



CHAPTER 10 – INDIAN ECONOMY



This chapter explains how the Indian economy changed over time.



1850 to 1947

PRE

Pre-Independence Period

1947 to 1991

POST

Post-Independence Period

1991

Reform

Economic Reforms

Current State of Economy



Current State of Economy

1 PRE-INDEPENDENCE PERIOD (1850–1947)

This was the period of British Rule in India.



Before British exploitation, India was **rich, self-reliant** and famous for **handicrafts**.

MAIN FEATURES



Largest economy of ancient & medieval world

Example: Bengal muslin cloth was exported to Europe.



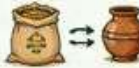
Prosperous & self-reliant villages

Example: Villages had farmers, potters, weavers, blacksmiths.



Self-sufficient villages

Example: Farmer exchanged wheat for pots made by potter.



Cities as centres of commerce, pilgrimage & administration

Example: Surat became a major trade centre.



Simple division of labour

Example: Weaver – cloth, Goldsmith – jewellery, Farmer – crops.



Agriculture was main occupation

Example: Major crops – rice, wheat, cotton.



Highly skilled artisans & craftsmen

Example: Banarasi silk and Kashmiri shawls were world famous.



India was rich but gradually **exploited** under British rule.

2 POST-INDEPENDENCE PERIOD (1947–1991)

After Independence, India faced many problems:



Poverty



Illiteracy



Low industrial development



Slow economic growth

So, government adopted **Planned Economic Development**.

MAIN FEATURES



Government control



Five-Year Plans



Public sector industries



Focus on equality & development

Example: Government built



Dams



Steel Plants



Railways

Goal: To build a **strong, self-reliant** and **developed** India.

3 ECONOMIC REFORMS OF 1991



India faced a serious economic crisis in 1991.

To overcome this, government introduced **LPG Reforms**.

LPG MEANS

L – Liberalization

Less government control.



P – Privatization

More role of private companies.



G – Globalization

Trade with world increased.



Example: Foreign companies like Samsung, Hyundai, Coca-Cola entered India more freely after reforms.

SAMSUNG

HYUNDAI

Coca-Cola

These reforms opened the Indian economy to the world.

4 CURRENT STATE OF ECONOMY

India has achieved a lot:



Growing industries



Strong technology sector



Better infrastructure



Increasing global trade



Rise in services sector



But still faces challenges:



Unemployment



Poverty



Inequality



Regional imbalance



Environmental problems



India is growing, but more efforts are needed for **sustainable and inclusive development**.

QUICK REVISION TABLE

Period	Main Idea
Pre-Independence (1850–1947)	India was rich, self-reliant but exploited under British rule.
Post-Independence (1947–1991)	Government planning, Five-Year Plans, public sector & development.
Economic Reforms (1991)	LPG reforms liberalized, privatized and globalized the economy.
Current State of Economy	Growing economy with opportunities but still facing many challenges.

ONE-LINE MEMORY TRICK



Rich India (Self-reliant villages)



British Exploitation



Planned Economy after Independence

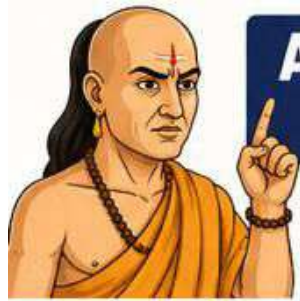


1991 Reforms LPG Opened Economy



Modern Growing Economy

Rich India → British exploitation → Planned economy → LPG reforms → Modern growing economy



ANCIENT ECONOMY – ARTHASHASTRA BY KAUTILYA (CHANAKYA)



Written by
**KAUTILYA
(CHANAKYA)**



Advisor of
**CHANDRAGUPTA
MAURYA**



Around
321–296 BCE

Arthashastra is one of the earliest known treatises on Indian economic philosophy and polity.

1 ANCIENT GUIDEBOOK FOR RUNNING A KINGDOM

Kautilya wrote Arthashastra to help kings govern properly, make political decisions and improve the economy.



Example: Like today governments use policies, budgets and tax systems.

2 PIONEER WORK ON STATECRAFT

It is a pioneering work on the art of running a state (statecraft). It explains administration, diplomacy, military, economy and more.



Example: How to choose ministers, collect taxes, maintain army, etc.

3 "ARTHA" ≠ ONLY WEALTH

Artha means TOTAL MATERIAL WELL-BEING of people, not just money.



Example: A country is truly rich when people have food, income and live safely.

4 SCIENCE OF MATERIAL PROSPERITY

Arthashastra is the science of material prosperity or means of subsistence of humanity.



Example: Improve farming, promote trade, use resources wisely to increase prosperity.

5 WEALTH (PRIMARY) AND LAND (SECONDARY)

Wealth is primary but land is also essential because agriculture was the main source of income.



Example: More fertile land → more crops → more revenue for the kingdom.

6 PROPER USE & MANAGEMENT OF LAND

Land should not remain unused. It should be properly used and managed.



Example: Build canals, improve irrigation, support farmers and make land productive.

7 STRONG AGRICULTURE

Kautilya emphasized strong agriculture for high production and state revenue.



Example: Good harvest → farmers earn more → government collects more taxes.

8 FAIR, EQUAL & EASY TAX SYSTEM

Taxes should be fair, equal for all and easy to understand.



Example: Poor farmers should not be overtaxed during droughts or bad harvests.

9 MULTIDISCIPLINARY NATURE

Arthashastra is multidisciplinary covering politics, economics, military, diplomacy, state functions, social organization and more.



Example: It is like combining many subjects in one great book.

10 TRUE KINGSHIP

A true ruler should put people's welfare above personal desires.



Example: A king should spend money on roads, irrigation, safety and people's welfare, not on his personal luxuries.

11 GREATEST GOOD OF GREATEST NUMBER

Policies should aim for the greatest good of the greatest number of people.



Example: Building a dam that helps thousands of farmers and improves their lives.

12 SEVEN ELEMENTS OF A STRONG STATE

A strong state depends on seven important elements.

	1. King
	2. Ministers
	3. Farmlands
	4. Fortresses
	5. Treasury
	6. Military
	7. Allies

Example: Modern countries also need leadership, economy, defense and strong international relations.

WHAT DOES ARTHASHASTRA TEACH US?



Develop
agriculture



Collect
fair taxes



Promote trade
and industries



Keep the state
strong and secure



Work for public
welfare

Result:
Prosperous, happy
and strong kingdom!

SUPER QUICK REVISION TABLE

Topic	Easy Meaning
Arthashastra	Ancient book on economics, politics and statecraft.
Artha	Total material well-being, not just money.
Main Focus	Land, agriculture, resources and people's welfare.
Taxes	Fair, equal and simple.
True Kingship	Put people's welfare above personal desires.
Strong State	Needs 7 elements: King, Ministers, Farmlands, Fortresses, Treasury, Military, Allies.

ONE-LINE MEMORY TRICK



Arthashastra
(Kautilya)

+



Strong
Agriculture

+



Fair
Taxes

+



Public
Welfare

=



Strong & Prosperous
Kingdom

"Strong agriculture + fair taxes + public welfare =
Arthashastra philosophy."

DESTRUCTION OF INDIAN HANDICRAFTS & MANUFACTURING DURING BRITISH RULE

From a Prosperous Manufacturing Economy to a Supplier of Raw Materials

1 INDUSTRIAL REVOLUTION IN BRITAIN

In the 18th century, machines increased Britain's production of goods.

They needed raw materials and markets to sell their finished goods.



Example: British factories needed cotton from India to make cloth.

2 INDIA CHANGED FROM MANUFACTURER TO RAW MATERIAL EXPORTER

Earlier: India exported finished products like silk, cotton cloth, handicrafts.

After British rule: India mainly exported raw cotton, jute, indigo, opium.



Example: Instead of exporting ready-made clothes, India started exporting only raw cotton bundles.

3 DISCRIMINATORY TARIFF POLICY

British government imposed:

- High taxes on Indian goods in Britain
- Low taxes on British goods entering India

Indian goods became expensive, British goods became cheap.

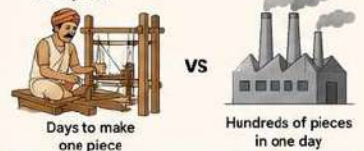


Example: Indian handmade cloth was costly in Britain, while British cloth was cheap in India.

4 INDIAN GOODS LOST COMPETITIVENESS

Machine-made goods were faster to produce, cheaper and more uniform.

Indian artisans could not compete.



Example: A handloom weaver needed days to make one saree, factories produced hundreds in one day.

5 DESTRUCTION OF INDIAN HANDICRAFTS

Demand for Indian handmade products fell sharply.

Many weavers, potters and craftsmen lost their jobs.



Example: Bengal muslin weavers became unemployed because people started buying cheaper British cloth.

6 BRITISH POLICIES FAVOURED BRITISH INTERESTS

British rule focused on profit for Britain, not the development of India.



Example: Railways were built mainly to transport raw materials to ports and export them to Britain.

7 CONSUMER DEMAND SHIFTED TO FOREIGN GOODS

Many Indians began preferring British clothes and Western lifestyle.

Imported products became popular.



Example: Urban rich people started wearing British suits instead of Indian handwoven clothes.

8 VILLAGE ECONOMY WAS DESTROYED

Earlier villages had balance between agriculture and handicrafts.

After British policies:

- Artisans lost work
- Villages became dependent only on farming.



Example: A village weaver stopped earning because factory cloth became cheaper. Now the whole village depended mainly on farming.

BEFORE BRITISH RULE

- India was a major manufacturer.
- Exported finished goods worldwide.
- Strong village economy with agriculture + handicrafts.



India: Exporter of Finished Goods

AFTER BRITISH RULE

- India became a supplier of raw materials.
- British goods flooded the Indian market.
- Handicrafts and industries declined.
- Unemployment increased.
- Village economy weakened.



India: Supplier of Raw Materials & Market for British Goods

OVERALL IMPACT

- ✗ Decline of Indian industries & handicrafts
- ✗ Loss of jobs for millions of artisans
- ✗ Dependence on British goods
- ✗ Economic backwardness
- ✗ Destruction of self-reliant village economy

EASY MEMORY TRICK

"British factories grew
↓
Indian handicrafts declined"



IN SHORT: British industrial growth + unfair policies + raw material exploitation = destruction of Indian handicrafts, industries and village economy.



AGRICULTURE SECTOR DURING BRITISH RULE



British policies were made to **benefit Britain**, not Indian farmers.

1 LARGE SCALE UNEMPLOYMENT IN AGRICULTURE

- Industries and handicrafts declined.
- People had no other jobs except farming.



Example: A weaver lost his weaving work and started farming on small land.

2 ZAMINDARI SYSTEM CREATED PRESSURE ON FARMERS

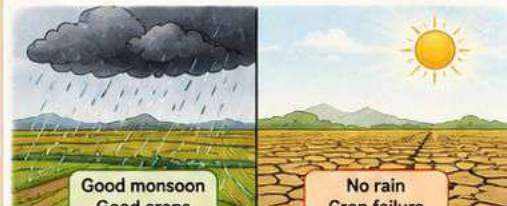
- Zamindars collected rent/tax from farmers.
- Taxes had to be paid even in bad harvests.



