

LEARNSEA

**NCERT NOTES
FOR ECONOMICS**

10th Standard

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1 DEVELOPMENT

Development is a **process that accounts for generating ideas/aspirations/dreams about various goals** and laying down the methods to realize them.

Development is goal oriented:

- Developmental goals **vary** from person to person and nation to nation.
- At times developmental goals of people may even be **conflicting**. For example: Industrialists may want more dams to get electricity, but for the tribal population, it may mean destruction of their inhabited lands.

National Development:

A **positive change in growth** resulting into creation of tangible and intangible assets for the nation is called national development.

Parameters for comparison of different countries and states:

- **Income attributes:**
 - While comparing countries, their **income is considered to be one of the most important attributes**. Countries with higher income are considered as more developed than others with less income.
- **Per Capita Income:**
 - For comparison between countries, total income is not such a useful measure. Since, countries have different populations, comparing total income will not tell us what an average person is likely to earn.
 - Hence, the countries can be compared on the basis of their **average income** i.e., the total income of the country divided by its total population. The **average income** is also called **per capita income**.
- **Other criteria:**
 - Other indicators like **literacy rate, infant mortality rate, attendance ratio** etc. are equally important to assess the development of a state concerned. For example: In Haryana, the **per capita income** is more than that in Kerala, however the **Infant Mortality rate** in Kerala is better than that of Haryana.

State	Infant Mortality Rate per 1,000 live births (2017)	Literacy Rate % 2011	Net Attendance Ratio (per 100 persons) secondary stage (age 14 and 15 years) 2013-14
Haryana	30	82	61
Kerala	10	94	83
Bihar	35	62	43

Sources : Economic Survey 2018-19. P. A160. Government of India: National Sample Survey Organisation (Report No. 575)

Explanation of some of the terms used in this table:

Infant Mortality Rate (or IMR) indicates the number of children that die before the age of one year as a proportion of 1000 live children born in that particular year.

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

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

Table 1.1: Some comparative data on Haryana, Kerala and Bihar

Public Facilities:

- Income by itself is **not a completely adequate indicator** of material goods and services that citizens are able to use. Therefore, **public facilities** like a **clean environment, schools, hospitals**, etc. are crucial.
- For example, the health and nutritional status of people in some states is certainly better because of the well-functioning **Public Distribution System (PDS)**.

Sustainability of Development:

- It is important that the present development levels of a country are maintained for future generations as well, due to which development needs to be sustainable.
- Alarming groundwater depletion, high extraction rate of crude oil etc. **signify the need** of sustainable development.



Interesting points

- **World Development Reports** are brought out by the **World Bank** in which India is classified as a **low middle-income** country.
- **The Human Development Report** published by the **United Nations Development Programme (UNDP)** compares countries based **on the educational levels** of the people, **their health status and per capita income**.

2

SECTORS OF THE INDIAN ECONOMY

People are engaged in various economic activities. Some of these activities are producing goods. Some others are producing services. Generally, the economic activities performed are divided into various groups called **sectors**.

Sectors of the Indian Economy

Primary Sector:

- All the **economic activities** which are **undertaken by using or exploiting natural resources directly** are grouped into the primary sector.
- It forms the **base for all other products** that we subsequently make.
- It is **also called agriculture and related sectors** since most of the natural products are obtained from agriculture, dairy, fishing, forestry, etc.

Secondary Sector:

- It covers **activities in which natural products are changed into other forms or finished items** through ways of manufacturing.
- Since this sector gradually became associated with the different kinds of industries, it is **also called the industrial sector**. For example, making clothes from cotton fibre or making sugar or gur from sugarcane etc.

Tertiary Sector:

- It covers **activities that help in the development of the primary and secondary sectors**. These activities, by themselves, **do not produce a good** but they are an aid or a support for the production process. For example, providing transport facilities to move goods from factories to shops etc.
- Since these **activities generate services rather than goods**, the tertiary sector is also called as the **Service sector**.

Comparing the three Sectors:

The various production activities in the primary, secondary and tertiary sectors produce a very large number of goods and services. Also, a large number of people work in these sectors. Therefore, it is important to see **how much goods and services are produced and how many people work in each sector**.

