

Development

What development promises-different people, different goals

- Different people have different meanings of development or different development goals. For example- For landless rural labourers, development goals and aspirations are different from that of the prosperous farmers. (table 1.1)

TABLE 1.1 DEVELOPMENTAL GOALS OF DIFFERENT CATEGORIES OF PERSONS

Category of Person	Developmental Goals / Aspirations
Landless rural labourers	
Prosperous farmers from Punjab	
Farmers who depend on rain for growing crops	
A girl from a poor family	
Urban unemployed youth	
A boy from a rich urban family	
A girl from a rich urban family	
An officer from a rich family	

- What may be development for one may not be development for the other.
- It may even be destructive for the other.
- For example- construction of a dam.
- Thus, sometimes two persons or groups may seek conflicting things.

Income and other goals

- Development goals are not only about better income but also about some other important things like equal treatment, freedom, security and respect to others in life.
- Money is only one factor on which our life depends but the quality of our life also depends on non-material things. For example- friendship.
- There are many things that are not easily measured but they mean a lot to our lives. These are often ignored. Example- getting of job in near and far place.

National Development

- Like individual development, national development is also seen differently by different persons.
- In other words, different persons could have different and conflicting views regarding national development.
- National development means thinking about questions like- would the idea benefit a larger number of people or only a small group, whether there is a better way of doing things etc.
- There may also be differences of opinion about the ways of developing. For ex- sector wise priority.

Development goal for this area

- Pucca house
- Ownership of land
- Water, electricity facility
- Health facility
- Regular employment

How to compare different countries or states

- For comparing the countries or states, their income is considered to be one of the most important factor. (H) (D) (C) (Avg Income) (A) (B) (C) (D) (E)
- Countries with higher incomes are more developed than those with lesser income.
- Total income of a country is the income of all the residents of the country but it is not used for comparing as different countries have different populations.
- For comparing the countries, we use average income (also known as per capita income).
- Average income is the total income of the country divided by its population.

Handwritten calculation for average income:

ABCDEF4275 = 200 → A B C D E

30 20 20 → 50 60 45 50 75 = 260 (52)

300 / 10 = 30 → Avg In = 200

5 10 30 15 = 260 / 5 = 52

World development report

brought out by World Bank

Individual Income
Family Income
National Income
Per Capita Income
GDP
Growth Rate

- In world development reports, World Bank uses the criteria of average income for classifying countries.
- In 2019, countries with per capita income of US \$ 49,300 per annum and above, are called rich countries and those with per capita income of US \$ 2500 or less, are called low-income countries.
- India, with per capita income of US \$ 6700 per annum comes in the category of low-middle income countries.
- Rich countries, excluding countries of middle east & called developed countries.

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Limitations of average income criteria

- It is generally said that while 'averages' are useful for comparison, they also hide the disparities.
- Example- Table 1.2- Comparison of two countries.
- Thus, although 'average income' criteria is useful for the purpose of comparison but it has its own limitations.
- It does not tell us how this income is distributed among people.

Income and other criteria

- Table 1.3- Haryana has the highest per capita income and Bihar is at the bottom. Therefore, from this angle, Haryana will be considered the most developed, and Bihar, the least developed state of the three states.

TABLE 1.3 PER CAPITA INCOME OF SELECTED STATES FOR 2017-18

State	Per Capita Income for 2017-18
Haryana	23,510
Kerala	24,415
Bihar	4,982

- Now we consider certain other factors pertaining to these states-

TABLE 1.4 SOME COMPARATIVE DATA ON HARYANA, KERALA AND BIHAR

State	Infant Mortality Rate (per 1,000 live births)		Learny Attendance Ratio (per 100 persons) secondary stage (age 14 and 15 years) 2017-18
	2017-18	2017-18	
Haryana	52	82	81
Kerala	5	82	81
Bihar	52	63	43

- This table shows that in Kerala state, out of 1000 children born, only 5 die within one year of age, but in Haryana, the proportion of children dying within one year of birth is 52 and in Bihar 52.

- This situation is after 70 years of independence when our metro cities are full of high rise buildings and shopping malls. Thus, Infant Mortality rate is a big problem relating to health facilities.
- This table also shows that 43 children aged 14-15 in Bihar are not attending school beyond class 10. This is again a big problem relating to education facilities.

Public facilities

- Money in our pocket cannot buy all the goods and services that we need to live well. For example- pollution free environment.
- For many of the important things in life, the best and cheapest way is to provide these goods and services collectively. For example- security, education etc.
- Kerala has a low infant mortality rate because it has adequate provision of basic health and educational facilities.
- In some states, PDS is functioning very well. Therefore, in such states, health and nutritional status of people is certainly likely to be better.

Human Development Report (Index)

- Published by UNDP in which countries are compared not only on the basis of per capita income but also on the basis of educational levels of the people and life expectancy.
- The table shows that a small country in our neighbourhood Sri Lanka is much ahead of India in every respect and a big country like ours has such a low rank in the world.
- Table also shows that though Nepal and Bangladesh have low per capita income than that of India, yet they are better than India in life expectancy.

TABLE 1.5 HUMAN DEVELOPMENT INDEX (HDI) FOR 2019

Country	Income (GDP per capita, PPP \$)	Expected Life Span (in years)	Meaningful Education (years of schooling)
Sri Lanka	12,707	75.4	11.4
India	2,287	70.1	6.2
Nepal	1,046	70.1	6.2
Bangladesh	1,046	70.1	6.2

Body Mass Index-BMI

- BMI is the method of calculation of nourishment level of a person. Nutrition scientist call it Body Mass Index.
- To calculate the BMI, body weight of a person is measured in Kilograms and his/her height is measured in metre.
- Formula of BMI = $\frac{\text{Body weight}}{\text{Square of the height}}$

Sustainability of Development

- We need present level of development to go up further or at least be maintained for future generations.
- But the world have been continuously warning that the present type and level of development are not sustainable due to various reasons such as exhaustion of Natural resources like water and crude oil.
- Sustainability of development is comparatively a new area of knowledge in which scientists, economists, philosophers and other social scientists are working together.
- The problem of environmental degradation is now not a regional issue but has become a universal concern. Our future is linked together. We always need to ask ourselves, where we want to go, what we wish to become and what our goals are.