Example: Even if crops failed due to drought, farmers still had to pay rent.

3 HIGH DEPENDENCE ON MONSOON

- Very few irrigation facilities.
- Farming depended mainly on rainfall.



Example: Good rain → good harvest,
No rain → famine and hardship.

4 LAND SUBDIVISION & FRAGMENTATION

- Land kept getting divided among family members generation after generation.
- Very small farms reduced productivity.



Example: From 10 acres land, each person finally gets only 1-2 acres.

5 SUBSISTENCE FARMING

- Farmers grew crops only for survival,
- Very little was left for sale in the market.



Example: A farmer produced just enough food to feed his family.

6 FARMERS BECAME HEAVILY INDEBTED

- High taxes, crop failures and poverty forced farmers to borrow money.
- Loans kept increasing due to high interest.



Example: After crop failure, farmer could not repay loan and debt kept increasing.

7 EXPLOITATIVE MONEYLENDERS

- Moneylenders charged very high interest and had unfair conditions.
- Many farmers lost their land.



Example: Borrowed ₹100, after years had to repay ₹300-₹400.

8 LOW TECHNOLOGY & LACK OF IRRIGATION

- Old tools, wooden ploughs, little fertilizer and poor irrigation.
- Productivity remained very low.



Example: While western countries used machines, Indian farmers still used bullocks and old tools.

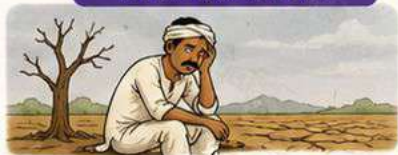
9 FORCED CULTIVATION OF COMMERCIAL CROPS

- British forced farmers to grow indigo, tea, coffee, cotton etc.
- Less food crops were grown which caused food shortages and famines.



Example: Farmers were forced to grow indigo instead of rice/wheat.

OVERALL RESULT



Heavy taxes & exploitation



Crop failures & monsoon dependence



Debt & poverty increased



Food shortages & famines



Collapse of Indian agriculture

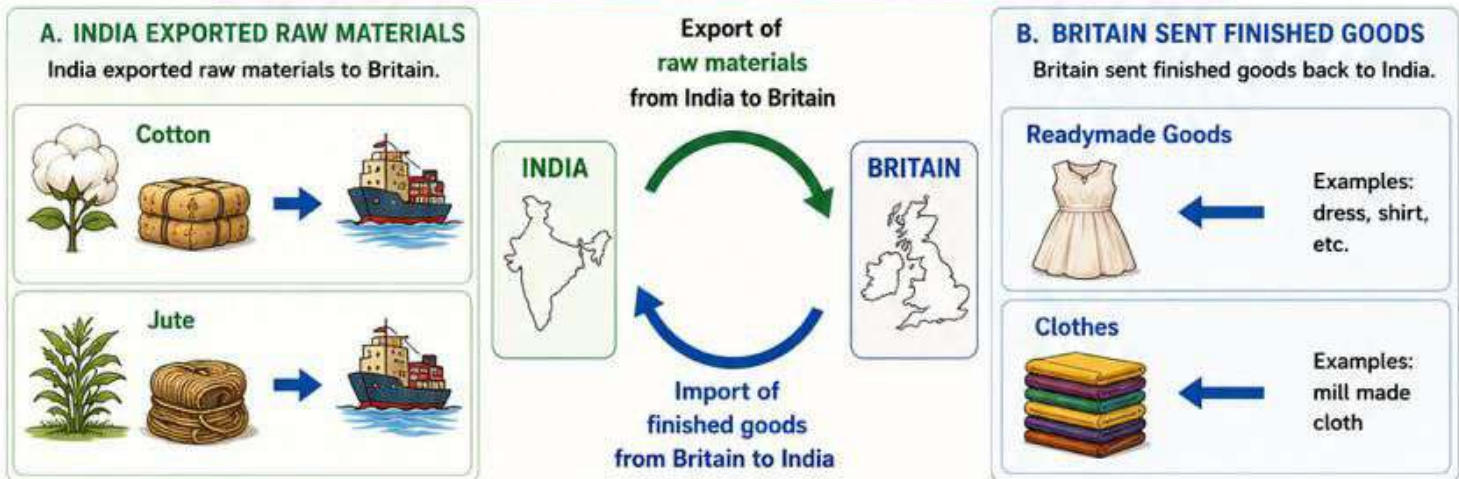


KEY TAKEAWAY: High taxes, unfair policies, loans, low technology and forced cash crops destroyed Indian agriculture and made farmers poor and powerless.



INDUSTRIAL SECTOR DURING BRITISH RULE – EASY EXPLANATION

1. TRADE PATTERN: RAW MATERIALS OUT, FINISHED GOODS IN



2. DEVELOPMENT OF INDUSTRIES IN INDIA (MID-19TH CENTURY ONWARDS)

A. COTTON MILL INDUSTRY

- Grew steadily in cities like Mumbai and Ahmedabad.
- India had 9 million spindles in the 1930s and became internationally competitive.

B. JUTE INDUSTRY

- Developed mainly around Calcutta (Kolkata).
- Jute used for ropes, bags, packaging.
- By the end of the 19th century, India became the largest jute producer in the world.

C. OTHER INDUSTRIES ALSO DEVELOPED

Brewing

Paper

Leather

Rice Mills

Match Factories

D. BEGINNING OF HEAVY INDUSTRIES

- Iron industry and other heavy industries started developing.
- Some industries were established with British capital.

E. OVERALL PICTURE

Industrial growth began but was limited and late compared to Western countries.

3. LIMITATIONS OF INDUSTRIAL GROWTH & DECLINE OF HANDICRAFTS

A. INDIA'S POSITION

- India's iron industry ranked 8th in the world in 1930.

- Before the Great Depression, India was the 12th largest industrialised country based on value of manufactured products.

B. PRODUCER GOODS INDUSTRIES DID NOT GROW MUCH

Industries that make machines, tools, equipment did not expand.

Example: India produced cloth, but not enough machinery and heavy equipment.

C. BRITISH POLICIES DISCOURAGED INDIAN INDUSTRIES

- British government made policies that favoured British industries.
- Indian industries were not allowed to compete freely with British industries.

FAVOUR BRITISH GOODS

D. INDUSTRIAL GROWTH WAS INSUFFICIENT

Could not bring a general transformation in India's economic structure.

Share in Net Domestic Product (NDP) of manufacturing sector (excluding small scale & cottage industries) = only about 7% in 1946.

E. FACTORY EMPLOYMENT WAS VERY SMALL

- Very few people got jobs in factories.
- Only about 0.4% of total population in 1900 and 1.4% in 1941.

4. REASONS FOR DEVASTATION OF HANDICRAFT INDUSTRIES DURING BRITISH RULE

1. BIASED TARIFF POLICY

- High taxes on Indian goods and low taxes on British goods.
- Indian handicrafts became expensive in Britain.

High Tax on Indian Goods vs Low Tax on British Goods

2. UNFAIR COMPETITION

- Machine-made British goods were cheaper, faster and of uniform quality.
- Handicrafts could not compete with them.

Slow, costly handmade vs Fast, cheap machine made

3. DISAPPEARANCE OF PRINCELY COURTS

- Earlier kings and nawabs supported artisans and craftsmen.
- After the decline of princely courts, their support ended.

4. WESTERN LIFESTYLE

- British goods were preferred by rich Indians and zamindars.
- Demand for Indian handicrafts fell drastically.

British Goods Preferred

IN SHORT India became a supplier of raw materials and a market for British goods. Industrial growth was slow and one-sided. British policies and machine-made goods ruined Indian handicrafts and industries.

THE OVERALL PICTURE

Raw materials exported → British factories made goods → Finished goods imported → Indian industries weakened → Handicrafts

FOREIGN SECTOR DURING BRITISH RULE – EASY EXPLANATION

India's foreign trade mainly **benefited Britain**, not India.

1. INDIA EXPORTED RAW MATERIALS

India sent raw materials to Britain.



Example: Indian cotton was sent to British factories to make cloth.

TRADE BETWEEN INDIA & BRITAIN



India became supplier of raw materials and buyer of finished goods from Britain.

2. BRITAIN SENT FINISHED GOODS

Britain used Indian raw materials to make finished goods and sold them back to India.



Example: India exported cotton → Britain made shirts → India imported those shirts again.



Britain earned profits both ways – by taking raw materials cheaply from India and selling finished goods at higher prices.

3. SUEZ CANAL OPENED IN 1869

Before Suez Canal
Ships had to go around Africa.



Long distance
More time
High cost

Suez Canal connected Europe and Asia through a shorter sea route.



- ✓ Shorter route
- ✓ Less time
- ✓ Lower cost
- ✓ More trade

After Suez Canal
Ships took the shorter route through Egypt.



Short distance
Less time
Low cost

4. OCCUPATIONAL STRUCTURE OF INDIA DURING BRITISH RULE

A. AGRICULTURE SECTOR

70–75%



- Most of the people were dependent on farming. Industries were underdeveloped.
- Example: Out of 100 people, around 70–75 were farmers.

B. INDUSTRIAL SECTOR

10%



- Very few people worked in factories and industries.
- Only about 10 out of 100 people worked in mills, factories and manufacturing.

C. SERVICE SECTOR

15–20%



- People worked in services like teaching, transport, trade, administration etc.
- Example: Teachers, shopkeepers, railway workers, clerks.

WHAT DOES IT SHOW?

Too much dependence on agriculture and very small industrial sector showed India's economic backwardness and lack of industrial development.



IN SHORT



India exported raw materials (cotton, jute, silk, indigo) to Britain.
Britain sent finished goods (clothes, capital goods) to India.
Suez Canal (1869) made trade faster, cheaper and easier.



- 70–75% in agriculture
- 10% in industry
- 15–20% in services



POST-INDEPENDENCE PERIOD (1947–1991)



After Independence in 1947, India faced many problems but started building a strong foundation for development.

1. SITUATION AT THE TIME OF INDEPENDENCE

1 MASS ILLITERACY

Very few people could read and write.



Literacy rate:
just 18%

(Only 18 out of 100 people were educated)

Example: Most villages had no schools nearby, so children could not study.

2 HIGH BIRTH RATE & HIGH DEATH RATE

Many babies were born, but many people also died early due to diseases and poor healthcare.



Causes of deaths:

- Poor healthcare
- Diseases (malaria, cholera, tuberculosis, etc.)
- Malnutrition

Example: Many people died from diseases like malaria & cholera.

3 LOW LIFE EXPECTANCY

People lived very short lives.



Average life expectancy:
barely 32 years

Example: In 1947, many people died young due to poor medical facilities and nutrition.

4 POVERTY

Most Indians were very poor.



- Lack of food 
- Lack of clothes 
- Poor houses 
- No proper healthcare 

Example: Many families struggled to eat two meals a day.

2. POST-INDEPENDENCE ECONOMIC STRATEGY (1947–1991)

5 GOVERNMENT DOMINATED ECONOMY

The government played a major role in industries, planning and development.



Examples:

- Government started steel plants
- Built dams, railways, roads
- Established banks and PSUs
- Focus on nation building

This is called **State-led development**.

6 CENTRALISED ECONOMIC PLANNING

India introduced Five-Year Plans to decide how to use resources for development.