While measuring the total production:

- **Monetary value** of the **final goods and services** are considered, to make the estimates.
 - The value of final goods includes the value of all the intermediate goods that are used in making the final good. For example, the value of wheat used is already accounted for in the final cost of a biscuit.
- The **value of final goods and services produced** in each sector during a particular year **provides the total production** which is estimated by the **Gross Domestic Product (GDP)**.
- GDP is the value **of all final goods and services** produced **within a country** during a particular year.

Historical change in the sectors:

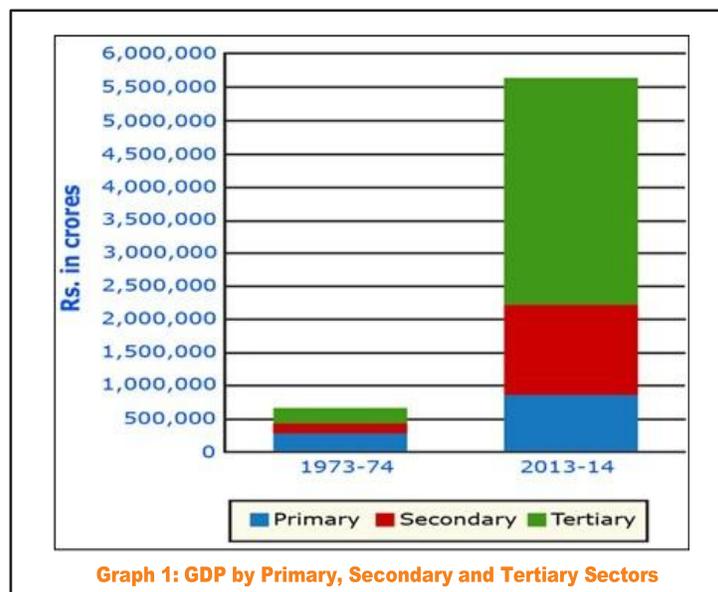
- At the initial stages of development, the **primary sector has been the most important sector** of

economic activity. Most people were employed in this sector.

- With the change in farming methods, the agriculture sector began to prosper. Moreover, with the **introduction of new manufacturing methods, factories were set up and people shifted to the Industrial Sector.**
- People from farms, now started working in factories in large numbers, and this sector now assumed importance.
- In the past 100 years, a **further shift from the secondary sector to the service sector** has now taken place.
- Today in terms of contribution to production and employment, the **service sector plays a vital role** in most developed economies.

Primary, Secondary and Tertiary Sectors in India:

The graph below shows the production of goods and services in three sectors. It is clear from the graph that the **production of the tertiary sector has significantly risen** as compared to the primary and the secondary sector.



Rising Importance of the Tertiary Sector in Production:

The tertiary sector has emerged as the **largest producing sector** in India replacing the primary sector, due to the following reasons:

- **Development of support services** such as transport, trade, storage, etc.
- **Increased demands for more services** such as eating out, tourism etc. with **rising income levels.**
- **Basic services** like schools, hospitals, policing etc. provided by the government.

However, the **rise in the service sector is not uniform** with high skill-oriented services registering a high growth as compared to sustenance levels of other services like small shop keeping.

Disproportionate distribution of labour across sectors:

- **More than half of the workers** in the country are **working in the primary sector**, mainly in agriculture, producing only about **one sixth of the GDP**. In contrast the secondary and tertiary sectors produce the rest of the produce whereas they employ less people.
- Meaning, workers in the agricultural sector are **underemployed** and are disproportionately in numbers, when compared to productivity, meaning that this hidden underemployment is in effect “**disguised unemployment**”.

Methods to create more employment:

- Providing **affordable credit facilities** to agricultural dependents to allow them to modernize their techniques.
- **Infrastructural development** to improve health and education scenarios, to allow people to undertake alternative occupations.
- Providing **transportation facilities** to allow good marketing of agricultural produce to far off marketplaces.
- Identifying **alternate services and industrial opportunities** in semi-rural areas.