Renewable and Non-renewable sources

- Although, renewable sources are replenished by nature but they are overused. For example, in the case of ground water, if we use more than what is being replenished by rain, then we are overusing.
- Non-renewable sources are those which will get exhausted after years of use. We have a fixed stock of earth which cannot be replenished. For example, crude oil.

Ground water in India

- Recent evidences suggests that the ground water is under serious threat of overuse in many parts of the country.
- In the past 20 years, water level declined over metres have been reported in about 300 districts.
- Nearly 1/3 of the country is exhausting their groundwater reserves. In another 25 years, 60% of the country would be doing the same, if the present way of using this resource continues.

Q1: Study the table given ahead carefully and answer the question that follows. (CBSE 2024)

Country	Gross National Income (GNI) per capita (2011 PPP \$)	HDI Rank in the world (2018)
A	12,707	73
B	6,681	130
C	4,961	148
D	5,005	154
E	3,437	143
F	4,976	114

Which of the following country has high Human Development Index Rank in the world?
 (a) Country 'A' (b) Country 'C' (c) Country 'D' (d) Country 'E'

- Q2: Which one of the following definitions is most suitable for the 'Literacy Rate'?
- The literate population at the global level
 - The proportion of literate population in the seven years and above
 - The total number of children attending school in a region
 - The average number of schools in a region

- Q3: Which of the following is a key indicator used to measure a country's development?
- Primary Production
 - Secondary Production
 - Gross Domestic Product
 - Net Domestic Product

Ans: (c) Gross Domestic Product (GDP) is a key indicator used to measure a country's development. It represents the total value of goods and services produced within a country in a specific time period, showing how economically strong or weak the country is. This makes option (c) the correct answer.

Q4: How does the United Nations Development Program (UNDP)'s developmental criterion differ from the World Bank? Explain.

Ans: The World Bank measures development primarily through income. In contrast, the UNDP evaluates development using a broader set of criteria, which includes:

- Improvement in quality of the population
- Higher education attainment
- Increased per capita income

This approach highlights the importance of overall well-being, rather than focusing solely on financial metrics.

- Q5: Assume there are four families in a locality. If the monthly incomes of each family is ₹10,000, ₹20,000, ₹30,000 and ₹40,000 then what is the average income of the locality. Choose the correct option from the following.
- ₹25,000
 - ₹30,000
 - ₹20,000
 - ₹10,000

Ans: (a) To find the average income, you add the incomes of all the families and divide by the number of families. Here, the total income is ₹10,000 + ₹20,000 + ₹30,000 + ₹40,000 = ₹1,00,000, and there are 4 families. So, the average income is ₹1,00,000 ÷ 4 = ₹25,000, making option (a) the correct answer.

Q6: Different persons can have different developmental goals. Explain with examples.

Ans: People have different developmental goals because they come from different backgrounds. For example, a developmental goal for a farmer might be better irrigation facilities, while for an unemployed youth it may mean employment opportunities.

Q7: Read the following statements about Human Development and choose the correct option:

- It is the composite index prepared by United Nations Development Programme (UNDP).
- Parameters to measure it are Longevity, Literacy and Per Capita Income.
- Countries are ranked according to Developed and Low Developing countries.
- World Bank also prepares report of Human Development on the basis of Quality of Life.

- I and II
- II and III
- I and III
- II and IV

Q8: The question of 'Sustainability of development' raises many fundamentally new issues about the nature and process of development. Explain it with examples.

- Q9: Which one of the following is a developmental goal of the factory workers?
- Better wages
 - Better technology
 - More hours of work
 - More labour work

- Q13: Suppose there are four families in your locality, the average per capita income of whom is ₹10,000. If the income of three families is 6,000, 8,000 and 14,000 respectively, what would be the income of the fourth family?
- 5,000
 - 10,000
 - 12,000
 - 15,000

Ans: (c) Sol: Suppose the income of fourth family is x. According to question, $1000 = \frac{x + 6000 + 8000 + 14000}{4} = \frac{x + 28000}{4}$
 $4000 = x + 28000 \Rightarrow x = ₹12000$

Q14: What is development? Why do different people have different developmental goals? Explain with four examples.

Ans: Development means continuous growth or increase in real per capita income. In other words, there is improvement in economic welfare of the people and their standard of living.

Different people have different developmental goals because they have different aspirations in life.

- What may be development for one may not be development for the other
- For development people look at a mix of goals.
- Different persons could have different as well as conflicting notions of country's development.

Q15: In what respect is the criterion used by the UNDP different from that of the World Bank? What are the limitations of the criterion used by the World Bank?

Ans: The World Bank uses per capita income to measure the development. But it does not give the clear picture about the condition of the people in the country.

That is why UNDP has adopted Human Development Index. Human Development Index (HDI) is based on:

- Per capita income
- Life expectancy
- Literacy rate
- Gross enrolment ratio

Q16: Assertion (A): Kerala has low Infant Mortality Rate.
 Reason (R): Kerala has adequate provision of basic health and education facilities.

Ans: (a) Since the adequate provision of health and education facilities directly contributes to the low infant mortality rate in Kerala, (R) is the correct explanation of (A).

Q17: Choose the incorrect option from column A and column B.

Column A (Category of Persons)	Column B (Developmental goals/Aspirations)
(a) Landless rural labourers	(i) More days of work and better wages
(b) Prosperous farmers from Punjab	(ii) Availability of other sources of irrigation
(c) Farmers who depend only on rain for growing crops	(iii) Assured a higher support prices for their crops
(d) A rural woman from a land owning family	(iv) Regular job and high wages to increase her income

Ans: (c) Farmers who depending on rain for growing crops - might want adequate irrigation facilities

Q18: Define the term per capita income.

Ans: Per capita income measures the average income earned in a given area in a specified year. It is calculated by dividing the area's total income by its total population.

Q19: "Suppose the average income of a country is not being increased over time but the records of the National Income show a rise". What does this situation signify?

Ans: When the average income of a country remains unchanged over time, yet the National Income records show an increase, it indicates a situation of unequal income distribution. This means that while the total income of the country may be rising, it is not benefiting everyone equally. A small number of individuals may be accumulating wealth, while the majority see little to no improvement in their income. This disparity can lead to social and economic issues within the country.

Q20: Why is the issue of sustainability important for development? Explain.

Ans: (a) The growth and development should be done by keeping in mind future usage.
 (b) If resources are not sustained, then our natural resources will stagnate after some time and so upcoming generation will be able to take advantage of these natural resources.

Q21: Suggest any three ways to improve public facilities in India.