Examples of planning:

- Irrigation projects
- Factories and power plants
- Education and health facilities

Goal: Balanced and planned growth.

7 GROWTH WITH EQUITY & JUSTICE

India aimed for economic growth with equal opportunities for all.



Examples:

- Land reforms
- Poverty reduction schemes
- Rural development programs
- Support for weaker sections

Benefits should reach all, especially the poor and villages.

8 INDUSTRIAL POLICY RESOLUTION (IPR) 1948

Government increased the role of public sector and controlled private industries through licensing.



What it means?

- Private companies needed government permission (license) to start or expand industries.
- Government controlled production, investment and expansion.

This system is called **License Raj**.

OVERALL PICTURE



Poor, backward and underdeveloped economy in 1947



Challenges in education, health, income and



Planned development with strong role of the government



Foundation laid for future economic growth

IN SHORT

- ✓ Illiteracy was very high (18%)
- ✓ Life expectancy was very low (32 years)
- ✓ Poverty was widespread
- ✓ Government took charge of development through planning and public sector
- ✓ IPR 1948 led to License Raj system



GOAL OF THE PERIOD: To build a self-reliant, strong and developed India with social justice and equality for all.





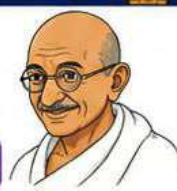
TWO PHILOSOPHIES IN 1950



Nehru's Philosophy



After Independence, India had an important question:
"How should India develop its economy?"



Gandhian Philosophy

Two
Different
Paths

1 NEHRU'S PHILOSOPHY

Main Idea: India should become modern, industrialized and self-reliant by developing **heavy industries**.

FOCUS AREAS



Big factories



Steel plants



Dams



Machines



Public sector industries

Nehru believed: **"Industries make a nation strong."**

EXAMPLES

Heavy Industries

Government established steel plants in Bhilai, Rourkela and heavy engineering industries.



Big Dams

Dams like Bhakra Nangal Dam were called "Temples of Modern India".



- Generate electricity ⚡
- Provide irrigation 🌾
- Promote industrial growth 🏭

Type of Society

Nehru wanted a Socialist Society.



Meaning: Government should control major industries and work for welfare of all.

2 GANDHIAN PHILOSOPHY

Main Idea: India should develop through **villages** and **small-scale industries**.

FOCUS AREAS



Cottage industries



Khadi



Handicrafts



Self-sufficient villages



Rural employment

Gandhi believed: **"Real India lives in villages."**

EXAMPLES

Khadi & Handloom

People should spin cotton and make clothes locally instead of depending on big factories.



Cottage Industries

Village people making pottery, baskets, handicrafts, handmade goods at small scale.



Village Republics

Gandhi wanted villages to become self-reliant village republics.



Meaning: Villages should produce most of their own needs.

MAIN DIFFERENCE BETWEEN BOTH

Nehru's Philosophy		Gandhian Philosophy
Heavy industries 	 Focus	Cottage industries 
Big factories	 Scale	Small village production
Modern industrial economy	 Approach	Self-sufficient villages
Large-scale production	 Production	Small-scale production
Urban-industrial growth 	 Development Focus	 Rural development

BOTH DREAM – A STRONG INDIA



Build big factories, dams, and machines!

Make villages strong, spin khadi and support small industries!



Both wanted a strong, self-reliant and prosperous India, but through different paths.

IN SHORT



Nehru's Philosophy = Big industries, modernization, heavy machines, dams, public sector.



Gandhian Philosophy = Village industries, self-reliant villages, khadi, small-scale production.



Remember:

Nehru = **Big Industries**
Gandhi = **Village Industries**



AGRICULTURE SECTOR AFTER INDEPENDENCE

After Independence, agriculture was very important because



Most people were farmers



Food shortage was common



Agriculture was the backbone of economy



1 FIRST FIVE-YEAR PLAN (1951-55) FOCUSED ON AGRICULTURE

The first Five-Year Plan gave high priority to agriculture, irrigation and rural development because India needed more food production.

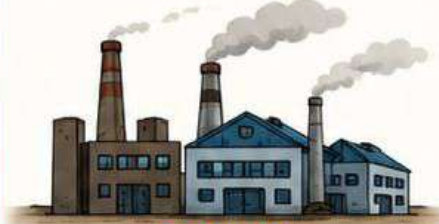


EXAMPLES

- Investment in dams
- Canals were built
- Support to farmers
- Goal: Increase crop production

2 SECOND PLAN DID NOT GIVE MUCH IMPORTANCE TO AGRICULTURE

In the Second Five-Year Plan, focus was more on heavy industries, factories and industrial growth. Agriculture received less attention.



EXAMPLES

- More money went to steel plants
- Focus on machinery industries
- Less on farming improvements

3 LAND REFORMS & FARM COOPERATIVES

LAND REFORMS

To help poor farmers.



- Reduced power of zamindars
- Gave land rights to farmers

EXAMPLE

- Tenant farmers got ownership rights in some states.

FARM COOPERATIVES

Farmers worked together by sharing resources and buying inputs (seeds, fertilizers) together.



EXAMPLE

- Milk cooperatives like Amul helped farmers earn better income.

4 LESS IMPORTANCE TO TECHNOLOGY & IRRIGATION

Initially, India did not focus much on agricultural research (R&D), modern seeds, fertilizers and irrigation systems. So productivity remained low.



EXAMPLES

- Farmers used old tools
- Traditional seeds
- Rainwater farming instead of modern technology

5 FAILURE OF MONSOON & DROUGHTS (1966 & 1967)

India faced severe droughts in 1966 and 1967 because monsoon failed continuously.



RESULT

- ✗ Crop failure
- ✗ Food shortage
- ✗ Farmer distress

6 FOOD GRAIN CRISIS & DEPENDENCE ON USA (PL-480 PROGRAM)

India faced serious shortage of food grains. So India imported wheat from USA under the PL-480 Program (US food aid program).



EXAMPLE

- America supplied wheat to India to prevent famine and hunger.

This showed: India was not yet self-sufficient in food production.

WHAT HAPPENED LATER?

These food problems later encouraged the **GREEN REVOLUTION**



Use of high yielding seeds



More use of fertilizers



Use of modern machinery



Expansion of irrigation



Increase in wheat & rice production

SUPER QUICK REVISION TABLE

Topic	Easy Meaning
First Five-Year Plan (1951-55)	High priority to agriculture, irrigation & rural development.
Second Five-Year Plan	More focus on industries, less on agriculture.
Land Reforms	Reduced zamindari; gave land rights to farmers.
Farm Cooperatives	Farmers worked together for better benefits.
Technology & Irrigation	Less focus on research, modern seeds, fertilizers, irrigation.
1966 & 1967 Droughts	Monsoon failure → crop failure → food shortage.
PL-480 Program	Food grains (wheat) imported from USA.

ONE-LINE MEMORY TRICK



Early focus on farming



More focus on industries



Droughts & food shortage



Food aid from USA (PL-480)



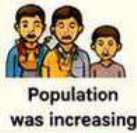
Need for reforms & Green Revolution

"Early focus on farming + droughts + food shortage = Need for agricultural reforms & Green Revolution."

GREEN REVOLUTION

Modern farming for more food and a better future

WHY WAS GREEN REVOLUTION NEEDED?



To solve this problem, India introduced **GREEN REVOLUTION** in the 1960s, especially for **wheat and rice**.



WHAT IS GREEN REVOLUTION?



Green Revolution means using **modern farming methods** to **increase food production**.

MAIN FEATURES OF GREEN REVOLUTION

1 INNOVATIVE FARM TECHNOLOGY

Modern technology was introduced in farming.

Includes:



Example:

Earlier farmers used bullocks.



Now tractors helped farmers plough land faster.

2 HIGH YIELDING VARIETY (HYV) SEEDS

Special seeds were introduced that produced more crops in less land.



Example:

HYV wheat seeds produced much more wheat compared to traditional seeds.

3 INTENSIVE USE OF WATER, FERTILIZERS & PESTICIDES

Farmers started using irrigation water, chemical fertilizers and pesticides to increase production.



Example:

More irrigation + fertilizers → bigger and healthier crops.



RESULT OF GREEN REVOLUTION



Food grain production increased sharply.



India became more self-sufficient in food.



Less dependent on food imports.



Punjab and Haryana became "**Granaries of India**" because wheat production increased enormously.

NATIONALIZATION OF BANKS (1969 & 1980)



To help farmers and development, the government nationalized banks.

MEANING OF NATIONALIZATION



Banks became Government-owned instead of private ownership.

IMPORTANT FACTS

- 14 banks were nationalized in 1969.
- 6 more banks were nationalized in 1980.

WHY WAS IT DONE?

- ✓ Farmers to get loans easily
- ✓ Rural areas to get banking services
- ✓ Agriculture & small industries to grow.

Example: Before nationalization, many villages had no banks.



After nationalization, banks opened branches in rural areas and gave loans to farmers.



SUPER QUICK REVISION TABLE

Topic	Easy Meaning
Green Revolution	Modern methods to increase food production.
HYV Seeds	High yielding variety seeds give more crops.
Farm Technology	Use of tractors, machines, tube wells etc.
Fertilizers & Irrigation	Provide nutrients and water for better growth.
Result	More food grains, self-sufficiency in food.
Bank Nationalization	Government took control of banks.
Purpose	Easy loans for farmers, rural development.

FUN MEMORY STORY

Before Green Revolution



After Green Revolution



ONE-LINE MEMORY TRICK



"HYV seeds + Water + Fertilizers + Technology = **Green Revolution.**"



INDUSTRIAL SECTOR AFTER INDEPENDENCE



After Independence, India wanted rapid industrial development to reduce dependence on foreign countries, create jobs and make the country **self-reliant**.

1 SECOND FIVE-YEAR PLAN (1956–60) FOCUSED ON INDUSTRIES

The Second Five-Year Plan gave priority to heavy industries, machine production and steel plants.

Based on Mahalanobis Model



Example: Government established steel plants, engineering industries and machine factories to make India industrially strong.

2 LICENSE RAJ DOMINATED 1960s & 1970s

Industries needed government permission (license) for opening factories, increasing production or expanding business. This system was called License Raj.



Example: To open a car factory, one needed government approval. This caused delays, corruption and slow industrial growth.

3 RESERVATION POLICY FOR SMALL-SCALE INDUSTRIES

In 1967, government reserved certain products only for small-scale industries to protect them.



Toys Candles Handicrafts

Example: Products like toys, candles, handicrafts were reserved mainly for small industries.

4 STRINGENT LABOUR LAWS

Strict labour laws were introduced to protect workers. Good for workers, but industries found it difficult to hire, fire or expand easily.



Example: Some companies avoided hiring too many workers due to strict rules.

5 INDUSTRIAL POLICY RESOLUTION (IPR) 1956

Government expanded the public sector in key industries like steel, railways, energy and mining.



Steel Railways Energy

Example: Government-owned companies like BHEL, SAIL, ONGC became important industries.

6 TOO MUCH IMPORTANCE TO PUBLIC SECTOR

Government controlled many industries. This reduced private sector initiative as private businesses had less freedom.



Example: Private companies could not easily expand without approvals.