Division of Sectors as Organised and Unorganised:

- **Organised Sector:** It is characterized by regular terms of employment, mandatory registration with the government and mandatory adherence to laws and rules like Minimum Wages Act etc.
- **Unorganised sector:** It is characterized by lack of government control, non-adherence to rules and regulations and unsecured employment.
 - Many organized sector firms, **trespass into unorganized setup**, as a strategy to avoid certain legal frameworks and to avoid taxes etc.
 - **Job loss in the organised sector** is also pushing many workers to the low paying unorganised sector.
 - Many workers from the **vulnerable sections** like the Scheduled Castes, Scheduled Tribes etc, find themselves working in the unorganised sector.

Issues with workers in the Unorganised Sector:

It is common to find many organised sector enterprises in the unorganised sector. They adopt such strategies to evade taxes and refuse to follow laws that protect labourers. As a result, a large number of workers are forced to enter the unorganised sector jobs and face various issues such as:

- They are often **exploited and not paid a fair wage**.
- Their **earnings are low and not regular**.
- Their jobs are **not secure and have no other benefits**.
- **Social discrimination faced by the vulnerable groups** such as Scheduled castes, tribes and backward communities in the unorganised sector.

Thus, protection and support to the unorganised sector workers is necessary for both economic and social development.

Sectors in terms of Ownership

Public and Private Sectors:

- **Public sector** is characterized by **government ownership** of most of the assets and provides all the services. For example, Railways, post offices, etc.
- On the contrary, **Private sector** is characterized by **private ownership of assets** and delivery of services by **private individuals or companies**. For example, Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) etc.
- A general analysis in Indian scenario is as follows:
 - Goods and services in the **private sector** are provided with a **profit motive**, hence this sector **does not provide certain essential services** due to high costs and operational difficulties.
 - **Government provides certain services** like construction of roads, bridges, railways, harbours, generating electricity, providing irrigation through dams etc. to make them affordable and accessible to everyone.
 - **Government has to support the** private sector to induce continued production in some sectors. For example: bearing a part of the cost of electricity generation to make it affordable for the consumers.
 - The government **must spend on activities consisting of its primary responsibilities** like providing health and education facilities for all.



Interesting points

- **Right to Work** was implemented by Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005).

3

MONEY AND CREDIT

Money is called a **medium of exchange** as it acts as an intermediate in the exchange process. A person holding money can easily exchange it for any commodity or service that he or she might want.

Due to its role as an **intermediate in transactions**, form and essence of money has changed over time, from grain and cattle being used for transactions in ancient periods to coins later on to further modern forms of money today.

The main function of Money is to eliminate the need for **double coincidence of wants**.

Double Coincidence of Wants:

- In the barter system, a shortcoming is that an exchange can only take place, if both parties want exactly the **same thing** that the other party has to offer at the **same time**.
- Both the parties have to agree to sell and buy each other's commodities. This is known as double coincidence of wants.

Modern forms of Money

● Currency:

- Modern forms of money include **currency - paper notes and coins**.
- Today, currency is **not made of precious metals** but still **accepted as a medium of exchange**, as it is authorised by the government.
- In India, only the **Reserve Bank of India** issues currency notes on behalf of the central government.
- No individual in India can **legally refuse** a payment made in rupees.

● Deposits with Banks:

- The other form in which people hold money is as deposits with banks.
- Excess money after fulfilling day to day needs is deposited with the banks by opening a bank account.
- Deposits in the bank account which can be withdrawn on demand are called **demand deposits**.
- Banks also offer the facility of payments being made by **cheques** instead of **cash**.

Cheque: A cheque is a **paper instructing the bank** to pay a specific amount from the person's account to the person in whose name the cheque has been issued.

Loan Activities of Banks:

- Banks use the major portion of the deposits to extend loans for various economic activities.
- In this way, banks **mediate between those who have surplus funds** (the depositors) **and those who are in need of these funds** (the borrowers).
- Banks charge a **higher interest rate on loans** than what they offer on deposits.
- The **difference** between what is charged from borrowers and what is paid to depositors is the **main**

source of income for banks.

Credit Situations:

- Credit (loan) refers to **an agreement in which the lender supplies the borrower with money, goods or services** in return for the promise of future payment.
- Purpose of credit are:
 - To meet the **working capital needs** of production.
 - To **meet the ongoing expenses of production**, complete production on time, and thereby increase his earnings.
 - **To fulfil the demand for credit in rural areas** for crop production which involves considerable costs on seeds, fertilisers, pesticides, water, electricity, repair of equipment, etc.
- On one hand, **credit helps to increase the earnings** while on other hand it **may push the person into a debt trap** (e.g., during crop failure).