- Ensuring accessible and affordable education
- Checking corruption in PDS System
- Health facilities should be made free to children below 10 years of age and senior citizens.

Sectors of Indian Economy

Primary Sector

- Includes the activities that are undertaken by directly using natural resources.
- Primary activities forms the base for the other products that we subsequently make.
- Since most of the natural products we get are from agriculture, dairy, fisheries, forestry etc., this sector is also known as agriculture and related sector.
- For example
 - cultivation of cotton
 - Production of dairy products- like milk
 - minerals and ores are also natural products. When we produce a good by exploiting natural resources, it is an activity of the primary sector.

Secondary Sector

- Activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. That is why, it is also called industrial sector.
- In this sector, the product is not produced by nature as in the primary sector, but has to be made by some process of manufacturing. This manufacturing could be in a factory, in a workshop or at home

Tertiary Sector

- In this sector, those activities that help in the development of the primary and secondary sector are included.
- This sector does not produce a good by themselves but it helps and support the production process.
- For example- goods that are produced in the primary or the secondary sector would need to be transported by trucks or trains and then sold in wholesale and retail shops.
- At times, it may be necessary to store these products in godowns.
- Example- Transport, storage, communication, banking, trade etc.
- Service sector also includes some essential services that may not directly help in the production of goods but provide personal services. For example- Teachers, Doctors, Washerman, Barbers, Cobblers, Lawyers etc.
- All the three sectors are highly interdependent on each other.

How do we know the total production in each sector?

- Economists suggest that the values of final goods and services should be used rather than adding up the actual numbers. For example- Wheat and coconut.
- Not every goods or services that is produced and sold, need to be counted.

Why only final goods and services?

- In contrast to final goods, goods such as wheat and the wheat flour in this example are intermediate goods which are used up in producing final goods and services.
- The value of final goods already includes the value of all the intermediate goods that are used in making the final goods. For example (Biscuit).
- To count the value of intermediate goods separately is not correct because then we would be counting the value of the same things a number of times. First as wheat, then as flour and finally as Biscuits.

What is GDP?

- The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year.
- The sum of production in the three sectors gives what is called Gross Domestic Product (GDP) of a country.
- Thus, GDP is the value of all final goods and services produced within a country during a particular year.
- GDP shows how big the economy is.
- For example: 3 Trillion dollar economy.

Who counts GDP in India?

- Central government with the help of various departments of all the Indian states and union territories.

Historical change in sectors in terms of Production & Employment

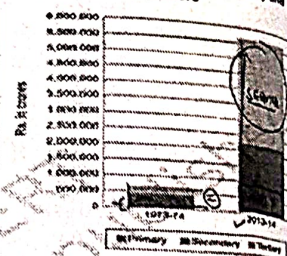
- Generally, at initial stages of development of a country primary sector had been the most important sector of economic activity. Most of the goods produced were natural products and most people were also employed in this primary sector.
- Over a period of time, factories came up and started expanding. Those people who had earlier works on farms now began to work in factories in large numbers. (Example- Colonial period - Forces to work in factories etc.)
- People began to use many more goods that were produced in factories at cheap rates.
- Secondary sector gradually became the most important in total production and employment. There is a shift from primary to secondary sector.
- In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries.
- The service sector has become the most important in terms of total production and employment.

Primary, Secondary & Tertiary sectors in India

Analysis of all the three sectors

- Total production (GDP) in all the three sectors has increased.
- Maximum production increase in tertiary sector as a result of which tertiary sector has emerged as the largest producing sector in India replacing the primary sector.
- Comparative growth in primary sector is the lowest in comparison to secondary and tertiary sector. Thus, primary sector has gone to the bottom place.
- Secondary sector has obtained the second place in terms of growth.

Graph 1 GDP by Primary, Secondary and Tertiary Sectors

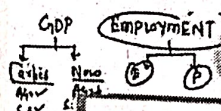


Why tertiary sector becoming so important in India?

- In a developing country like India, the government has to take responsibility for the provision of basic services like hospitals, schools and universities, post and telegraph services, police stations, courts, Gram Panchayats, municipalities, defence, transport, Banks, insurance companies etc.
- The development of agriculture and industries leads to the development of tertiary sector (transport, storage etc).
- Rising income levels
- certain new services such as those based on information and communication technology have become important and essential

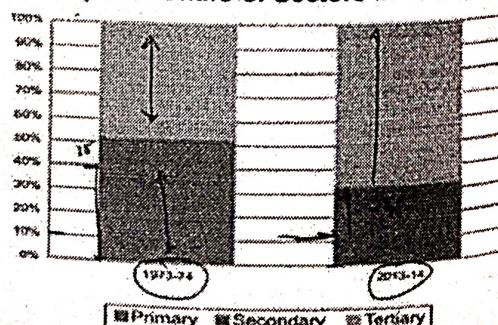
Not all service sector is growing equally

- At one end, there are a limited number of services that employ highly and educated workers.
- B.Tech/MBA/Diploma holders etc.
- At the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transport persons etc. These people hardly manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them.

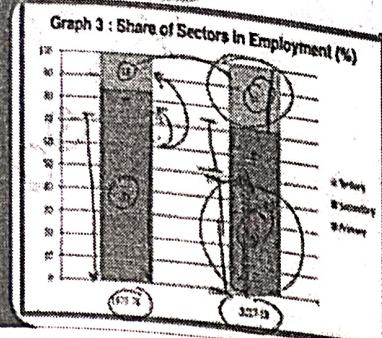
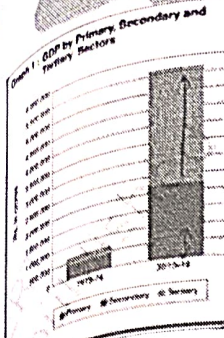


Sectorwise share in GDP

Graph 2 : Share of Sectors in GDP (%)



Where are most of the people employed? 1977-78 and 2017-18



Where are most of the people employed? 1977-78 and 2017-18

Remarkable fact about India - In terms of GDP [production] there is a change in the share of three sectors, but in terms of employment no similar change in the three sectors.

Primary sector still continues to be the largest employer even now. Why is so?

- Not enough jobs were created in secondary and tertiary sectors.
- In the secondary sector, the growth rate of production of goods is higher in comparison to growth rate of employment.
- Similarly, in the tertiary sector, growth in production is higher than the growth in employment.