7 EXTERNAL SHOCKS – WARS

India fought wars in 1962 (China), 1965 (Pakistan) and 1971 (Bangladesh). These wars increased government spending on defence and put pressure on the economy.



Example: Money that could be used for industries was spent on military needs.

8 DROUGHTS OF 1966 & 1967

Poor monsoon caused crop failure, food shortage and economic slowdown. Industries also suffered as people had less income to buy goods.



Example: Droughts reduced purchasing power and slowed industrial growth.

9 OIL SHOCKS OF 1973 & 1979

International oil prices increased sharply. India imported oil, so production costs became very high.



Example: Factories needed expensive fuel and transport became costly. Result – industrial slowdown.

10 MRTP ACT, 1969

MRTP = Monopolies & Restrictive Trade Practices Act. It aimed to control large business firms so that no single company became too powerful.



Example: Government restricted very large companies from expanding too much.

RESULT – SLOW INDUSTRIAL GROWTH



All these factors together caused decelerated industrial growth, especially during 1965–81, which became one of the slowest growth periods in independent India.



SUPER QUICK REVISION TABLE

Topic	Easy Meaning
Second Five-Year Plan	Focus on heavy industries & machine production.
License Raj	Government control through licenses.
Small-scale Reservation	Protection for small industries.
Labour Laws	Protect workers but made expansion difficult.
IPR 1956	Expansion of public sector industries.
Public Sector Dominance	Less space for private sector to grow.
Wars	Increased defence spending, economic pressure.
Droughts	Crop failure, reduced demand, slowdown.
Oil Shocks	Higher oil prices, higher costs, slowdown.
MRTP Act	Controlled large firms to prevent monopoly.

FUN MEMORY STORY



ONE-LINE MEMORY TRICK



Key Idea: Too much government control + external problems = slow industrial growth.



FOREIGN TRADE AFTER INDEPENDENCE



After Independence, India had to decide:
"How should India trade with other countries?"
 Initially open trade & investment were allowed, but later the government became more strict to protect Indian industries.

1 OPEN FOREIGN TRADE POLICY TILL LATE 1950s

In the early years, India allowed foreign trade and foreign investment to some extent.



Example:

India imported machines, technology and industrial equipment from foreign countries to develop industries.



Machines



Technology



Equipment

2 BALANCE OF PAYMENTS (BOP) CRISIS IN 1958

India started importing more goods than it exported.

Meaning of BOP Crisis

India had:

- Less foreign exchange (dollars)
- More import payments



So India faced shortage of foreign currency.



Example:

India bought expensive machines from abroad, but exports were not enough to earn sufficient dollars.

3 GOVERNMENT TIGHTENED TRADE & INVESTMENT RULES

After the crisis, government increased control on imports, foreign companies & foreign investment.



Goal:

Protect Indian industries from foreign competition.

Example:

Importing foreign products became difficult due to:

- Licenses
- Quotas
- Restrictions



4 IMPORT SUBSTITUTION POLICY

India adopted "Import Substitution".

Meaning

Instead of importing goods from other countries, India tried to produce those goods domestically.

Instead of Import



Produce in India



Example:

Instead of importing cloth or machines, India encouraged Indian factories to manufacture them.

Purpose:



Reduce foreign dependence



More foreign exchange



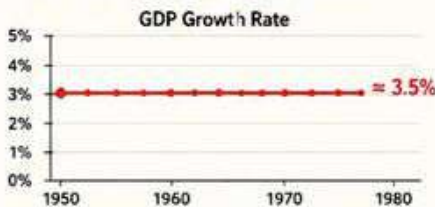
Encourage Indian industries



Promote self-reliance

5 HINDU GROWTH RATE

During 1950–1980, India's GDP growth rate remained around 3.5% per year.



This slow growth was called

"Hindu Growth Rate".

Example:

Other countries were growing very fast, but India's economy was growing slowly due to strict controls, low productivity and less competition.



6 REALIZATION BY POLICY MAKERS

Later policymakers realized:
Too much government control was creating problems.

The strict system:

- ✗ Reduced competition
- ✗ Discouraged innovation
- ✗ Slowed economic growth

Example:

Businesses spent more time getting licenses than improving products!



7 NEED FOR OPENNESS & INCENTIVES

Government realized India needed:



More openness



More competition



Better incentives

For → Rapid economic growth



Example:

This thinking later led to **Economic Reforms of 1991.**



SUMMARY FLOW



SUPER QUICK REVISION TABLE

Topic	Easy Meaning
Open Trade Policy	Allowed foreign trade & investment till late 1950s.
BOP Crisis (1958)	More imports than exports → foreign currency shortage.
Tight Controls	Government increased restrictions on imports & investment.
Import Substitution	Produce goods in India instead of importing.
Hindu Growth Rate	Slow GDP growth (~3.5% per year) during 1950–1980.
Policy Realization	Strict controls reduced competition & slowed growth.
Need for Openness	More openness, competition & incentives needed for rapid growth.

ONE-LINE MEMORY TRICK





THE ERA OF REFORMS

India started changing its economic policies because growth was slow, industries faced too many restrictions, and imports & exports were tightly controlled. So India began **ECONOMIC REFORMS**.



TWO STAGES OF REFORMS

1980-1990
EARLY REFORMS
(Early Liberalization)



1991
MAJOR ECONOMIC REFORMS
(LPG Reforms)

EARLY REFORMS (1980-1990)

Before the big reforms of 1991, government slowly started reducing controls.

The reforms focused on: **Industry** **Trade** **Taxation**

1 INDUSTRY REFORMS



Delicensing

Government reduced the need for licenses.

Example: Earlier permission was needed for everything. Now industries could be started more easily.

Broad-banding

Companies were allowed to produce related products using same machinery.



Example: A scooter company could also make motorcycles without new permission.



MRTPL Act Limit Increased

Limit increased from ₹20 crore to ₹100 crore.

Example: Big companies like Tata, Birla got more freedom to expand.



MODVAT Introduced

Reduced double taxation (earlier tax was charged again and again at different stages).

Example: A shoe factory got tax credit on raw materials used, reducing cost.



SEBI Established (1988)

SEBI (Securities and Exchange Board of India) was created to regulate stock market, investors and companies.

Example: SEBI protects investors from fraud in the stock market.

2 TRADE REFORMS

OGL Expanded (Open General License)

More goods could now be imported without strict permission.

Example: Industries could import machines more easily.



Export Incentives

Government encouraged exports.

Example: Export companies received tax benefits, subsidies and incentives to sell goods abroad.



Controls on Cement & Aluminium Removed

Government removed strict price and production controls.

Example: Factories could produce and sell cement more freely.



Rupee Depreciated by 30%

Value of Indian rupee was reduced compared to foreign currencies.

Why? To make Indian exports cheaper and more competitive.

Example: Indian products became cheaper for foreign buyers.



3 TAXATION REFORMS

Budget 1986

Government:

- ✓ Reduced tax rates
- ✓ Reduced import duties (tariffs)



Example: Lower taxes helped industries invest more and encouraged business and trade.

Effects of Early Reforms

- ✓ Less control and more freedom
- ✓ Encouraged industries & trade
- ✓ Reduced tax burden
- ✓ Better competition & efficiency
- ✓ Prepared the way for big reforms of 1991



Small steps of freedom in the 1980s led to the big changes in 1991!

CONCLUSION OF EARLY REFORMS



Early reforms were limited and gradual, but they gave an important message:

"Markets and private sector should get more freedom for faster growth."

This thinking later led to **LPG REFORMS OF 1991**.



SUPER QUICK REVISION TABLE

Area	Reform	Easy Meaning	Example
Industry	Delicensing	Fewer licenses needed	Start factory easily
Industry	Broad-banding	Make related products	Scooter company makes motorcycle too
Industry	MRTPL Limit Raised	Big firms got more freedom	Limit from ₹20 cr to ₹100 cr
Industry	MODVAT	Reduced double taxation	Tax credit on raw materials
Industry	SEBI (1988)	Regulates stock market	Protects investors
Trade	OGL Expanded	Easier imports	Import machines easily
Trade	Export Incentives	Encouraged exports	Tax benefits, subsidies
Trade	Rupee Depreciation	Made exports cheaper	-30% depreciation
Taxation	Budget 1986	Lower taxes & tariffs	Encouraged business

FLOW OF EARLY REFORMS

Too much control & restrictions

Slow growth & low efficiency

Small steps of reforms (1980-1990)

More freedom in industry, trade & taxation

Way to big reforms of 1991

ONE-LINE MEMORY TRICK

+ + =
Less Control + Easy Trade + Lower Taxes = More Freedom

= **Faster Growth & Big Reforms (1991)**

"Less control + more freedom + easier trade = Beginning of big economic reforms."



ECONOMIC REFORMS 1991

In 1991, India faced a serious **Economic Crisis**.



So India introduced
LPG REFORMS
in 1991.



WHAT IS LPG?



L – LIBERALIZATION

Removing unnecessary government controls and restrictions.



P – PRIVATIZATION

Increasing role of private companies and reducing government control in business.

G – GLOBALIZATION

Connecting Indian economy with the world economy.



1 LIBERALIZATION

Meaning:

Removing unnecessary government controls and restrictions.



Earlier

Businesses needed licenses, permissions and approvals for almost everything.



After Liberalization

Starting and expanding business became easier.

Example:



Earlier: A businessman needed government permission to open a factory.

After liberalization: Starting and expanding business became easier.



2 PRIVATIZATION

Meaning:

Increasing role of private companies and reducing government control in business.



Earlier



Government owned many industries like telecom and airlines.



After Privatization

Private companies grew rapidly.



3 GLOBALIZATION

Meaning:

Connecting Indian economy with world economy.



India increased:

✓ Foreign trade



✓ Foreign investment



✓ International business



Example:

Foreign companies entered India and Indian companies went global.



McDonald's



Samsung



Hyundai

Indian companies also started selling their products globally.



WHY WERE REFORMS NEEDED?

4 Huge Fiscal Deficit

Government expenditure became much higher than income.



Fiscal Deficit = Spending > Income

5 Heavy Borrowing & Interest Burden

India borrowed money from foreign countries, IMF and World Bank.



This increased interest payment burden.

6 Gulf War 1990 & Oil Price Rise

During Gulf War, international oil prices increased sharply. India imported oil, so import bill became very high.



Petrol and transport costs increased, hurting economy.

7 Severe Balance of Payments (BOP) Crisis

India's Foreign Exchange Reserves (FER) fell to only about \$1.2 billion



enough for only a few weeks of imports.

India almost did not have enough dollars to buy essential imports like oil.

8 Import Restrictions Reduced Industrial Output

Strict import controls created shortage of machines, raw materials and technology.



Industries could not grow properly.

9 IMF Loans & Strict Conditions

India took loans from IMF (International Monetary Fund).



IMF asked India to:
✓ Reduce controls
✓ Open economy
✓ Reform policies

Loans came with conditions for reforms.

10 Crisis of Confidence

Political instability and economic problems created a "Crisis of Confidence".



