2	3.5
Person	LFPR	37.7	40.8	42.7	36.9	38.6	38.9	37.5	40.1	41.6
	WPR	35.8	39.2	41.3	34.1	35.9	36.3	35.3	38.2	39.8
	UR	5.0	4.0	3.3	7.7	7.0	6.7	5.8	4.8	4.2

Source: Annual PLFS 2017-18 to 2020-21, MoSPI

INDUSTRY WISE EMPLOYMENT

- While examining the data of estimated number of UPSS workers across broad industries we can visualize structural shift..is precisely the kind of progressive structural change in employment that should accompany structural shift in output between the primary ,secondary & tertiary sectors in any developing economy.

Estimated No. of Workers (In Percentage)

Industry	Years				
	1972-73	1983	1993-94	2004-05	2011-12
Primary	73.9	68.6	64.8	58.5	48.9
Secondary	11.3	13.8	14.7	18.1	24.4
Tertiary	14.8	17.6	20.5	23.4	26.7
Total	100.0	100.0	100.0	100.0	100.0

Source: Institute for Human Development, India- Labor & Employment Report-2014

SECTOR WISE EMPLOYMENT

Employment in Public & Private Sectors

Sector	1981	1991	2001	2011	2012
Public	154.8	190.6	191.4	175.5	176.1
Private	74.0	76.8	86.5	114.2	119.4
Total	228.8	267.4	277.9	289.7	295.5

Source:

EPW Research Foundation: A Pocket Book of Data Series, 2012, Delhi & G.o.I, Economic Survey- 2010-11 & 2014-15.

Employment in Informal & Formal Sectors

Years	Unorganized	Organized
1999-2000	86.3	13.7
2011-12	82.7	17.3

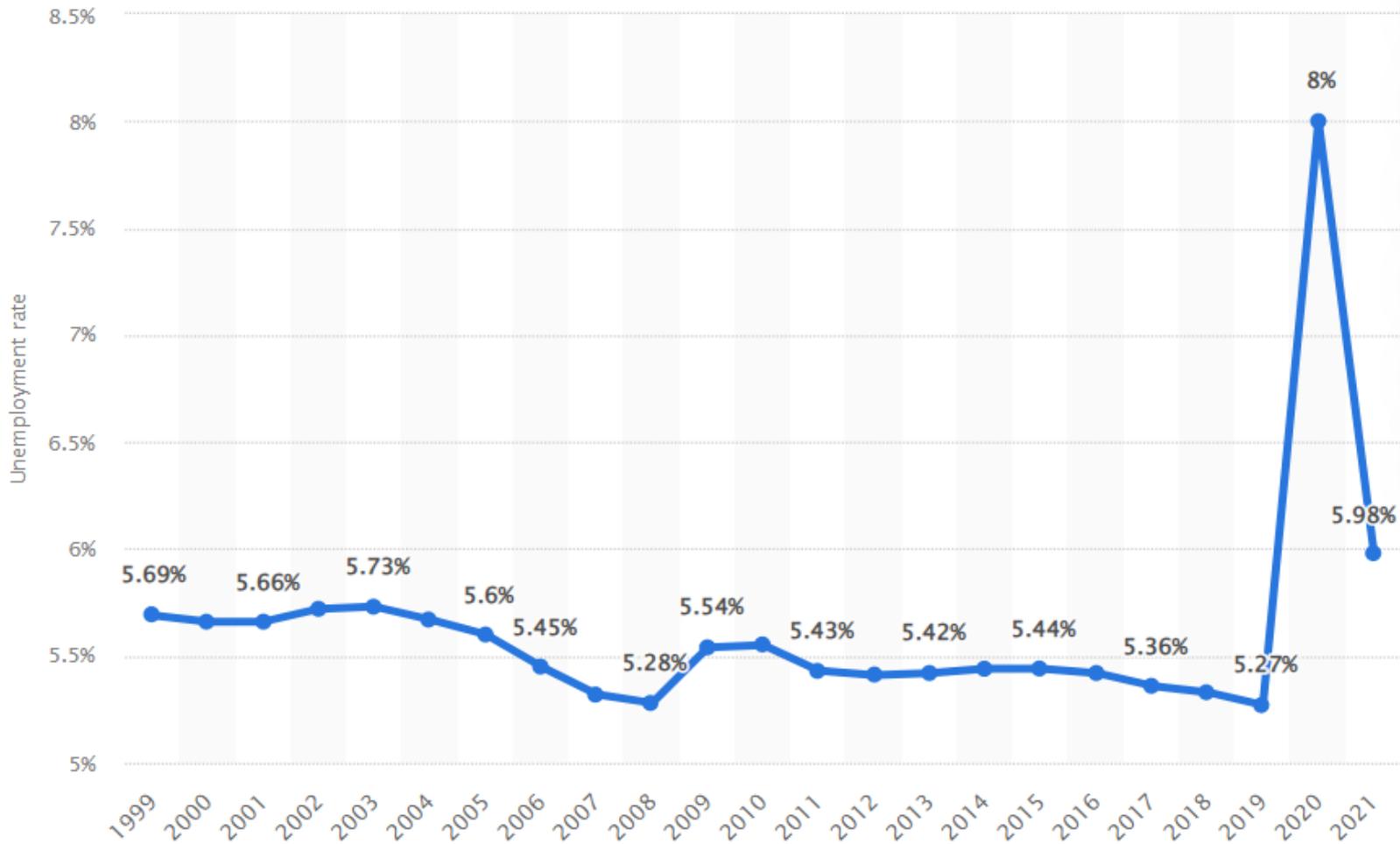
Note:

Organized enterprise employers are increasingly hiring workers on contractual terms.

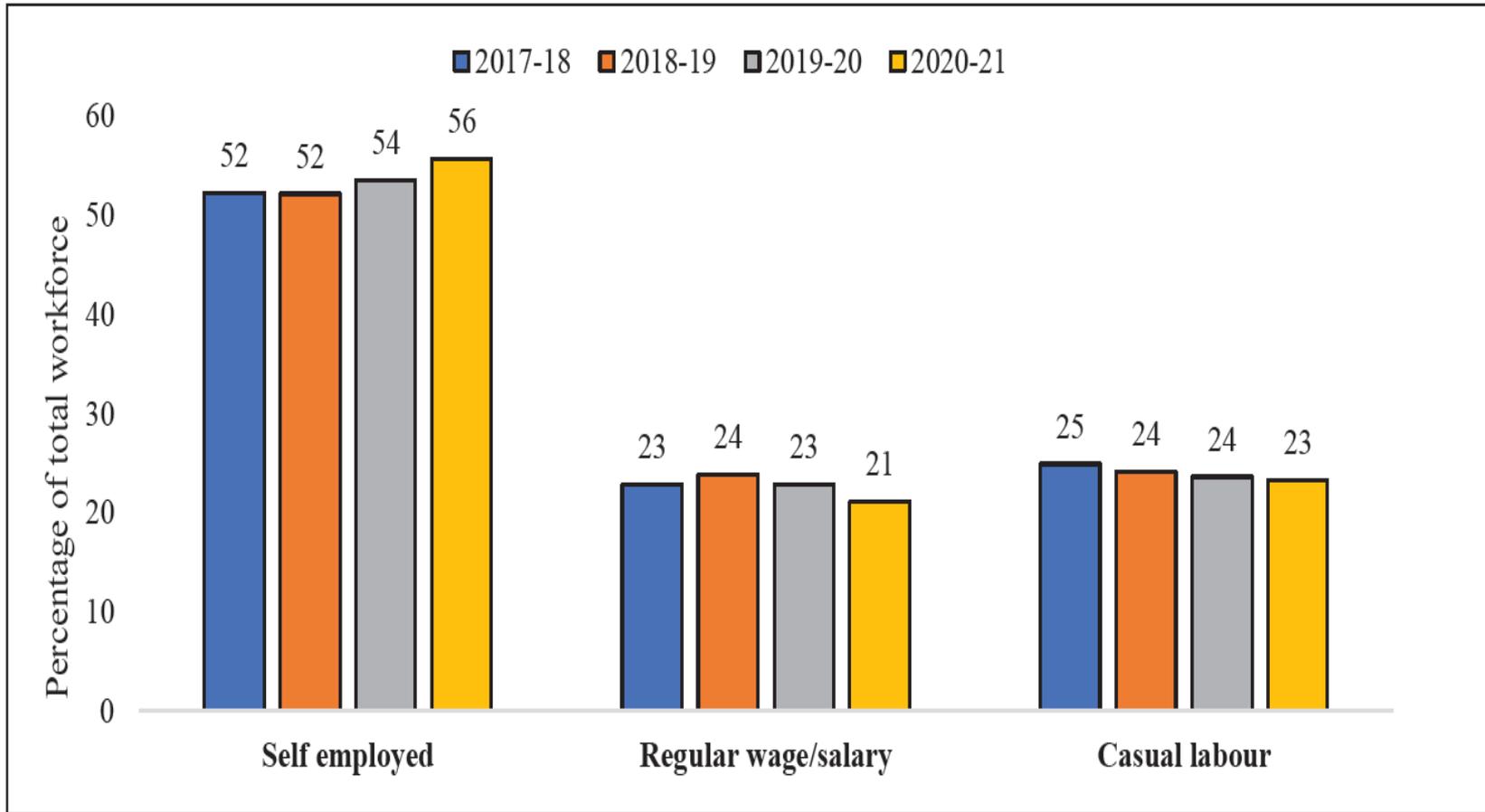
GENDER WISE , RESIDENCE WISE & STATUS WISE UNEMPLOYMENT RATE

Unemployment rate						
Year	Male			Female		
	UPSS	CWS	CDS	UPSS	CWS	CDS
Rural						
1972-73	1.2	3.0	6.8	0.5	5.5	11.2
1977-78	1.3	3.6	7.1	2.0	4.1	9.2
1983	1.4	3.7	7.5	0.7	4.3	9.0
1987-88	1.8	4.2	4.6	2.4	4.4	6.7
1993-94	1.4	3.1	5.6	0.9	2.9	5.6
Urban						
1972-73	4.8	6.0	8.0	9.0	9.2	13.7
1977-78	5.4	7.1	9.4	12.4	10.9	14.5
1983	5.1	6.7	9.2	4.9	7.5	11.0
1987-88	5.2	6.6	8.8	6.2	9.2	12.0
1993-94	4.1	5.2	6.7	6.1	7.9	10.4

TREND OF UNEMPLOYMENT RATE IN INDIA (1999-2021)