Underemployment/Disguised unemployment

- Unemployment is of two types - Clearly visible unemployment.
- Disguised unemployment (hidden unemployment) - It is also called underemployment.
- Very common in primary sector.
- It means that there are more people working in agriculture than are necessary and therefore, if some people are moved out, production will not be affected.
- In other words, workers in the agricultural sector are underemployed.

How to create more employment?

Long term measure

- Improvement in irrigation facilities - Dams, Canals etc.
- Cheap agricultural credit - Banks to facilitate in managing seeds, fertilisers, agricultural equipment's, pump sets etc.
- To identify, promote and locate industries and services in semi-rural areas so that large number of people may be employed.
- Example - Creation of new jobs in education and health sector
- commission - 20 lakh jobs in education sector and more than 35 lakh jobs in tourism.
- Concentration on tourism, IT and regional craft industries.

Right to work (MGNREGA 2005)

Short term measure

- In rural areas - 100 days of guaranteed employment for those who are able to work and who are in need of work in a year.
- If government fails to provide employment, it will give unemployment allowances to the people.
- Works that will help in future to increase the production from land, would be given priority in MGNREGA.

Point	Organized Sector	Unorganised Sector
1. Job Security	Stable and secure jobs.	Jobs are insecure and often temporary.
2. Registration	Registered with the government.	Not registered with the government.
3. Benefits	Includes paid leave, medical benefits, provident fund, pensions.	No paid leave, no provident fund, no benefits.
4. Working Conditions	Fixed working hours, safe environment, overtime pay.	Irregular hours, unsafe working conditions, no overtime pay.
5. Compliance with Laws	Follows rules like minimum wages and safety regulations.	Rules often ignored, less government control.
6. Examples	Factories, government offices, large companies.	Street vendors, domestic workers, small shops.

How to protect workers in the unorganised sector?

- In rural areas, unorganised sector mostly comprises of landless agricultural farmers, small and marginal farmers, share-croppers and artisans such as weavers, blacksmiths, carpenters and agricultural inputs, loans, storage facilities and marketing outlets etc.
- To protect farmers, government should provide adequate facility for timely delivery of seeds
- In urban areas, unorganised sector comprises of mainly workers in small scale industries, casual workers in construction, trade and transport, street vendors etc.
- They need government support for procuring raw material and marketing of output.

Sectors in terms of ownership

Ownership	Public Sector	Private Sector
Purpose	Owned and managed by the Government. Aim is to provide services to society, not necessarily to earn profits.	Owned and managed by private individuals or companies. Aim is to earn profits by providing goods and services.
Source of Funds	Funded through taxes and other government revenues.	Funded by private investment and the profits earned.
Examples	Railways, Post Office, Construction of public infrastructure (roads, bridges, etc.)	ATA Shakti, Reliance Industries, private hospitals, and schools.
Services Provided	Provides services like healthcare, education, roads, defense, and public safety, which are essential for society.	Provides goods and services for profit, e.g., consumer goods, private education, and healthcare.
Cost to Consumers	Government provides services at a lower cost or subsidized rates (e.g., subsidized food, electricity).	Consumers need to pay for the services at market rates (e.g., private hospitals, electricity from private companies).

Q1: Examine the role of Public sector in the development of the country. (CBSE 2024)
Ans:

- Developing and investing in Infrastructure, such as ports, roads, bridges, and telecommunications, is one of the public sector's primary responsibilities.
- The provision of fundamental social services including housing, healthcare, and education
- The public sector's establishment and enforcement of laws governing economic activity like checking business activities, guaranteeing consumer safety, and preserving the sustainability of the environment.

Q2: Which one of the following pair is correctly matched? (CBSE 2024)
(a) Primary Sector - Fisherman (b) Secondary Sector - Priest
(c) Tertiary Sector - Basket Weaver (d) Quaternary Sector - Gardener
Ans: (a)

Q3: Which one of the following pairs is correctly matched? (CBSE 2024)
(a) Primary Sector - Flower Cultivator (b) Secondary Sector - Milk Vendor
(c) Tertiary Sector - Fisherman (d) Manufacturing Sector - Gardener
Ans: (b)

Q4: Kanta works in an office. She gets her salary regularly at the end of every month. In addition to the salary, she also gets other benefits laid down by the government. In which of the following sector Kanta is working? (CBSE 2024)
(a) Organised Sector (b) Unorganised Sector
(c) Primary Sector (d) Quaternary Sector
Ans: (a)

Q5: Which of the following organisation is providing data regarding employment in India? (CBSE 2024)
(a) National Statistical Office (b) Niti Aayog
(c) National Informatics Centre (d) Public Service Commission
Ans: (a)

The National Statistical Office (NSO) is responsible for collecting and providing data about various aspects of the economy, including employment in India. It conducts surveys and research to help understand employment trends and statistics.

Q6: Which one of the following sectors contributes highest in the GDP of India? (CBSE 2024)
(a) Primary (b) Secondary (c) Tertiary (d) Quaternary
Ans: (c)

Q7: Compare the employment conditions prevailing in the organised and unorganised sectors. (CBSE 2024)

Point	Organized Sector	Unorganised Sector
Regulation	Governed by labour laws set by the government.	No formal regulations, often outside government control.
Work Structure	Formal processes and rules are followed.	Informal, small, scattered work units.
Job Security	Workers enjoy job security (full-time employment).	High job insecurity, no long-term contracts.
Working Hours	Fixed working hours; overtime is paid for extra work.	No fixed working hours; no overtime pay.
Employee Benefits	Workers get benefits like provident fund, medical benefits, paid leave, etc.	No benefits like provident fund, leave, or medical coverage.
Salary	Regular and fair pay, according to fixed rules.	Low, irregular wages with no set salary.
Workplace Safety	Safe working environment with proper facilities.	Poor or no safety measures in place.

Q8: Explain how Tertiary Sector is different from other sectors. (CBSE 2024)
1. Support to Primary and Secondary Sectors
The activities of the tertiary sector contribute to the development of the primary and secondary sectors.

- Role of Tertiary Sector in Production
Tertiary sector activities do not produce goods directly but support the production processes in other sectors.
- Need for Credit and Communication
Credit is essential for trade and production, leading to the necessity of borrowing from banks, while communication via phones or letters is crucial for smooth operations.
- Storage Facilities After Production
Post-production, the need for storage facilities such as go-downs or cold storage arises to preserve the produced goods.