RESULT OF 1991 REFORMS



Economic growth increased



Foreign investment increased



Private sector expanded



More competition came



Indian economy became more global

SUPER QUICK REVISION TABLE

Reform	Meaning	Example
Liberalization	Less government control	Easier to start and expand business
Privatization	More private companies	Airtel, Reliance, Indigo
Globalization	Connection with world	McDonald's, Samsung in India
Fiscal Deficit	Spending greater than income	Govt. borrowed more
BOP Crisis	Dollar shortage	FER fell to \$1.2 billion
IMF Loans	Loans with reform conditions	Asked India to open economy

FLOW OF EVENTS



ONE-LINE MEMORY TRICK



"Less control + More private + Global connect = Fast growth and development!"



Key Idea: Economic reforms of 1991 moved India from a controlled economy to an open, competitive and global economy.



1991 ECONOMIC REFORMS



A Turning Point in India's Economy

INDIA IN 1991 – THE CRISIS

High Inflation

Very Low Foreign Currency Reserves

Imports Difficult

High Fiscal Deficit

India had foreign exchange reserves for only a few weeks of imports. 😞

OBJECTIVES OF 1991 REFORMS

1 MAKE THE ECONOMY "MARKET FRIENDLY"

BEFORE REFORMS



- Too much government control
- Many licenses permissions
- Slow business growth

AFTER REFORMS



- More freedom to businesses
- More competition
- Faster growth
- Better products for people

EXAMPLE

Earlier:

Opening a factory needed many permissions.



After reforms:

Rules became easier, businesses could start faster.



2 MACRO-ECONOMIC STABILIZATION

PROBLEMS

- Inflation 
- Fiscal Deficit 
- Balance of Payments (BOP) Crisis 

GOVERNMENT ACTIONS

- Reduce extra spending 
- Increase revenue 
- Improve foreign exchange position 

FISCAL DEFICIT – EXAMPLE


Pocket Money = ₹1000

–


Spending = ₹1500

=


Borrowed = ₹500

— This is Fiscal Deficit

CLASSIFICATION OF REFORMS

A STABILIZATION MEASURES (SHORT TERM)

AIM	FOCUS	GOVERNMENT STEPS
To handle the immediate economic crisis. 	• Control Inflation • Solve Balance of Payments (BOP) problem 	• Reduce government spending • Take loans from IMF / World Bank • Reduce imports • Control inflation

EXAMPLE (BOP PROBLEM)

Imports High
(We buy more)



>

Exports Low
(We sell less)



Foreign currency finishes.

Like a family reducing expenses during a financial emergency.

B STRUCTURAL REFORMS (LONG TERM)

AIM	FOCUS	MAJOR AREAS
To improve the economy permanently. 	• Increase productivity • Improve competitiveness • Remove rigidities 	• Industrial Reforms • Trade Reforms • Financial Sector Reforms • Tax Reforms

EXAMPLE

Earlier:

Government companies dominated many sectors.



After Reforms:

Private companies like Infosys, Reliance, Airtel, etc. expanded rapidly.





Result: Better technology • More jobs • More choices for consumers

QUICK COMPARISON		
BASIS	STABILIZATION MEASURES	STRUCTURAL REFORMS
Nature	Short-term	Long-term
Purpose	Handle crisis	Improve economy permanently
Focus	Inflation & BOP	Productivity & Competitiveness
Example	Reducing government spending, controlling imports	Removing industrial licensing, encouraging private sector

MEMORY TRICK

STABILIZATION MEASURES

= **FIRST AID** to the economy



STRUCTURAL REFORMS

= **COMPLETE BODY TRANSFORMATION**





FINAL SUMMARY

1991 Economic Reforms aimed to make India's economy market-oriented, reduce government control, stabilize the economy and encourage competition and growth. These reforms laid the foundation for New India's economic success story.





FISCAL REFORMS

Stronger Finances, Stronger Economy



WHAT ARE FISCAL REFORMS?

Reforms related to government income (taxes) and expenditure (spending) to improve finances and reduce fiscal deficit.

MAIN AIM

- ✓ Reduce fiscal deficit
- ✓ Improve government finances
- ✓ Make economy stronger



1 INTRODUCTION OF STABLE & TRANSPARENT TAX STRUCTURE

Meaning:

Government made the tax system simple, clear and predictable.

Example

EARLIER

Complicated taxes, confusing rules.



AFTER REFORMS

Simple, clear and organized tax system.



Like getting a clean timetable instead of a messy one.



2 BETTER TAX COMPLIANCE

Meaning:

People were encouraged to pay taxes honestly and file returns properly.

Example

SHOPKEEPER A
Hides income



SHOPKEEPER B
Pays taxes honestly



Government introduced better checking systems.

RESULT: Higher government revenue.

3 THRUST ON CURBING GOVERNMENT EXPENDITURES

Meaning:

Government tried to reduce unnecessary and wasteful spending.

Example

EARLIER

High unnecessary spending.



AFTER REFORMS

Controlled and essential spending.



Like a family that cuts luxury expenses during financial problems.



4 REDUCTION OR ABOLITION OF UNNECESSARY SUBSIDIES

Meaning:

Government reduced subsidies that created heavy financial burden.

What is Subsidy?

Government support to make goods cheaper for people.



Example (LPG Cylinder)

Actual cost	Customer pays	Government pays (subsidy)
₹1000	₹600	₹400

Too many subsidies increase government expenditure.

So, government reduced subsidies.



5 DISINVESTMENT OF GOVERNMENT'S EQUITY HOLDING IN PSUs

Meaning:

Government sold part of its ownership (shares) in public sector companies to private investors.

Example



AIR INDIA



Government sells shares of PSUs like Air India, LIC etc.

Benefits



Government gets money.



Better efficiency.



Reduced burden on government.

6 ENCOURAGING PRIVATE SECTOR PARTICIPATION

Meaning:

Private companies were encouraged to invest, expand businesses and enter more industries.

Example



Private companies like



grew rapidly and strengthened the economy.

HISTORIC AGREEMENT (September 1994)

AGREEMENT BETWEEN:



GOVERNMENT OF INDIA (GOI)



RESERVE BANK OF INDIA (RBI)



AIM

To gradually reduce fiscal deficit and bring it close to zero by 1997-98.



SUMMARY



Better Taxes



Less Wasteful Spending



More Revenue



Private Sector Growth



STRONGER ECONOMY

Fiscal Reforms = Wise Management of Government Income & Expenditure for a Stronger India





MONETARY & FINANCIAL REFORMS

Aimed at improving the banking system, money flow and financial efficiency.



MAIN OBJECTIVES

- ✓ Reduce NPAs (Bad Loans)
- ✓ Increase competition among banks
- ✓ Make banking modern, efficient and customer friendly
- ✓ Support economic growth



Strong Banks

+



More Competition

+



Better Loan System

=



Better Economy

1 REDUCING BURDEN OF NPAs

What is NPA?

NPA = Non-Performing Asset
A loan that is not being repaid.

Example

Bank gives ₹10 lakh loan to a businessman. He stops paying installments.



Loan becomes NPA (Bad Loan)

Reform Aim

- Recover loans properly
- Give loans carefully
- Reduce bad loans



2 INTEREST RATE LIBERALIZATION

Banks got freedom to decide loan and deposit interest rates.

Earlier

RBI controlled many interest rates.



After Reforms

Banks compete with each other on interest rates.



<



Customers get more choices



3 OPENING NEW PRIVATE SECTOR BANKS

Government allowed new private banks to enter.

Examples



HDFC BANK



ICICI Bank



AXIS BANK

Result

- Faster services
- Better technology
- ATM & online banking
- More customer-friendly banking

4 GREATER COMPETITION AMONG BANKS

Competition increased among public, private and foreign banks.



Public Banks



Private Banks



Foreign Banks

Example

Like competition between coaching institutes improves teaching quality, competition among banks improves:

- Services
- Customer care
- Technology



5 REMOVAL OF ADMINISTRATIVE CONSTRAINTS

Banks got more operational freedom.

- Open branches easily
- Make quicker decisions
- Improve services

Example

Earlier
Many permissions needed even for small decisions.



After Reforms
Banks became more flexible and efficient.



6 REDUCTION IN CRR & SLR

CRR

Cash Reserve Ratio
Money banks must keep with RBI.

SLR

Statutory Liquidity Ratio
Money banks must keep in safe assets like government securities.

Reform

Government reduced CRR & SLR.

Example

Bank has ₹100

Earlier
More money kept with RBI / Govt.
Less money available for loans



After Reduction
More money available for loans.
Banks can lend more.



Result

More loans available → Increased investment → Faster economic growth

7 LIBERALIZATION OF BANK BRANCH LICENSING

Banks got freedom to open, shift or close branches with fewer restrictions.

Example

Bank sees more customers in a new city.



It can quickly open a branch there.



8 PRUDENTIAL NORMS FOR BANKS

Banks had to maintain proper accounting and transparency.

- Classify loans properly
- Disclose bad loans honestly
- Maintain accurate financial records

Example

Earlier
Some banks hid bad loans.



After Reforms
Banks show real picture of NPAs, profit and loss.



Like showing real marks in report card instead of hiding.



NARASIMHAM COMMITTEE (1991)

This committee suggested major Main Suggestions

- ✓ Reduce CRR & SLR
- ✓ Improve banking efficiency
- ✓ Increase transparency
- ✓ Reduce government control

SUPER QUICK REVISION

Reform	Easy Meaning	Example
Reduce NPAs	Reduce bad loans	Recover unpaid loans
Interest Liberalization	Banks decide rates	Different FD / Loan rates
Private Banks	New private banks allowed	HDFC, ICICI, Axis Bank
Reduce CRR & SLR	Banks can lend more	More loans to businesses
Branch Liberalization	Easy branch opening	New city branches
Prudential Norms	Honest & transparent accounting	Showing real NPAs

MEMORY TRICK

MONETARY REFORMS

=

Making banks
Smarter, Freer
and Stronger



Better Banks → Better Services
→ More Loans → Faster Growth



Strong financial system is the backbone of a strong economy.





CAPITAL MARKET REFORMS

Aim: Make the capital market transparent, protect investors, encourage investment and improve allocation of resources.



1. WHAT IS CAPITAL MARKET?

A market where companies raise money and people invest money through:



Shares



Debentures



Bonds

Example

Reliance needs ₹1000 crore for expansion. It issues shares in the stock market. People buy shares and become investors.



2. WHAT IS SEBI?

SEBI

भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange
Board of India



1988

SEBI was established.



1992

SEBI was given statutory powers.

Why was SEBI needed?

- Earlier, stock market had frauds, price manipulation and investors were cheated.
- SEBI was created to regulate the market, protect investors and maintain fairness.



3. SEBI: THE WATCHDOG OF THE CAPITAL MARKET

Like an umpire in a cricket match, SEBI ensures fair play in the stock market.



Key Role

- Regulate the market
- Protect investors
- Maintain transparency
- Promote healthy growth of capital markets

4. MAIN FUNCTIONS OF SEBI

1) PROTECT INVESTORS

SEBI protects people investing in the market.



Example

If a company gives false information to investors, SEBI can take action.

2) PREVENT FRAUD & CHEATING

SEBI stops scams, insider trading, price manipulation.



Example

If a company spreads fake news to increase share price, SEBI investigates and punishes.

3) CREATE TRANSPARENT ENVIRONMENT

SEBI makes the market fair and open. Companies must give:

- Correct financial reports
- Proper disclosures
- Honest information



Example

Like students showing real report cards instead of fake marks.



4) EFFICIENT ALLOCATION OF RESOURCES

Money should go to good and productive companies.