TRENDS OF BROAD EMPLOYMENT STATUS (RURAL + URBAN : ALL PERSONS) 2020-21

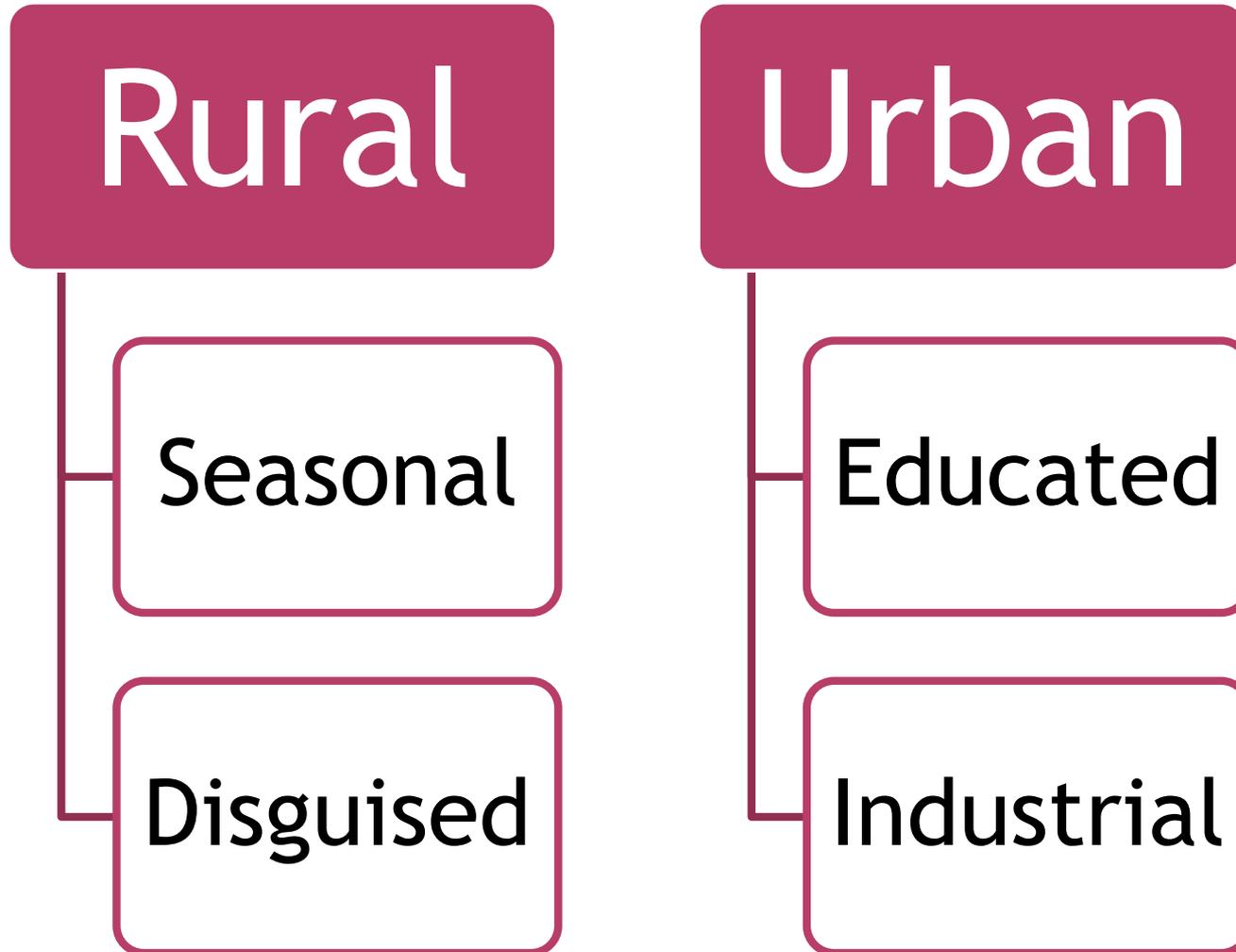


Source: Annual PLFS, MoSPI