Terms of Credit:

- Terms of credit is the **loan agreement between the lender and the borrower**. It may vary depending on the nature of the lender and the borrower.
- **Interest rate, collateral and documentation requirement, and the mode of repayment** together comprise what is called the terms of credit.
- For every loan granted, the lender demands **collaterals (security)** against loans.

Collaterals: Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid.

Loans from Cooperatives:

- A cooperative is a farm, business, or other organization which is owned and run jointly by its members, who share the profits or benefits.
- It is another **major source of cheap credit** in rural areas.
- Members of a cooperative **pool their resources** for cooperation in certain areas. For example, farmers cooperatives, weavers' cooperatives, industrial workers cooperatives, etc.
- They generally **accept deposits from its members**.
- With these deposits as collateral, the cooperatives **obtain a large loan** from the bank.
- Then, these funds are **used to provide loans to members**. Once repaid, another round of lending can take place.

Formal Sector Credit in India:

- The various types of loans can be conveniently grouped as **formal sector loans** (loans from banks and cooperatives) and **informal sector loans** (including moneylenders, traders, employers, relatives and friends).

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- The **RBI supervises the functioning** of formal sources of loans.
 - Periodically, **banks have to submit information to the RBI** on how much they are lending, to whom, at what interest rate, etc.
 - **Informal sources of credit** are **unsupervised and hence prone to usage of unfair terms of credit and means of recovery**, which may cause the borrower hardships and often push him/her in **debt trap**.
 - Rich households both in urban and rural areas, avail a major portion of their credit from formal sources, which is opposite in case of relatively poor households.
 - The formal sector still **meets only about half of the total credit needs** of the rural people.
 - Banks and cooperatives **need to expand in the rural areas to reduce the dependence upon informal sources** and in the urban areas credit from these sources needs to be more **equitably distributed** even to the poor households.
 - **Cheap and affordable credit** from formal sources is necessary for the development of the country.

Self-Help Groups and the Poor:

- A self-help group (SHG) is an informal association of people who come together to find ways to improve their living conditions. They are generally self-governed and peer controlled.
- It is basically a community where **15-20 members** generally women, usually belonging to one neighbourhood meets and save regularly.
- Members can take **small loans from the group** itself to meet their needs. The group charges interest on these loans but this is still less than what the moneylender charges.
- The group as a whole **decides the terms of credit** for granting loans to the members.
- If the group is regular in savings, it becomes eligible for availing loan from the bank.
- Bank loan is sanctioned in the name of the group and is meant to create **self-employment opportunities** for the members.

Banks willingness to lend to the SHGs:

As it is the **group which is responsible** for the repayment of the loan. Any case of non-repayment of loan by any one member is followed up seriously by other members in the group. Because of this feature, banks are willing to lend to the **poor women** when organised in **SHGs**, even though they have no collateral as such.

Merits of SHGs for the members:

- SHGs **help borrowers to get loans without collateral**.
- Members can **get timely loans** for a variety of purposes and at a **reasonable interest rate**.
- They are the **building blocks of organisation** of the rural poor.
- It helps **women to become financially self-reliant**.
- Regular meetings of the group provide a **platform to discuss and act on a variety of social issues** such as health, nutrition, domestic violence, etc.



Interesting points

Interesting Points:

- **Working capital:** It is the money required for running day to day operations of a business.
- **Debt trap:** It is a situation when the borrower takes another loan to repay the previous loan.

4

GLOBALISATION AND INDIAN ECONOMY

Globalisation is the **process of rapid integration or interconnection** between countries.

Production across Countries:

- Trade was the **main channel** of connecting distant countries. Large companies, which are now called Multinational Corporations (MNCs) played a major role in trade.

Multinational Corporations (MNCs):

A MNC is a **company that owns or controls production in more than one nation**.

MNCs **set up offices and factories** for production in regions where they can get **cheap labour and other resources**. This is done so that the cost of production is low and the MNCs can earn greater profits.