Example

More trust → More investment
→ Good companies get funds
→ Economy grows.



5. BEFORE & AFTER REFORMS

BEFORE REFORMS

AFTER REFORMS



Fraud in stock market



Better regulation and monitoring



Investors afraid to invest



More investor confidence



Poor transparency



Fair and honest information



Weak monitoring



Strong SEBI control

6. REAL-LIFE EXAMPLE

You want to buy shares of Infosys.

Infosys®



Because SEBI ensures:

- Proper company disclosures
- Fair trading rules
- Investor protection

you feel safer investing.



7. QUICK REVISION

Term	Meaning
Capital Market	Market for shares, bonds and other securities.
SEBI	Regulator (watchdog) of the capital market.
Transparency	Open and honest information.
Investor Protection	Safety and rights of investors.
Resource Allocation	Funds go to productive and efficient companies.

MEMORY TRICK



SEBI = Security Guard of Share Market



SEBI

+



Fair Market

+



Investor Confidence

=



Strong Capital Market



NEW INDUSTRIAL POLICY (1991)

Announced by Government of India on **24 JULY 1991**



MAIN AIM



Increase Industrial Growth

+



Increase Competition

+



Improve Efficiency

=



Strong Industrial Economy

The government wanted industries to grow faster, become competitive and reduce unnecessary government control.

1 END OF "LICENSE RAJ"

What was License Raj?

Earlier, industries needed government permission (license) for:

- Opening factories
- Expanding production
- Starting new business

- ✗ Delays
- ✗ Corruption
- ✗ Slow industrial growth

Example

Earlier

Suppose someone wanted to open a shoe factory.

He needed many government approvals.



The Reform

Government removed licensing for most industries.

Earlier

Licensing needed for many industries



After Reforms

Only 18 industries needed licenses

Subsequently reduced to only 5 industries

After Reforms

Factory could start easily with fewer permissions.



Result: Businesses grew faster.

INDUSTRIES STILL REQUIRING LICENSE

Some sensitive industries still needed government control.



Arms & Ammunition

→ For national security



Atomic Energy

→ For safety & security



Narcotic Drugs

→ To prevent illegal use



Hazardous Chemicals

→ For public safety



Alcohol & Cigarettes

→ For health concerns



Government cannot allow anyone to freely produce weapons, dangerous chemicals or nuclear products because they affect national safety.

2 REDUCTION IN PUBLIC SECTOR MONOPOLY

What was the situation earlier?

Government reserved many industries only for public sector companies.

Public sector was limited to 8 sectors



After Reforms

Public sector reduced to only 2 sectors



Atomic Energy



Arms & Ammunition

Example

Earlier: Private companies could not enter many sectors.



After Reforms: Private companies entered many sectors.



Result: More competition • Better services • More investment • Faster industrial growth

Real-Life Example – Telecom Sector

Earlier

Mostly government control (like BSNL type system)



After Reforms

Private companies entered:



- Better internet, cheaper calls, more choices for customers.

Before vs After Reforms

Before Reforms	After Reforms
Too many licenses	Easy business setup
Government control	More private participation
Slow industrial growth	Faster growth
Less competition	Healthy competition

BENEFITS OF NEW INDUSTRIAL POLICY



Ended unnecessary controls



Encouraged private sector



Increased efficiency



Improved productivity



Boosted industrial development



Attracted more investment



Created more jobs & faster growth

MEMORY TRICK

New Industrial Policy = "Freedom for industries to grow"



Less Government Control

+



More Private Companies

+



More Competition

=



Faster Industrial Growth





TRADE & FOREIGN INVESTMENT REFORMS



Aim: Increase foreign investment, reduce government restrictions on trade, encourage imports & exports and make Indian industries globally competitive.

1 MRTP ACT RESTRUCTURED

MRTP = Monopolies and Restrictive Trade Practices Act

Earlier

Large companies faced many restrictions on expansion, merger and takeover.



After Reforms

Many restrictions removed. Companies can expand, merge & take over easily.



Example

Reliance can merge with another company easily and grow faster.



2 DE-RESERVATION OF SMALL SCALE INDUSTRIES

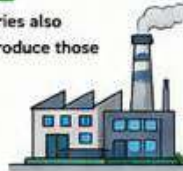
Earlier

Certain products were reserved only for small industries.



After Reforms

Large industries also allowed to produce those goods.



Example

Toys, electronics items etc. now produced by both small and large industries.



Result: Better quality, large-scale production & more competition.

3 END OF PUBLIC SECTOR MONOPOLY

Earlier

Many sectors were controlled by government companies.



After Reforms

Private sector participation increased in many sectors.



Example (Telecom Sector)

Earlier: Mostly government (BSNL type system)

After Reforms: Private companies entered – Airtel, Jio, Vodafone.



Result: Better services, cheaper prices & more choices.

4 LIBERALIZATION OF FOREIGN INVESTMENT (FDI)

FDI = Foreign Direct Investment

Reform

Automatic approval for FDI upto 51% in many industries. Later allowed in almost all industries except a few reserved sectors.



Example

Samsung (foreign company) invests in India, opens factory, creates jobs and brings technology.



FDI Prohibited In

- Retail Trade
- Atomic Energy
- Lottery Business
- Betting & Gambling

5 IMPORT LIBERALIZATION

Earlier

Importing foreign goods required license. (This was called Import Licensing)



After Reforms

Import restrictions removed on most goods. Only few important goods require license.

Example

Today India can easily import:



Result: More availability of goods, better quality & increased competition.

6 REDUCTION IN TARIFFS

Tariff = Tax on imports

Year	Tariff Rate
1990-91	355%
1993-94	85%
1995-96	50%
2007-08	10%

Earlier: High tariffs made imported goods very expensive.

After Reforms: Lower tariffs made foreign products cheaper.

Result: Consumers get more choices and better quality goods.



Exception: Automobiles still had high tariffs (around 100%) for some time to protect Indian automobile industries.

7 RUPEE DEVALUATION

Reform: Value of Indian Rupee was reduced against Dollar.

Example

Earlier $\$1 = ₹20$ **After Devaluation** $\$1 = ₹25$



Result: Indian goods became cheaper for foreign buyers.

- Exports increased
- Foreign exchange earnings improved



8 CURRENT ACCOUNT LIBERALIZATION

From 1994, many current account transactions were made easier.



Education abroad



Foreign travel



Medical treatment



Purchasing overseas

More freedom for individuals and businesses.

9 DISINVESTMENT IN PUBLIC SECTOR

Government sold part of its ownership in public sector companies.



Sells shares



Result: Increase efficiency & give greater autonomy.

10 REDUCTION IN BUDGET SUPPORT TO PSUs

Government gradually reduced financial support to public sector companies.



Result: PSUs encouraged to become efficient, profitable and self-dependent.

BEFORE REFORMS vs AFTER REFORMS

BEFORE REFORMS

- Too many restrictions and controls
- High tariffs
- Slow industrial growth
- Less foreign investment
- Limited choices for consumers
- Government monopoly

AFTER REFORMS

- Less restrictions and more freedom
- Low tariffs
- Faster industrial growth
- More foreign investment
- More choices & better quality goods
- More private sector & competition

KEY BENEFITS

- Encouraged industrial growth
- More foreign investment & technology
- Increased competition
- Better quality products & services
- More exports & foreign exchange
- More employment opportunities
- Overall economic development

EASY MEMORY TRICK

T R A D E

- T** – Tariff reduction
- R** – Remove restrictions
- A** – Attract FDI
- D** – Devaluation of rupee
- E** – Encourage exports and efficiency



In short:

These reforms opened India to the world, increased competition, attracted investment and boosted economic growth.





TIGM – TRANSFORMING INDIA'S GOLD MARKET



TIGM was created to recommend measures for tapping into the potential of the **gold sector** and provide stimulus to **exports** and **economic growth**.

Improve
India's gold
market



Increase
exports



Support
economic
growth



Suggest reforms
for the
gold sector



WEAKNESSES OF NITI AAYOG

1 Limited Role

NITI Aayog mainly gives advice and suggestions. It cannot force states or ministries to follow its recommendations.



Example:

If NITI suggests a new farming reform, states may or may not implement it.



2 Does Not Produce National Plan

Earlier, the Planning Commission used to prepare a Five-Year National Plan. NITI Aayog does not make such fixed national plans.



Example:

There is no official "Five-Year Plan" now like earlier times.

3 Does Not Control Expenditures

NITI Aayog cannot decide how government money will be spent.



Example:

The Finance Ministry decides how much money goes to Education, Health, Defence, etc.



4 Does Not Review State Plans

It cannot officially approve or reject state government development plans.



Example:

If a state makes a road or irrigation project plan, NITI cannot stop or approve it directly.



5 Excluded from Budget Process

NITI Aayog has little role in preparing the Union Budget.



Example:

Budget decisions like tax changes, government spending, subsidies are mainly handled by the Finance Ministry.



6 Lack of Autonomy & Power

NITI Aayog does not have strong independent powers.



Example:

It cannot punish ministries or states for ignoring its advice.



7 Lack Independence

Since it works under the Central Government, complete independence is limited.



Example:

Important decisions may still depend on the PM and central ministries.



NITI lacks the power to perform as a **Counterweight and Voice of Development**

WHAT DOES THIS MEAN?

It cannot strongly challenge government decisions or independently enforce development policies.

NITI mainly acts as:



A policy advisor



A think tank



A discussion platform



A research & analysis body

SUPER QUICK REVISION

No.	Weakness	Easy Meaning	Example
1	Limited Role	Gives suggestions only	States may ignore advice
2	Does Not Produce National Plan	No Five-Year National Plans	Planning system changed
3	Does Not Control Expenditures	Cannot allocate funds	Finance Ministry controls money
4	Does Not Review State Plans	Cannot approve state projects	States decide independently
5	Excluded from Budget Process	Small role in budget	Budget made by Finance Ministry
6	Lack of Autonomy & Power	Cannot enforce decisions	Advice may be ignored
7	Lack Independence	Depends on government	PM & ministries dominate

PRIMARY SECTOR (AGRICULTURE SECTOR)

The Primary Sector includes activities that use natural resources directly.



Agriculture



Fishing



Forestry



Animal Husbandry



Mining



KEY POINTS – EASY EXPLANATION WITH EXAMPLES

1 Agriculture is the Largest Source of Livelihood

Most people in rural India depend on farming and related activities for income.

Example:

- Farmers growing rice or wheat
- Dairy farmers selling milk
- Fishermen selling fish



2 India Was Earlier a Food-Deficient Nation

Before the 1960s, India imported food because production was low.

Example:

India imported wheat from other countries before the Green Revolution.



3 India Became a Major Producer

Today India is one of the world's largest producers of milk, pulses, jute and spices.

Example:

- Tea from Assam
- Spices from Kerala
- Milk production (White Revolution)



4 Largest Area Under Wheat, Rice & Cotton

A very large part of India's land is used to grow these crops.

Example:

- Punjab – Wheat
- West Bengal – Rice
- Gujarat – Cotton



5 Second Largest Producer of Many Products

India is the second largest producer of fruits, vegetables, tea, fish, sugarcane, rice and cotton.

Example:

India exports mangoes, tea, cotton textiles and more.