Q9: Why is 'Tertiary Sector' becoming important in India? Explain. (CBSE 2024)

Q10: Why is there a need to protect workers in the Unorganised Sector? Explain. (CBSE 2023)
Ans: (1) Jobs in this sector are low-paid and not regular.
(2) Employment is not secure. People can be asked to leave anytime without any notice.
(3) There is immense competition in the unorganised sector despite the low growth it offers.

Q11: Activities that help in the development of Primary and Secondary sectors come under which one of the following sectors? (Term 1 2021-22)
(a) Primary (b) Secondary (c) Tertiary (d) Quaternary
Ans: (c)

Q12: At the initial stages of development, which one of the following sectors was the most important of economic activity? (Term 1 2021-22)
(a) Primary (b) Secondary (c) Tertiary (d) Quaternary
Ans: (a)

Q13: Activities in which natural resources are changed into other forms come under which one of the following sectors? (Term-1, 2021-22)

- (a) Primary (b) Secondary (c) Tertiary (d) Quaternary

Ans: (b)

Q14: The products received by exploiting natural resources come under which one of the following sectors? (Term-1, 2021-22)

- (a) Quaternary (b) Tertiary (c) Secondary (d) Primary

Ans: (d)

Q16: Which one of the following activities comes under 'Primary sector'?

- (a) Mining (b) Transport (c) Education (d) Storage

Ans: (a)

Q17: How do the workers of the organized sector receive the benefits of employment security? Explain with examples.

OR

Why do people prefer to work in an organized sector? Explain.

Q18: "Tertiary sector activities help in the development of the primary and secondary sectors". Evaluate the statement.

Q19: "Primary sector was the most important sector of economic activity at initial stages of development". Evaluate the statement.

Dependence on Natural Resources: Early economies relied on agriculture, mining, and fishing, all part of the primary sector, for survival.

Agriculture as Livelihood: Most people depended on agriculture for food and raw materials, making it crucial for economic sustenance.

Foundation for Growth: The primary sector provided raw materials for the growth of secondary and tertiary sectors, driving overall economic development.

Q20: Suggest any three measures through which underemployment in the agriculture sector can be minimized.

Ans: (i) One or two members of farmers family can work in the farms of big landlord and earn wages.

(ii) More irrigated facilities can be provided to grow two or three crops in a year.

(iii) By opening processing units of agriculture production, more employment opportunities can be created.

Q21: Why is the 'tertiary sector' becoming important in India? Explain any three reasons.

Q. Explain why the service sector is gaining more importance in the global economy.

Q22: "All the services of the 'service sector' are not growing equally well." Evaluate the statement.

Ans: (i) Service sector in India employs many different kinds of people. At one end there are a limited number of services that employ highly skilled and educated workers, such as managers, lawyers, accountants, etc.

(ii) At the other end, there are a very large number of workers engaged in services, such as small shopkeepers, repair persons, transport persons. These people barely manage to earn a living and yet perform these services.

(iii) There is no alternative opportunity for them. Only a part of this sector is growing in importance.

Q23: Suggest any three ways to save workers of unorganized sector from exploitation.

(i) Social security to workers.

(ii) Support from Labour Ministry

(iii) Provide support for the conversion of unorganised sector to organised sector.

Q24: In the question given below, there are two statements marked as Assertion(A) and Reason (R). Read the statements and choose the correct option.

Assertion (A): The Government of India buys wheat and rice from farmers at fair price.

Reason (R): Public sector contributes to the economic development.

(a) Both A and R are true and R is the correct explanation of A.

(b) Both A and R are true, but R is not the correct explanation of A.

(c) A is true, but R is false.

(d) A is false, but R is true.

Ans: (b)

The Assertion (A) is true because the Government of India does buy wheat and rice from farmers at a fair price to ensure food security. The Reason (R) is also true as the public sector plays a significant role in economic development by providing services and stability. However, the reason does not explain why the government buys wheat and rice; they are related but not directly connected. Therefore, option (b) is the correct answer.

Q25: How is Public sector different from Private sector?

Q26: Suggest any three ways to improve the condition of the public sector at grass root level.

Ans: Reforms to improve public sector:

(i) More investment by Government at grass root level.

(ii) More banks and cooperatives.

(iii) Infrastructural development at grass root level.

(iv) Health and education profits at grass root level.

Q27: How is GDP calculated? (CBSE 2020)

Ans: GDP in India is calculated by adding the final value of the final goods and services produced by all three sectors. Only final goods and services are counted to get the final value.

Q28: Distinguish between 'primary' and 'secondary' sectors. (Delhi 2019)

Q29: Highlight any five features of 'Public Sector'. (AI 2019)

Money & Credit

Barter System: Double coincidence of wants

- In a Barter system, goods are directly exchanged without the use of money.
- Double coincidence of wants is an essential feature of Barter system i.e. what a person desires to sell is exactly what the other person wishes to buy.
- In other words, both parties have to agree to sell and buy each others commodities.

Money-Medium of Exchange

- Money is anything which is generally accepted in the exchange of goods or services.
- Since money acts as an intermediate in this exchange process, it is called a medium of exchange.
- Money eliminated the need for double coincidence of wants.

Money-Different forms in different times

- Before the introduction of coins, a variety of objects was used as money. For example- Grains, Cattles etc.
- Thereafter came the use of metallic coins made of gold, silver and copper.
- Modern forms of currency includes currency notes, coins and demand deposits of Banks. A new concept of "Crypto Currency" has also been introduced recently.

Why money is accepted as a medium of exchange?

- Modern currency is without any use of its own, not made of precious metal, -not of everyday use like grain and cattle. Even then it is accepted as a medium of exchange because the currency is authorised by the government of the country.
- In India, Reserve Bank of India issues currency notes on behalf of the central government. As per Indian law, no other individual or organisation is allowed to issue currency.
- No individual in India can legally refuse a payment made in rupees.

Demand Deposits of Banks

- People deposit their extra cash or money in the Banks by opening a Bank account.
- Bank accept the deposits and also pay an amount as interest on the deposits.
- Since the deposits in the Bank accounts can be withdrawn on demand, these deposits are called demand deposits.
- On one hand, people's money is safe in the Bank accounts and on the other hand, they also earn an amount as interest.

Cheque facility against Bank deposits

- Demand deposits offer a (cheque facility) to the account holders.
- A cheque is a paper instructing the Bank to pay a specific amount from the depositor's account to the person in whose favour the cheque has been issued.
- Thus, cheque facility makes it possible for a person to directly settle payments without the use of cash.