- Today more and more goods and services, investments and technology are **moving between countries**, not just in terms of sales of products overseas but in terms of **global production** as well.
- Globalisation also happens through the **movement of people** between countries. People usually move from one country to another in search of better income, better jobs or better education.

Enabling factors of Globalisation

- **Technology:**
 - Rapid **improvements in technology** for instance, improvements in transportation technology have made much faster delivery of goods across long distances possible at lower costs.
 - **Information and communication technology** has made global transmission of information and communication possible at negligible costs.
- **Liberalisation of foreign trade and investment policy:**
 - Liberalisation is a **process of removing barriers or restrictions** set by the government.
 - With liberalisation of trade, businesses are allowed to make decisions freely about the imports, exports and their investments.
 - Starting around **1991** in India, the government decided to lift many barriers on foreign trade and foreign investment to a large extent.

Today, the goods and services are produced globally. As a result, production is organised in increasingly complex ways, spanning across national boundaries.

Impact of Globalisation on the World

Interlinking production across countries:

- Corporations look for **availability of factors of production** and **favourable government policy** while scouting to set up production in a country.
- The money spent by corporations to acquire assets is termed as **foreign investment** by the host country.

- These MNCs use various routes like setting up new companies, joint ventures with local companies, buying a local company (most common) or placing orders to the local companies to manufacture under MNC's brand name, to set up in the host country.
- These corporations also bring **enormous wealth and technical knowhow** with them.
- In this way geographically dispersed production is getting interlinked.

Foreign trade and integration of markets:

- Foreign trade **allows producers to sell their goods outside** their domestic nations.
- It **allows consumers to buy goods** apart from those, made in their country.
- Foreign trade thus **results in connecting the markets or integration of markets** in different countries.

Impact of Globalization on India

Positive impact:

- **Increased investment** by MNCs in India has led to the prosperous growth of local supplier companies in India.
- **Increased competition** benefitting Indian companies by inducing higher quality of goods.
- **Creation of new opportunities** for domestic service sector companies, in newer servicing fields like accounting, data entry, engineering etc.
- Some own **Indian companies have themselves prospered into MNCs**. For example, TATA, Infosys, Asian Paints etc.

Government of India has undertaken various steps to **attract foreign investment** in the country, some of which include:

Setting up and promoting **SEZ's (Special Economic Zones)** which have world class facilities for industries like water, electricity, roads etc.

Allowing **flexibility in labour laws** to the MNC's for enabling smooth operations.

Negative impact:

- **Small manufacturers and industries such as** domestic industries of toys, tyres, vegetable oils etc. unable to compete with large MNC's leading to their shut down.
- **Flexible employment culture**, due to increasing competition for jobs leading to **unsecured jobs**.

Struggle for a fair Globalization:

Not everyone has benefited from globalization equally, people with education and skill have made the most out of it, while leaving many out. This highlights the need for a **fair globalization process**. This can be attained through the following methods:

- **By using government policies**. For example, strong implementation of labour laws, protection to small manufacturing units etc.

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- Cases of unfair use of the process can be vocalised through the platform of the **World Trade Organization (WTO)**.
 - People can play a major role, **by being vocal about their concerns**, and inducing favourable policy at both domestic and international level.

World Trade Organisation:

- It is an international organisation whose **aim is to liberalise international trade**.
- Started at the **initiative of the developed countries**, it establishes rules regarding international trade.
- Though it is supposed to get international trade liberalised, however many developed countries have **unfairly retained trade barriers**. On the other hand, WTO has forced developing countries to remove all trade barriers.
 - For example, farmers in the USA are receiving massive sums of money from the US government to produce and export agricultural produce to other countries, due to which they can sell their produce at abnormally low prices in other countries, adversely impacting the farmers in these destination countries.

In a nutshell, the globalization process has immensely benefited various industries and people, as mentioned above however the need of the hour is for **fair globalization** so that the benefits can be equitably shared among all by creating additional opportunities for all.

5

CONSUMER RIGHTS

Consumer rights refer to a consumer's right to safety, to be informed, to choose and to seek redressal, concerning their products when they make a purchase.