6 Huge Food & Grocery Market

India has one of the world's biggest food and grocery markets.

Example:

Big retail chains like D-Mart, Reliance Fresh, Big Bazaar, etc.



7 Largest Cattle Herd

India has the world's largest number of buffaloes and a huge livestock population.

Example:

Milk cooperatives like Amul and Mother Dairy play a big role.



8 Important Cash Crops

Cash crops are grown mainly for selling and earning money.

Major Cash Crops:

- Cotton
- Jute
- Sugarcane



9 Agriculture Share in GVA is Declining

Agriculture's percentage contribution to the economy is reducing as industries and services are growing faster. But agriculture production is still increasing.

Example:

IT and manufacturing sectors now contribute more to GDP.



10 47% Population Depends on Agriculture

Almost half of India's population earns livelihood from farming and related activities.

Example:

Villages mainly depend on farming activities for income.



11 Agriculture Contributes to GDP

Agriculture adds significant value to India's economy.

Example:

Selling crops, milk, fish and sugar increases national income.



12 Agricultural Production is Increasing

Food grain production has continuously increased.

Example:

India produced over 315 million tonnes of food grains in 2021–22.



13 Private Investment in Agriculture Increased

Private companies are investing more in farming.

Example:

- Irrigation systems
- Cold storage
- Modern tractors



14 Agriculture Growth in 2022–23

Agriculture performed strongly with good crop production.

Reason:

- Good rainfall
- Better sowing
- Allied activities like dairy and fisheries



IMPORTANT TERMS

Cash Crops : Crops grown for profit.
Examples – Cotton, Sugarcane, Jute



Allied Activities : Activities connected with farming.
Examples – Dairy farming, Poultry, Fisheries, Beekeeping



GVA (Gross Value Added) : Value added by different sectors to the economy.

SUPER QUICK REVISION

No.	Topic	Easy Meaning	Example
1	Largest Source of Livelihood	Most depend on farming	Farmers, dairy farmers, fishermen
2	Food-Deficient Earlier	India imported food before 1960s	Imported wheat
3	Major Producer	Large production of many items	Milk, spices, pulses
4	Largest Area Under Crops	Big area under wheat, rice, cotton	Punjab–Wheat, WB–Rice, Gujarat–Cotton
5	Second Largest Producer	Second in many products	Tea, fruits, vegetables, fish, sugarcane
6	Huge Market	Very large food & grocery market	D-Mart, Reliance Fresh
7	Largest Cattle Herd	Most buffaloes & livestock	Amul, Mother Dairy
8	Important Cash Crops	Crops grown for profit	Cotton, Jute, Sugarcane
9	Agriculture Share in GVA	Share in economy is declining	Industries & services growing faster
10	Population Depends	47% people depend on farming	Rural livelihood
11	Agriculture to GDP	Agriculture adds value to GDP	Crops, milk, fish increase income
12	Production Increasing	Food grain production rising	315+ million tonnes (2021–22)
13	Private Investment	More private money in farming	Irrigation, cold storage, tractors
14	Growth in 2022–23	Strong growth due to good reasons	Good rainfall, better sowing, allied activities

GOVERNMENT SCHEMES FOR AGRICULTURE

These schemes aim to improve farmers' income, increase production, ensure sustainability, promote technology and create better markets.



1 PM-KISAN
Pradhan Mantri Kisan Samman Nidhi
Farmers receive ₹6,000 per year directly in their bank accounts.

Purpose
Financial support for small and marginal farmers.

Example: Money can be used for seeds, fertilizers, farming tools, etc.

2 MSP
(Minimum Support Price)
Government fixes a minimum price for crops before harvest.

Formula

MSP = 1.5 times the cost of production

Example: If wheat production cost = ₹1000 MSP may be around ₹1500

Benefit: Protects farmers from losses.



3 Institutional Credit
Banks provide loans to farmers at low interest rates.

Sources

- Banks
- NABARD
- Cooperative societies

Example: A farmer takes a low-interest loan to buy a tractor.



4 National Mission on Edible Oils
Promotes production of edible oils in India.

Focus Crops

- Mustard
- Palm oil
- Soybean

Aim: Reduce import of edible oils from other countries.



5 PMFBY
Pradhan Mantri Fasal Bima Yojana
Crop insurance scheme for crop loss or damage.



Example: If crops are damaged due to flood, drought, heavy rain, farmers get compensation.

6 MIDH
Mission for Integrated Development of Horticulture
Supports horticulture farming.

Includes

- Fruits
- Vegetables
- Flowers
- Spices

Example: Helping mango or apple farmers with better technology.



7 Soil Health Card Scheme
Farmers receive a card showing soil nutrient condition.

Purpose

- Know soil quality
- Know which fertilizer is needed

Example: If soil lacks nitrogen, farmers can add suitable fertilizer.



8 PKVY
Paramparagat Krishi Vikas Yojana
Promotes organic farming.

Aim

- Reduce chemical fertilizers
- Improve soil health

Example: Using natural manure instead of chemical fertilizers.



9 Agriculture Infrastructure Fund
Provides long-term loans for agriculture infrastructure projects.

Used For

- Warehouses
- Cold storage
- Food processing

Example: Building a cold storage facility for vegetables.



10 FPOs
Farmer Producer Organisations
Farmers form groups/organizations to sell products together.

Benefit

- Better prices
- Strong bargaining power

Example: 100 farmers together sell wheat directly to companies.



11 PDMC
Per Drop More Crop
Improves water-use efficiency.

Methods

- Drip irrigation
- Sprinklers

Example: Water reaches roots directly, saving water.



12 Micro Irrigation Fund
Promotes modern irrigation systems.

Includes

- Sprinklers
- Foggers
- Drip systems

Benefit: Saves water and increases productivity.



13 Agricultural Mechanization
Use of machines in farming.

Machines

- Tractor
- Harvester
- Seed drill

Benefit: Faster farming, less labour cost, higher output.



14 e-NAM
Electronic National Agriculture Market
Online trading platform connecting APMC mandis across India.

Aim

Create one unified national market for farm products.

Example: A Punjab farmer can sell crops online to a buyer in Maharashtra.



15 Kisan Rail
Special railway service for transporting farm produce quickly.

Purpose

Reduce wastage of fruits and vegetables.

Example: Fresh mangoes transported quickly from Bihar to Delhi.



16 Startup Ecosystem in Agriculture
Encourages startups and innovation in agriculture.

Areas

- Agri-tech
- Smart farming
- Food processing

Example: Apps that predict weather or help farmers sell crops online.



SUPER QUICK REVISION

No.	Scheme	Main Purpose	Example	Key Benefit
1	PM-KISAN	Provides ₹6000 per year financial support	Buying seeds, fertilizers	Direct income support
2	MSP	Ensures minimum price for crops	Wheat MSP	Protects from price fall
3	Institutional Credit	Low-interest loans to farmers	Loan to buy tractor	Easy access to finance
4	National Mission on Edible Oils	Increase edible oil production	Mustard, palm oil	Reduces import
5	PMFBY	Crop insurance for crop loss	Flood/drought compensation	Financial security
6	MIDH	Promotes horticulture farming	Mango, apple farming	Better productivity
7	Soil Health Card	Provides soil nutrient information	Know fertilizer need	Better soil management
8	PKVY	Promotes organic farming	Natural manure	Improves soil health
9	Agriculture Infrastructure Fund	Loans for infrastructure projects	Cold storage, warehouse	Better storage & processing
10	FPOs	Farmer groups for better income	Collective wheat selling	Better prices, strong power
11	PDMC	Improve water-use efficiency	Drip irrigation	Save water, more crop
12	Micro Irrigation Fund	Promotes modern irrigation	Sprinklers, drip	Saves water, high yield
13	Agri Mechanization	Use of machines in farming	Tractor, harvester	Faster, cheaper, more output
14	e-NAM	Online market for farm products	Online selling across states	Unified national market
15	Kisan Rail	Fast transport of farm produce	Fruit train service	Less wastage
16	Startup Ecosystem in Agriculture	Promotes agri-innovation & startups	Weather app, agri apps	Smart & modern agriculture



ISSUES FACED BY AGRICULTURE

Agriculture is the backbone of India, but many challenges reduce farmers' income and hinder growth.



1 Small and Fragmented Landholdings

Meaning: Most farmers own very small pieces of land.

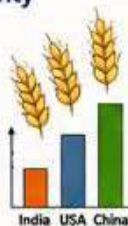
Example: A farmer with 1 acre cannot easily use machines.



2 Low Farm Productivity

Meaning: Crop production per hectare is low.

Example: India produces less wheat per hectare than USA or China.



3 Subsistence Farming

Meaning: Farmers grow crops mainly for their own family needs.

Example: A farmer growing rice only for household consumption.



4 Stress on Water Resources & Soil Fertility

Meaning: Excessive use of water and chemicals harms soil and depletes water levels.

Example: Overuse of groundwater in Punjab has reduced water levels.



5 Unscientific Farming Practices

Meaning: Wrong farming methods damage land and environment.

Example: Excessive chemical fertilizers cause soil degradation.



6 Desertification & Land Degradation

Meaning: Fertile land becomes dry and less productive.

Example: Overgrazing and deforestation in Rajasthan reduce soil quality.



7 Poor Agro-Processing Infrastructure

Meaning: Lack of food processing facilities.

Example: Farmers cannot easily convert tomatoes into ketchup or fruits into juice.



8 Weak Value Chains

Meaning: Poor connection between farmers, markets, storage and exporters.

Example: Vegetables spoil before reaching cities due to bad transport.



9 Slow Agricultural Diversification

Meaning: Focus remains on traditional crops instead of high-value products.

Example: Growing only wheat instead of fruits, flowers or organic crops.



10 Lack of Sustainable & Climate-Resistant Technology

Meaning: Farmers are not widely using eco-friendly and climate-smart methods.

Example: Limited use of drought-resistant seeds.



11 Poor Adoption of New Technology

Meaning: Many farmers still use old tools and methods.

Example: Using bullocks instead of modern harvesters.



12 Lopsided Marketing Practices

Meaning: Farmers often do not get fair prices.

Example: Middlemen buy crops cheaply and sell them at high prices.



13 Ineffective Credit Delivery

Meaning: Farmers do not easily get affordable loans.

Example: Small farmers depend on moneylenders charging high interest.



14 Climate Change Problems

Meaning: Changing climate affects crop production.

Example: Floods, droughts and heat waves destroy crops.



15 High Food Price Volatility

Meaning: Food prices change very quickly.

Example: Tomato prices suddenly increase from ₹20 to ₹100 per kg.



16 Dependence on Monsoons

Meaning: Indian farming heavily depends on rainfall.

Example: Weak monsoon leads to poor harvests.



17 Marketing & Warehousing Problems

Meaning: Lack of proper storage and market facilities.

Example: Grains get spoiled due to poor warehouses.



18 Unable to Tap Full Export Potential

Meaning: India cannot fully increase agricultural exports.

Example: Poor packaging and quality standards reduce exports.



19 Inability to Channelize Surplus

Meaning: Extra production is not properly used or sold profitably.

Example: Farmers dump tomatoes on roads due to low prices.



20 Poor Post-Harvest Infrastructure

Meaning: Weak storage, transportation and cold storage systems.

