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# Economic Issues



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F Block, 37/38, Chinthamani, Anna Nagar(E), Chennai - 600 102

044-26265326 / 96001 24042 / 95000 05522

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# ECONOMY

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- ❖ Industry refers to an economic activity concerned with the processing of raw materials and manufacture of goods in factories.

### **Important of industry:**

- ✓ Rapid growth of national income.
- ✓ Industries can provide better quality of more employment than agriculture.
- ✓ Value addition is possible in industrial sector.
- ✓ More foreign exchange generation
- ✓ Provides goods for the development of basic infrastructure of the country like power telecom etc.
- ❖ In India, different industries generate employment opportunities to nearly 20% of the population, while their share in the GDP is 28%.

### **TYPES OF INDUSTRIES**

- ❖ Basic Goods Industries (include minerals, fertilizers, cement, iron and steel, electricity etc.)
- ❖ Capital Goods Industries include machinery, machine

tools, rail-road equipment's etc.)

- ❖ Intermediate Goods Industries (include chemicals, rubber, plastic, coal and petroleum products)
- ❖ Consumer Goods (include consumer durables and non-durables like man-made fibres, beverages, mobile phones, cosmetics, toiletries, etc.)

### **CORE INDUSTRIES IN INDIA**

- ❖ These are the industries that are necessary for industrialisation of a country. The Eight Core Industries comprise nearly 38% of the weight of items include in the Index of Industrial Production (IIP).
- ❖ Electricity Generation (weight : 10.32%)
- ❖ Steel production (weight : 6.68%)
- ❖ Petroleum Refinery Production (weight: 5.94%)
- ❖ Crude Oil Production (weight: 5.22%)
- ❖ Coal Production (weight: 4.38%)



- ❖ Cement production (weight: 2.41%)
- ❖ Natural Gas production (weight: 1.71%)
- ❖ Fertilizer production (weight: 1.25%)

gave the public sector a strategic role in the economy.

- ❖ The objective of the IPR 1956 was establishment of socialistic pattern of the society in the country.

### State-wise Distribution of Industries

- ❖ There is a great regional imbalance in location of various industries in the country. The country can be divided into three regions.
1. Industrially advanced states, Maharashtra, Gujarat, Tamil Nadu and West Bengal.
  2. Middle – level industrial states; Andhra Pradesh, Karnataka, Uttar Pradesh, and Punjab.
  3. Industrially backward states; Rajasthan, Kerala, Haryana, Orissa, Himachal Pradesh.

### Industrial Policies

- ❖ Industrial Policies were launched in 1948, 1956, 1977, 1980 and 1991.
- ❖ The Industrial Policy Resolution of 1948 marked the beginning of the evolution of the Indian Industrial Policy.
- ❖ The IPR 1956 called the Economic Constitution of India,

### Industrial Policy Resolution 1948

- ❖ It was announced by Minister of industries and commerce shyama prasad mulherge.

### Salient Features of IPR 1948

- ❖ Development of mixed economy
- ❖ State programme for the development of industries.
- ❖ Promotion of small and cottage industries.
- ❖ Foreign intestine was allowed, but effective control should be with industries.

### IPR 1956

- ❖ Described as economic constitution of India.
- ❖ Its main objectives were to accelerate the rate of economic growth and to speed up industry nation for achieving a socialistic pattern of society.

### Salient features:

- ❖ Schedule A (Public sector) seventeen industries were

exclusively reserved for the public sector.

- ❖ Schedule B (Mixed sector) twelve industries were placed the mixed sector of public and private sector. These were to be proselyte state owned and in which state would generally set up new units.
- ❖ Schedule C (private sector) all the remaining industries and their future development world in general be left to the inactive and enterpriser of the private sector.

#### **IPR 1977:**

- ❖ The thrust of the policy was on decentranational of the industries and the promotion of small scale and cottage industries.
- ❖ It introduce the concept of tiny sector within the small scale sector

#### **IPR 1980**

- ❖ The policy emphasised the optimum utilisation of installed capacity technological up gradation and moderation.

### **Monopoly and Restrictive Trade Practices (MRTP) Act 1969**

- ❖ MRTP Act was enacted in 1969 and MRTP Commission was constituted in 1970 to prevent the concentration of economic power and to prohibit restrictive or unfair trade practices.
- ❖ Under the act companies having assets beyond the threshold limit (ie RS. 20 cr in 1985) were placed under the preview of the act.
- ❖ Certain restrictions are imposed on such companies like prior approval of the MRTP commission for establishment of new undertakings, expansion of under takings, mergers and acquisition.

### **Competition Act 2002**

- ❖ The completion act was enacted by the government in 2002, on the recommendation by S.V.S. Raghavan committee.
- ❖ If repealed the MRTP Act and the MRTP commission was placed by the competition commission of India.

### **Objectives of CCI**

- ❖ It encourage completion present cubes of dominate (rather than dominance as such) and to



ensure of level playing field for all the enterprises in the Indian economy.

### **Compulsory licensing (5 industry) :**

1. Distillation and brewing of alcoholic drinks.
2. Cigars and Cigarettes of tobacco and manufactured tobacco gab statues
3. Electronic, aerospace and defence equipments.
4. Industrial explosive including match boxes.
5. Hazardous chemical : e.g Hydrocyanic acid, Phosgene, isocyanates and disocyanetes of hydrocarbon

### **Reserved Industry:**

1. Atomic energy
2. Railway
3. The substance specified in the specified in the schedule to the notification of the GOI in the Department of Atomic energy dated March 1995

### **New Industrial Policy, 1991**

- ❖ Formed the basis for the economic reforms in India, which

proved to be a watershed in the history of Indian economy.

- ❖ The main aim of the new industrial policy 1991 was to unshackle the Indian industries from the cobweb of unnecessary bureaucratic control to introduce liberalisation with a view to integrate Indian economy with the world economy to remove restriction on FDI and to abolish MRTP Act, 1969 and to shed the load of the public enterprises

### **Disinvestment Policy**

- ❖ The Industrial Policy Statement of 24<sup>th</sup> July, 1991 outlined the disinvestment of selected PSEs.
- ❖ Disinvestment is a process, through which privatisation could take place
- ❖ The objective of pursuing disinvestment in India were unlocking resources trapped in non-strategic PSEs, reducing public debt and transferring commercial risk to the private sector.
- ❖ First Disinvestment Commission was set-up in 1996, under the Chairmanship of Mr EV