Banks

- Bank is an institution which accept deposits from the people who have surplus funds.
- Modern forms of money- currency and demand deposits, are closely linked to the working of the modern banking system.
- Banks lend the money to those borrowers who need funds for the fulfillment of their various requirements.

Loan activities of Banks

- Banks keep only a small portion of their deposits as cash with themselves. For example, Banks in India these days hold about 15% of their deposits as cash to pay the depositors who might come to withdraw money from the Bank on any given day.
- Banks use the major portions of the deposits to give loans on which they charge a higher interest rate than what they give to the depositors.
- The difference between what is charged from the borrowers and what is paid to the depositors is the main source of income of the Banks.

Credit - two different situations

- Credit is also known as loan. It refers to an agreement in which the lender supplies to the borrower some money, goods or services in return for the promise of future payment.
- In one situation, credit helps to meet the ongoing expenses of production and accordingly, increases the earnings. Thus, the person is better off than before.
- In another situation, credit also pushes the borrower into a debt trap.

(1) Festival Season

A festival season has months from now and the other months. In the festival season, the demand for goods and services is high. The people who are engaged in the production of goods and services have to pay for the raw materials and other expenses. Thus, the person is better off than before.

the raw materials to pay for the festival. The person who is engaged in the production of goods and services has to pay for the raw materials and other expenses. Thus, the person is better off than before.

(2) Swapna's Problem

Swapna is a small farmer who grows groundnuts in her field. She has a loan from the bank. She has to pay the interest on the loan. She has to pay the interest on the loan. She has to pay the interest on the loan.



Crop loan

- Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity, equipments etc.
- There is a minimum stretch of 3 to 4 months between the time when the farmers buy these inputs and when they sell their crop.
- In order to meet the expenses of crop production, farmers usually take crop loans at the beginning of the season and repay the loan after harvest.

Terms of Credit

- Every loan agreement specifies certain conditions which are known as terms of credit.
- Terms of credit includes interest rate, collateral, duration, mode of repayment, mode of repayment etc.
- These terms of credit vary substantially from one type of agreement to another depending on the nature of agreement, lender and the borrower.

Collateral

- Collateral is also known as security. It is an asset that the borrower owns and use these as a guarantee to a lender until the loan is repaid.
- Collateral includes land, building, vehicle, live stocks, deposits with Banks etc.
- If the borrower fails to repay the loans, lender has the right to sell the asset or collateral to recover her loan amount.

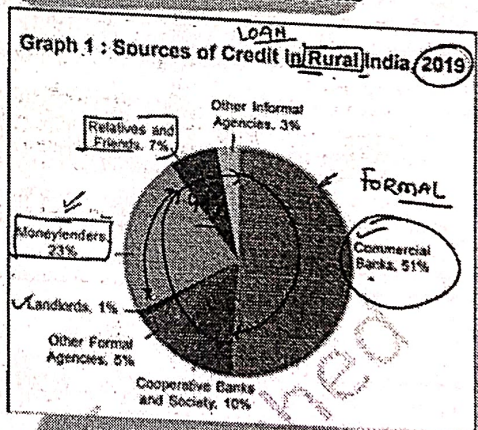
Different credit arrangements - Sources of credit

- Sources of credit or credit arrangements are classified into two categories (Formal sources and informal sources).
- Formal sector loan sources includes loan from banks and cooperatives.
- Informal sector loan sources includes moneylenders, traders, employers, relatives and friends.

Loan From Cooperatives

- Cooperative society is a major source of loans in rural areas.
- Members of the society pool their resources for cooperation in certain areas such as farming, weaving, industrial workers etc.
- They use pooled money as collateral and obtains a large loan from the Banks which are used to provide loans to its members for the purchase of agricultural implements, cultivation, agricultural trade, fishery, construction of houses etc.
- Once these loans are repaid, another round of loaning takes place.

Credit in Rural Areas



Credit in Urban Areas

- In urban areas, people are divided into 4 groups - Poor household, households with few assets, well-off households and rich households.
- The credit situation in urban areas tells a different story--

Graph 2: Of all the loans taken by urban households, what percentage was formal and what percentage was informal?



BLUE: Percentage of loans from the FORMAL sector
ORANGE: Percentage of loans from the INFORMAL sector

Formal Sector Credit Monitoring - Role of RBI

- RBI supervises the functioning of formal sector financial institutions whether the banks are actually maintaining the minimum cash balance or not.
- RBI also monitors that the banks give loans not just to profit-making business and traders but also to small farmers, small-scale industries and rural borrowers etc.
- Bank submit their periodical reports to RBI on how much they are lending to whom they are lending, at what interest rate they are lending etc.

No monitoring of informal sector credit

- No agency or institution to supervise the informal sector credit activities.
- Compared to formal sector, most of the informal sector lenders charge a much higher interest on loans. Thus, the cost of informal sector loan is much higher.
- There is no one to stop the informal lenders from using unfair means to get their money back.

Draw Backs of Informal Sector Credit

- Much higher interest rate affects the earnings of the borrowers because larger part of it is used for repayment.
- Higher interest rate also mean that the amount to be repaid is greater than the income of the borrower. This may lead to increase in debt.
- Higher interest also discourage the poor to start a business.
- Informal lenders use unfair means to get their money back.
- Imposition of unreasonable terms of credit.

Formal Sector Credit - Why should be increased?

- To enable people to grow crops, to do business, to set-up small-scale industries etc. formal sector institutions like Banks, cooperative societies need to lend more and more, as it would lead to higher incomes and people could then borrow cheap for a variety of needs mentioned above.
- Cheap and affordable credit is crucial for the country's development.
- Should be increased particularly in rural areas so that the dependence on informal lenders may be reduced.
- It is equally important to monitor that formal sector loans are available to everyone or to richer households only.

Why is it easier to take informal sector loan than the formal sector?

- Banks are not available everywhere in rural areas.
- Bank loans require proper documents and collateral while informal lenders know the borrowers personally and they give loan without the documentation and collateral.
- In case of informal loans, the borrower can, if necessary, approach the money lender even without repaying the earlier loan. This is not possible in formal sector loans.