The Consumer in the Marketplace:

People participate **both as consumer as well as producer** in the marketplace, while acting as a consumer they may be vulnerable to certain exploitative exposures such as:

- **Unfair trade practices** like adulteration, wrong measurement etc. by the producer.
- **Evasion of responsibility** by the producer post sales of the product.
- **Passing off false information** about the product through media etc.

Due to which, a need for consumer protection in the marketplace arose, giving rise to the consumer movement.

Consumers International:

In 1985, the **United Nations** adopted the **UN Guidelines for Consumer Protection**. This was a tool for nations **to adopt measures to protect consumers** and for consumer advocacy groups to press their governments to do so.

At the international level, this has become the foundation for consumer movement. Today, Consumers International has become an **umbrella body** to over 220 member organisations from over 115 countries.

Consumer Movement:

- It arose out of **dissatisfaction of the consumers** as many unfair practices were being indulged in by the sellers.
- **No legal system was available** to consumers to protect them from exploitation in the marketplace. Hence there arose a movement for the **protection of consumer rights**.
- As a result, the **responsibility** of ensuring quality of goods and services **shifted on the sellers**.
- Rampant food shortages, hoarding, black marketing, adulteration of food and edible oil gave birth to the consumer movement in an organised form in the **1960s, in India**.
- In India, the consumer movement as a **'social force'** originated with the necessity of protecting and promoting the interests of consumers against unethical and unfair trade practices.

Due to these efforts, in India, the government enacted **Consumer Protection Act 1986**, popularly known as **COPRA**.

Consumer Rights under COPRA

Right to safety:

- While using many goods and services, consumers have the **right to be protected** against the marketing of goods and delivery of services that are hazardous to life and property.
- Producers **need to strictly follow** the required safety rules and regulations.
- For example: pressure cookers should have a safety valve.

Right to be informed:

- Consumers have the **right to be informed about the particulars of goods and services** that they purchase (for example: ingredients used, price, batch number, date of manufacture, expiry date and the address of the manufacturer).
- Consumers can then **complain and ask for compensation or replacement** if the product proves to be defective in any manner in comparison to the details informed.

Right to choose:

- Any consumer who receives a service in whatever capacity, regardless of age, gender and nature of service, has the right to choose whether to continue to receive the service or not.

Right to seek redressal:

- Consumers have the right to seek **redressal against unfair trade practices and exploitation**.
- If any damage is done to a consumer, s/he has the right to **get compensation** depending on the degree of damage.
- The consumer can **file a complaint** before the appropriate consumer forum on his/her own with or without the services of lawyers.

Right to represent:

- The Act has enabled the consumers to have the **right to represent in the consumer courts**.
- This has led to the **formation of various organisations**, locally known as **consumer forums** or **consumer protection councils**.
 - They guide consumers on how to file cases in the consumer court. On many occasions, they also represent individual consumers in consumer courts.
 - They also receive financial support from the government for creating awareness among people.

Right to consumer education:

- When we as consumers become **conscious of our rights**, while purchasing various goods and services, we will be able to discriminate and make informed choices.
- This calls for **acquiring the knowledge and skill** to become a well-informed consumer.
- The enactment of **COPRA** has led to the setting up of separate **departments of Consumer Affairs** in central and state governments to spread awareness.

Taking the consumer movement forward:

The consumer movement in India has made some progress in terms of numbers of organised groups and their activities. However, there are certain gaps which are:

- The **consumer redressal process** is becoming **cumbersome, expensive and time consuming**.
- Consumers are required to **engage lawyers** which requires time for **filing and attending the court proceedings** etc.
- In most purchases, cash memos are not issued hence **gathering evidence is not easy**.
- The existing **laws also are not very clear** on the issue of compensation to consumers injured by defective products.
- **Consumer awareness** in India is **spreading but slowly**.
- **Enforcement exercises of laws** that protect workers, especially in the unorganised sectors is **weak**.
- **Rules and regulations** for working of markets are **often not followed**.



Interesting points

- **The Right to Information Act (RTI)** has expanded the right to be informed to even the government as a provider of services.
- **December 24** is observed as the **National Consumers Day**.
- **ISI, Agmark or Hallmark** logos and certification help consumers get assured of quality while purchasing the goods and services. For some products like LPG cylinders, food colours and additives, cement, packaged drinking water, it is mandatory on the part of the producers to get certified by the certifying organisations.