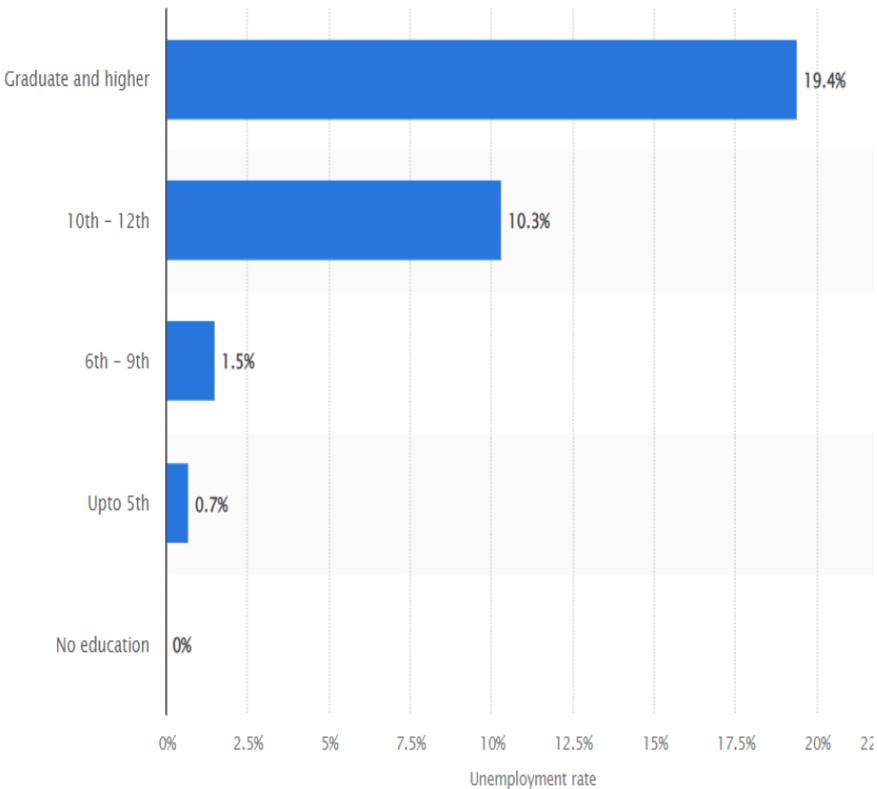
ESTIMATES OF LFPR, EMPLOYMENT PARTICIPATION RATE(EPR) & EMPLOYMENT RATE (2022-23)