Self-Help Groups [SHGs]

- SHG is a new idea to organise rural poor particularly women.
- A typical SHG has 15 to 20 members usually belonging to one neighbourhood who meet and save regularly as per their capacity.
- Members can take small loans from the group itself to meet their needs on nominal interest even less than the money lender.
- After a certain period, if the group is ready, it becomes eligible for availing bank loan.
- Loan is sanctioned in the name of SHG create employment opportunities for the members.
- Normally, SHG provides loan for releasing marginalised land, for meeting working capital needs i.e., buying seeds, fertilisers, raw materials, etc. or for acquiring assets like sewing machine, cattle etc. in rural areas.
- All important decisions regarding savings and loans are taken by the members: amount of loan, purpose, interest rate, repayment schedule etc.
- Repayment of loan is followed up seriously by other members in the group, that is why, banks are willing to lend to the poor women SHG, even though they have no collateral as such.

Advantage of SHG

- Helps in resolving the problem of collateral.
- Family loans for a variety of purposes and at a reasonable interest rate.
- 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.

Success Story of Grameen Bank of Bangladesh

- Founded by Professor Mohammad Yunus in 1976 winner of Nobel prize for peace in 2006.
- In 2018 - membership increased to 9 million in 64,000 villages of Bangladesh - Almost all the borrowers are women belonging to poor sections of the society.
- Women proved themselves reliable borrowers - started many small income generating activities.

Q1: Read the image of the cheque. Identify the cheque number from the given options. (1 Mark) (CBSE 2021)



- (a) 362255 (b) 110002078 (c) 000313 (d) 16177926023
Ans: (d)

Q2: Which one of the following banks in India controls the issuance of currency and regulates the credit system in the country? (1 Mark) (CBSE 2024)

(a) Punjab National Bank (b) Indian Bank
(c) Reserve Bank of India (d) State Bank of India
Ans: (c)

Q3: Explain the role of 'Self Help Groups' in the rural society. (3 Marks) (CBSE 2024)

Justify the role of 'Self Help Groups' in the rural economy. (3 Marks) (CBSE 2023)

Self-Help Groups are the building blocks of financial inclusion of the rural poor. Suggest any three ways to make them popular for social issues. (3 Marks) (CBSE 21)

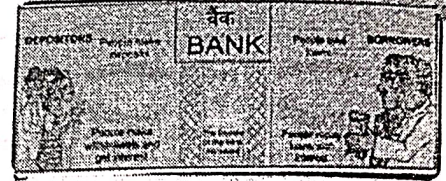
- They organise rural poor, in particular women, into small Self Help Groups to pool their savings.
- Provide a platform for the rural poor to interchange thoughts, ideas and opinions about various domestic and regional issues.
- Habit of saving and investing.
- Medium to borrow cheap loans easily from local banks. Loan is sanctioned in the name of the group and is meant to create self-employment opportunities for the members.
- Power of decision-making and develops political and social opinion among the members.

Q4: Why do lenders often require collateral before lending loan? Choose the most suitable option from the following. (1 Mark) (CBSE 2021)

(a) To lower the interest rates for borrowers.
(b) To establish personal relations.
(c) To increase their profit margins.
(d) To mitigate the risk of loan default.
Ans: (d) To mitigate the risk of loan default.

Q5: Explain the role of banks with regard to money which they accept from the public. (1 Mark) (CBSE 2021)

Q6: Look at the given picture carefully and infer the income of the bank. (1 Mark) (CBSE 2020)



- Choose the correct option from the following.
- The difference between the amount deposited and borrowed by the bank to Reserve Bank of India.
 - The difference of amount of interest between what is charged from borrowers and what is paid to depositors.
 - The difference of interest rate between what is charged from borrowers and what is charged from depositor.
 - The difference between the amount deposited by the depositor and borrowed by the borrower.
- Ans: (b) The difference of amount of interest between what is charged from borrowers and what is paid to depositors.

Q7: How is credit essential for economic activities? Explain with examples. (3 Marks) (CBSE 2020)

Q8: Explain with an example the role of credit for development. (Term-II, 2021-22)

- Ans: Credit is essential for economic activities because it provides the necessary financial resources for individuals, businesses, and governments to invest, grow, and expand.
- Boosting Business Investments:
 - Supporting Consumption:
 - Encouraging Innovation:
 - Enabling Government Spending:
 - Facilitating International Trade:

Q8: Explain any three functions of the Reserve Bank of India. (3 Marks) (CBSE AI 2019)

Ans: The Reserve Bank of India has many important roles that affect the common public:

- Monitors the balance kept by the bank for day to day transactions, it monitors the banking activity, particularly the loan-giving activity of the banks.
- It ensures that the banks give loans to the priority sector like agriculture and not just to profit-making sector.
- Undertakes the responsibility of controlling credit created by the commercial banks. RBI uses quantitative and qualitative techniques to control and regulate the credit flow.
- Gives guidelines to the bank about setting up the terms of credit that the bank may decide upon for the borrowers.

Q9: "Cheap and affordable credit is crucial for the country's development." Justify the statement. (3 Marks) (CBSE 2023)

Q10: Dhananjay is a government employee and belongs to a rich household, whereas Raju is a construction worker and comes from a poor rural household. Both are in need and wish to take a loan. Create a list of argument explaining who between the two would successfully be able to arrange money from a formal source. Why? (3 Marks) (Term-II, 2021-22 CBSE 2019)

- Ans: Dhananjay will be able to get a loan from a formal source.
- Banks are not present everywhere in rural India.
 - Bank loans require proper documents and collateral.
 - Informal lenders such as moneylenders, on the other hand, know the borrowers personally and hence, are often willing to give a loan without collateral.

Q11: The exchange of goods with a commodity is known as: (1 Mark) (CBSE 2021)

(a) Double coincidence of wants (b) Local trade
(c) Domestic trade (d) Foreign trade
Ans: (a)

Q12: Which of the following authorities of India issues currency notes on behalf of the Central Government? (2021 CBSE)

(a) The State Bank of India (b) The Reserve Bank of India
(c) The Allahabad Bank (d) The Punjab National Bank
Ans: (b)

Q13: "The use of money spans a very large part of our everyday life". Support the statement.

Ans: (i) To buy goods and services like in market,
(ii) To deposit in banks so that money can be saved and used for future use.
(iii) As a store value. For instance, we cannot store perishable goods like milk, grain etc. to exchange, but we can keep money for future use.

Q14: How do demand deposits have the essential features of money? Explain. (2020)

Ans: The facility of cheques against demand deposits makes it possible to directly settle payments without the use of cash.
• Banks accept the deposits and also pay an interest rate on the deposits.
• People's money is safe with the banks and it earns an interest.

Q15: Read the information given below and select the correct option. (2020 C)

Rohan has taken a loan of Rs. 5 lakhs from the bank to purchase a house on 12% rate of interest. He has to submit papers of new house and salary records to the bank. What is this process called as?

- (a) Interest Rate (b) Collateral (c) Principal Amount (d) Installments

Ans: (b)

Q16: Krishna is working in a neighbouring field with very less wages. Expenses on sudden illnesses or functions in the family are also met through loans. The landowner charges an interest rate of 3 per cent per month. At present she owes the landowner Rs. 5,000.

Analyse the credit arrangements given above. (CBSE 2020)

Ans: Credit arrangement - informal sources of credit / No intervention of government in controlling the credit activities carried out by informal sources.

Q17: Why do lenders ask for collateral while lending? Explain. (CBSE 2020)

Q18: "The Reserve Bank of India supervises the functioning of formal sources of loans." Support the statement with example. (2020)

Q19: "Bank plays an important role in the economic development of the country." Support the statement with an example. (2020)

Ans: (i) Capital formation: Banks offer very attractive schemes to attract the people to save their money with them and organised money market.

- (ii) Mobilize the small savings of the people through their branches and make it available for productive purposes.
(iii) Credit creation leads to increased production, employment and caused faster economic development.
(iv) The banks help in the development of different type of industries by extending loans to concern persons.
(v) It ensures full utilisation of resources.

Q20: "Credit sometimes pushes the borrower into a situation from which recovery is very painful". Support the statement with example. (2020)

Ans: (i) In rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity, repair of equipment, etc.

- (ii) There is a minimum stretch of three to four months between the time when the farmers buy these inputs and when they sell the crop.
(iii) Farmers usually take crop loans at the beginning of the season and repay the loan after harvest.
(iv) Repayment of the loan is crucially dependent on the income from farming.
(v) A farmer picks up the loan from a money lender to meet the expenses of cultivation. But unfortunately crops hit by the pests and fails. So, he is unable to repay the loan and debt grows larger with interest. Next year, he picks up a fresh loan and is able to have a normal crop that year. But earnings are not enough to pay the earlier loan. He can repay the loan, only after selling a part of the land. So we can say that "Credit sometimes pushes the borrower into a situation from which recovery is very painful".

Q21: Why are demand deposits considered as money? (AI 2019)

Ans: Demand deposits are considered as money, because they can be withdrawn when required and the money withdrawn can be used for making payments. So, they are also considered as money in the modern economy.

Q22: How is 'double coincidence of wants' not appreciable in the contemporary scenario? (CBSE 2019)

Ans: For double coincidence of wants to work out, an individual must require what the other person is willing to give away and vice-versa. If this situation is not reached exchange of goods does not happen. This problem is eliminated by the use of money.

Globalization

What is Globalization?

- Globalisation is the process of rapid integration (Interconnection between countries through foreign trade and foreign investments).

Factors that have enabled Globalization

- Rapid improvement in technology especially in the field of information, communication and transportation.
- Liberalization of trade and investment policies.
- Contribution of international organization like WTO

Rapid improvement in Technology: (Transportation Technology)

- Several improvements in transportation technology resulted in much faster delivery of goods across long distances at lower costs.
- For example - containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets.
- Similarly, the cost of air transport has fallen which has enabled much greater volumes of goods being transported by airlines.

Information and Communication Technology

- Technology advancement in the IT sector has played a major role in spreading out production of services.
- Telecommunication facilities (Telephony, Telephony, Mobile, Computers, Internet etc.) facilitated by satellite communication devices are used to contact one another around the world.

Internet

- In the amazing world of internet, any information can be obtained and shared. Internet also provides the facility to send instant electronic mail [E-mail] and voice mail [to talk] across the world at negligible costs.

Using IT in globalisation: How?

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

Liberalization in the policy of foreign trade and foreign investment

- Removal of barriers or restrictions imposed by the government on foreign trade and foreign investment is known as liberalization.
- In other words, liberalization refers to the relaxation of the rules of foreign trade and foreign investment made by the government.
- Liberalisation of trade allows the business to make decision freely about what they wish to import or export.
- The government impose much less restriction than before and is, therefore, said to be more liberal.

Trade Barrier

- When the government puts some restrictions on the foreign trade and foreign investment, it is called trade barrier. For example (Tax on imports).
- Governments use trade barriers to regulate (to increase or decrease) foreign trade and foreign investment and also decide, what kinds of goods and how much of goods should be allowed to be imported. Example of Chinese toys, AMERICA - DAIRY MILK.

Trade Barriers and Indian Policy (1947-1990)

- Like all other developed countries of the world, after the independence, Indian government too, had put some barriers on foreign trade and foreign investment to protect the domestic producers from the foreign competitors.
- In 1950s and 1960s, industries were just coming up and competition from imported goods at that stage would not have allowed these industries to come up.
- Therefore, India allowed the imports of only essential items such as machinery, fertilisers, petroleum etc.

Indian policy after 1991

- Around 1991, Indian government decided that the time had come for Indian producers to compete with the producers around the world.
- Government felt that competition would increase the quality of products and therefore, government removed the barriers on foreign trade and foreign investment to a large extent.
- Now goods could be imported and exported and foreign companies could set up factories and offices in India.

Q: What are the factors that have enabled Globalization?

1. **Advancements in Technology:** Rapid improvements in transportation (like container shipping and air transport) and communication (such as the internet, mobile phones, and telecommunication systems) have made it easier and faster to connect countries, businesses, and markets globally.

2. **Role of Multinational Corporations (MNCs):** MNCs like Tata Steel and Reliance Industries play a significant role in driving globalization by investing in multiple countries and spreading goods, services, technology, and capital across the globe.

3. **Reduction in Trade Barriers (Liberalization):** Since the 1990s, many countries have reduced trade barriers such as tariffs and quotas. This has facilitated the free movement of goods, services, and investments between countries, encouraging international competition.

4. **Improvement in Information and Communication Technology (ICT):** The rise of the internet, computers, and mobile production, services, and information worldwide.

5. **Movement of People:** Although not as widespread due to restrictions, the movement of people between countries for education, and better living standards has contributed to the global flow of knowledge, labor, and culture, further enhancing globalization.