Category	Rural			Urban			Total		
	M	F	T	M	F	T	M	F	T
LFPR	55.5	30.5	43.4	58.3	20.2	39.8	56.2	27.8	42.4
EPR	54.0	30.0	42.3	55.6	18.7	37.7	54.4	27.0	41.1
Unemployment Rate	2.8	1.8	2.4	4.7	7.5	5.4	3.3	2.9	3.2

NATURE OF UNEMPLOYMENT



MAGNITUDE OF EDUCATED UNEMPLOYMENT IN INDIA (2021)



The Consumer Pyramids survey conducted by the Centre for Monitoring Indian Economy Pvt. Ltd, (CMIE) between September and December 2021 among rural and urban households in India showed that, people who were graduates including those who went further in their education had the highest unemployment rate in India in 2021, with a share of 19.4 percent, made up the highest unemployment rate in 2021.

CAUSES OF EDUCATED UNEMPLOYMENT

- ⦿ Among all types of unemployment **educated unemployment** is the worst type as it is a waste of our valuable Human Resource.
- ⦿ The causes of educated unemployment are-
 1. Low economic growth.
 2. Open door policy in higher education.
 3. Mismatch between demand & supply of labour.
 4. Mismatch between education system & types of jobs available in labour market.
 5. Choice of white color jobs.
 6. Family support.
 7. High subsidies in higher education.
 8. High Reservation Price.
 9. Immobility of labour.
 10. Substitution.

REMEDIES OF EDUCATED UNEMPLOYMENT

- Raising economic growth rate.
- Restrictions on open door policy of higher education.
- Creating a strong link in labour market between jobs & degrees.
- Strong need to give vocational touch to our education & training system.
- Restrictions on human capital flight.
- Changing the mind set of young labour force for their preferences of jobs.
- Reducing the subsidies in higher education.
- Accelerating the mobility of labour.

CAUSES OF UNEMPLOYMENT

- ◉ Increase in the labour force & population growth rate.
- ◉ Inappropriate technology.
- ◉ Inappropriate educational system.
- ◉ Slow economic growth.
- ◉ Lack of infrastructural facilities.
- ◉ Protective labour laws in India.
- ◉ Poor implementation of employment schemes.
- ◉ Seasonal character of agricultural sector.
- ◉ Farm mechanisation.
- ◉ Poor rural development.
- ◉ Problems of education.
- ◉ Slow industrial development.
- ◉ Industrial sickness.

MEASURES TO SOLVE THE PROBLEM OF UNEMPLOYMENT

1. Sectoral policy incentives.

(i) Agricultural & allied services

- a. Regeneration of forest watersheds & high labour incentive activities.
- b. Waste land development.
- c. Development of medicinal plants.
- d. Minor irrigation.
- e. Cultivation of bamboo & manufacturing of bamboo based products.

(ii) Food Processing.

(iii) Development of Rural non farm activities.

(iv) Encouragement to small & medium scale entrepreneurs.

(v) Providing facilities to service sector.

- Outsourcing business

- Development of ICT, tourism & educational system.

- Health & nutritional services.

MEASURES TO SOLVE THE PROBLEM OF UNEMPLOYMENT

2. Removal of factor price distortions.
3. Reforms in educational system.
4. Strong implementation of special employment programme.
5. Emphasis on self employment.
6. Proper manpower planning.
7. High economic growth.
8. Reforms in labour laws.

MAJOR EMPLOYMENT PROGRAMS

Programmes	Date of inception	Objective(s)
The Swarnajayanti Gram Swarozgar Yojna (SGSY)	April 1, 1999	To provide self employment for the rural poor by providing them income generating assts through bank credit & government subsidy.
The Swarnajayanti Shaheri Rozgar Yojna (SJSRY)	December 1, 1997	To provide gainful employment to the urban unemployed & underemployed poor, by encouraging the setting up of self employment ventures & to provide wage employment & utilizing their labour for construction of socially & economically useful public assets.
Prime Minister Rozgar Yojna (PMRY)	Eighth Plan	To provide self employment to more than a million educated unemployed youth by setting up of 7 lakhs micro enterprises under the Eighth Five Year Plan.

MAJOR EMPLOYMENT PROGRAMS

Programmes	Date of inception	Objective(s)
The National Rural Employment Programme (NREP)	Sixth Plan	To help that segment of rural population which largely depends on wage employment & has virtually no source of income during the lean agricultural period. This Yojna was merged with JRY on April 1, 1989.
The Rural Landless Employment Guarantee Programme(RLEGP)	August 15, 1983	To expand the employment opportunities for the rural landless labourers. & to provide guarantee of employment to at least one member of the land less HHs for about 100 days in a year.
The Integrated Rural Development Programme (IRDP)	1978-79	This is basically anti-poverty prog. Under Sixth FYP. To provide self employment in varieties of activities like sericulture, animal husbandry in primary sector ; weaving, handicrafts in secondary sector ;& service oriented activities.

MAJOR EMPLOYMENT PROGRAMS

Programmes	Date of inception	Objective(s)
The Scheme of Training Rural Youth for Self Employment (TRYSEM)	1979	To tackle the problem of employment of rural youth & to give training to about 2 lakh rural youth for self employment. Under this scheme, a minimum of 1/3 rd of rural youth trained were to be women.
Jawahar Rozgar Yojna (JRY)	Feb., 1989	To provide employment in 120 backward districts.
Jawahar Gram Samridhi Yojna (JGSY)	March, 1999	To create infrastructure & durable assets at the village level so as to increase opportunities for sustained employment to the rural poor.
The Employment Assurance Scheme (EAS)		To provide 100 days of unskilled manual work on demand of two members of a rural family in the age group of 18-60 years in agricultural sector.

MAJOR EMPLOYMENT PROGRAMS

Programmes		Date of inception	Objective(s)
National Employment Guarantee (NREGA)	Rural Scheme	Feb. 2, 2006	Phase-I (2006) 200 Backward Districts. Phase-II (2007) 130 Backward Districts. Phase-III (2008) 274 Backward Districts.
Mahatma National Employment Guarantee (MGNREGA)	Gandhi Rural Scheme	Renamed Oct. 2, 2009	<ul style="list-style-type: none"> •All rural districts were covered now under this scheme. To provide employment at least 100 days of guarantee wage employment in any financial year to at least 1 member of rural HHs whose adult members volunteer to do unskilled manual work. •Here, at least 33 % of the beneficiaries are to be women. •MGNREGA promised to give Rs. 100 as wage rate per day to a worker. •Total expenditure under MGNREGA was ` . 38,798 Crs. In 2013-14. •Women, SC, ST workers are involve in this scheme.

GIG ECONOMY

- A gig economy, also known as the sharing economy or access economy, relies heavily on temporary and part-time positions filled by independent contractors and freelancers rather than full-time permanent employees.
- Gig workers have flexibility and independence but little or no job security. In a gig economy, employers save money when they do not have to provide benefits such as health coverage and paid vacation time.
- A wide variety of positions fall into the category of a gig. The work can range from managing short-term rentals, tutoring, writing code, driving for ride-share services, delivering food, or authoring freelance articles. In academics, colleges and universities cut costs and match professors to their academic needs by hiring more adjunct and part-time professors.

GIG ECONOMY

- ⦿ The gig economy experienced significant increases in 2020. COVID-19 lockdowns forced people to work from home and rely more on purchasing goods and services online, and these trends continued when restrictions were lifted.
- ⦿ In 2023, nearly 64 million Americans, 38% of the U.S. workforce, were freelancers or gig workers, according to an Upwork report. Independent contract workers contributed \$1.27 trillion to the U.S. economy.

THANK YOU
ANY QUESTIONS ???