Example: Fruits rot before reaching markets.



21 Poverty & Malnutrition

Meaning: Low farmer income affects nutrition and living standards.

Example: Poor families are unable to afford nutritious food.



QUICK REVISION TABLE

No.	Issue	Easy Meaning	Example	No.	Issue	Easy Meaning	Example
1	Small Landholdings	Tiny farms	1 acre land	12	Lopsided Marketing	Unfair prices	Middlemen profit
2	Low Productivity	Less output per hectare	Less wheat yield	13	Ineffective Credit	Loans not easily available	Moneylenders
3	Subsistence Farming	Farming for self-use	Rice for family	14	Climate Change	Weather extremes	Floods, droughts
4	Water & Soil Stress	Overuse harms soil & water	Groundwater decline	15	Price Volatility	Prices change fast	Tomato ₹20 to ₹100
5	Unscientific Practices	Wrong methods	Excess chemicals	16	Monsoon Dependence	Rain dependent	Weak monsoon harm
6	Land Degradation	Land becomes dry	Rajasthan desertification	17	Marketing & Storage	Poor storage & markets	Grain spoils
7	Poor Processing Infra	No food processing	No tomato processing	18	Low Export Potential	Cannot export fully	Poor packaging
8	Weak Value Chains	Poor market link	Veggies spoil in transit	19	Surplus Not Used	Extra not sold well	Tomatoes dumped
9	Slow Diversification	Focus on few crops	Only wheat	20	Poor Post-Harvest	Weak storage/transport	Fruits rot
10	Lack of Tech	No climate-smart tech	Less drought seeds	21	Poverty & Malnutrition	Low income, poor nutrition	Can't afford healthy food
11	Poor Tech Adoption	Old tools used	Bullock plough				



Solutions lie in Technology, Water Management, Better Markets, Infrastructure, Credit Support and Sustainable Practices.





SECONDARY SECTOR (INDUSTRIAL SECTOR)

The Secondary Sector converts raw materials into finished goods.



Cotton



Cloth



Iron ore



Steel



Sugarcane



Sugar



It mainly includes: **Manufacturing • Industries • Construction**

1 Important Contribution to Indian Economy

- Industries contribute around 30% of India's Gross Value Added (GVA).
- Provide employment to more than 12.1 crore people.

Example

Factories, textile mills, automobile plants and steel industries generate employment.



2 Industrial Sector Includes Many Industries

- Manufacturing
- Heavy industries
- Fertilizers
- Pharmaceuticals
- Chemicals
- Oil & Natural Gas
- Food processing
- Mining
- Textiles, MSMEs
- Cottage industries
- Tourism



Examples

Tata Steel (Steel), Reliance (Petrochemicals), Amul (Food processing), Handloom weaving (Cottage industry)

3 Large Informal Sector

- More than 50% of industrial work happens in the informal sector.
- It includes businesses without proper registration or job security.

Examples

Small workshops, street manufacturing units, small tailoring shops.



4 Rapid Industrial Growth is Important

- Fast industrial growth helps in economic development.

Examples

Growth in mobile manufacturing creates jobs, exports and increases income.



5 Strong Manufacturing Sector is a Government Priority

- Government wants India to become a global manufacturing hub.

Examples

'Make in India' initiative encourages companies to manufacture products in India.



MANUFACTURING SECTOR

6 Manufacturing is the Most Important Industrial Activity

- Manufacturing accounts for about 78% of total industrial production.

Examples

Factories producing cars, electronics, clothes, cement and more.



7 Manufacturing GVA Contribution

- Manufacturing contributes significantly to India's economy.
- It adds value and increases national income.
- Production of smartphones, medicines and automobiles boosts the economy.



8 Eight Core Industries

- Coal
- Crude Oil
- Natural Gas
- Refinery Products
- Fertilizers
- Steel
- Cement
- Electricity



These are basic industries that support other sectors.
Example: Steel and cement are needed for construction.

9 PMI (Purchasing Managers' Index)

- PMI measures industrial and manufacturing business activity.



Interpretation

- Above 50 = Growth
- Below 50 = Slowdown

Example: PMI of 55.4 means manufacturing activity is expanding.

10 Improvement in Global Innovation Index (GII)

- India improved its innovation ranking globally.
- Growth in startups, technology, research and digital industries.



11 Role of DPIIT

DPIIT – Department for Promotion of Industry and Internal Trade

- Helps create industrial policies and promotes industrial growth.

Examples

- Promoting startups
- Supporting Make in India
- Improving ease of doing business



IMPORTANT TERMS

GVA
(Gross Value Added)
Value added to the economy by sectors.



MSMEs
(Micro, Small & Medium Enterprises)
Small businesses that support employment and production.



Cottage Industries
Small home-based industries producing traditional goods.

- Examples:
- Handloom weaving
 - Pottery
 - Handicrafts



Informal Sector
Businesses not registered; workers lack job security and social benefits.

- Examples:
- Small workshops
 - Street vendors



Core Industries
Basic industries that provide inputs to other industries.

- Examples: Steel, Cement, Electricity, Fertilizers



PMI
Index that shows the current health of manufacturing sector.

- > 50 Growth
< 50 Slowdown



SUPER QUICK REVISION TABLE

No.	Topic	Easy Meaning	Example
1	Contribution	Industries contribute to GDP and provide jobs	Factories, steel plants, textile mills
2	Industries Include	Many types of industries under this sector	Manufacturing, chemicals, mining, tourism
3	Informal Sector	More than 50% work happens in unregistered units	Small workshops, tailoring shops
4	Industrial Growth	Rapid growth helps economic development	Mobile factories create jobs & exports
5	Govt. Priority	Strong manufacturing is a key government goal	Make in India
6	Manufacturing	Most important industrial activity (78%)	Cars, electronics, cement
7	Manufacturing GVA	Manufacturing adds value to economy	Smartphones, medicines
8	Core Industries	8 basic industries supporting others	Steel, coal, oil, natural gas, cement
9	PMI	Measures manufacturing business activity	PMI 55.4 = Growth
10	Global Innovation Index	India improved innovation ranking	Growth in startups, technology
11	DPIIT	Creates policies & promotes industrial growth	Supports startups, Make in India



GOVERNMENT SCHEMES TO BOOST INDUSTRIAL SECTOR

These schemes promote manufacturing, attract investment, improve infrastructure, support MSMEs, encourage innovation and boost exports.



- 1 GST**
(Goods and Services Tax)
 - Introduced on 1 July 2017 as a single indirect tax law for entire country.
 - One nation, one tax.

Example: Earlier different taxes in different states. Now one GST across India.

Benefit: Easier business operations, less confusion.
- 2 Reduction in Corporate Tax**
 - Corporate tax for domestic companies reduced to 22%.
 - Encourages companies to invest more.

Example: Companies save tax money and invest in new factories.
- 3 Make in India**
 - Launched in 2014 to make India a global manufacturing hub.
 - Promotes local products, investment, infrastructure and innovation.

Example: Samsung, Apple manufacturing mobile phones in India.
- 4 Make in India 2.0**
 - Focus on 15 manufacturing sectors & 12 service sectors.

Example: Electronics, automobiles, textiles, chemicals, tourism etc.
- 5 Ease of Doing Business**
 - Simplified rules & procedures.
 - Online approvals, digital processes, simplified laws.

Example: Startup can register business online quickly.
- 6 National Single Window System**
 - One-stop online platform for approvals.
 - Reduces delays and paperwork.

Example: Investor gets all licenses and approvals from one portal.
- 7 PM Gati Shakti**
 - Integrated infrastructure planning system.
 - Improves connectivity and reduces logistics cost.

Example: Better connection of roads, railways, ports & airports for faster movement of goods.
- 8 National Logistics Policy (NLP)**
 - Policy to reduce logistics cost and improve efficiency.

Example: Faster delivery of goods from factories to markets.
- 9 PLI Scheme (Production Linked Incentive)**
 - Incentives to companies for increasing production.
 - Covers 14 key sectors.

Example: Incentives for mobile phone, electronics manufacturing.

Benefit: Boosts production, exports and jobs.
- 10 Industrial Corridor Development Programme**
 - Development of modern industrial zones with world-class infrastructure.

Example: Delhi-Mumbai Industrial Corridor (DMIC).

Benefit: More factories, better transport, more jobs.
- 11 FAME India**
 - Faster Adoption and Manufacturing of Hybrid & Electric Vehicles.
 - Promotes EV production and use.

Example: Subsidy on electric scooters and EV cars.
- 12 Udyami Bharat**
 - Supports and empowers MSMEs.

Example: Small businesses get loans, digital and marketing support.
- 13 PM MITRA**
 - PM Mega Integrated Textile Region & Apparel.
 - Promotes textile parks and investment.

Example: Large textile parks for cloth manufacturing.
- 14 Global FDI Reforms**
 - Opened more sectors for foreign investment.

Example: FDI allowed in defence, e-commerce, insurance, construction etc.
- 15 100% FDI Under Automatic Route**
 - Foreign companies can invest fully in some sectors without govt. approval.

Example: 100% FDI allowed in coal mining, single brand retail trading etc.
- 16 FIF (Foreign Investment Facilitation Portal)**
 - Online portal to help foreign investors.

Example: Foreign companies apply for investment approvals online.
- 17 RoDTEP**
 - Remission of Duties and Taxes on Export Products.
 - Refund of taxes to exporters.
 - Boosts exports.

Example: Textile exporters get tax refunds.
- 18 Fostering Innovation**
 - Supports innovation, research, industry-academia partnership, startups and IPR regime.

Example: Startup incubators in IITs and research parks.
- 19 Startup India**
 - Supports startups and new business ideas.
 - Benefits: Funding, tax benefits, easier registration.

Example: Tech startups like fintech, edtech companies.
- 20 Public Procurement Order 2017**
 - Preference to locally manufactured goods.

Example: Govt departments buy Indian-made products first.
- 21 ECLGS (Emergency Credit Line Guarantee Scheme)**
 - Emergency loans guaranteed by govt. for businesses.

Example: MSMEs get loans during COVID-19 crisis.

IMPORTANT TERMS

MSMEs (Micro, Small & Medium Enterprises)	Small and medium businesses that create employment and support production.	
FDI (Foreign Direct Investment)	Investment made by foreign companies in India to set up or expand their business.	
Indirect Tax	Tax collected by govt. on goods and services through GST.	
IPR (Intellectual Property Rights)	Legal rights for protecting innovations, brands, patents, designs, etc.	

SUPER QUICK REVISION TABLE

No.	Scheme	Main Purpose	Example
1	GST	One tax system to simplify taxation	Uniform tax across India
2	Reduction in Corporate Tax	Lower tax to encourage investment	Companies open new factories
3	Make in India	Promote manufacturing in India	Samsung phones made in India
4	Make in India 2.0	Focus on 15 mfg. & 12 service sectors	Electronics, auto, textiles
5	Ease of Doing Business	Simplify rules & online approvals	Startup registered online
6	National Single Window System	One-stop approvals for investors	Licenses from one portal
7	PM Gati Shakti	Better infrastructure & connectivity	Roads, rail, ports integration
8	National Logistics Policy	Reduce logistics cost	Faster transport of goods
9	PLI Scheme	Incentives for more production	Mobile manufacturing incentives
10	Industrial Corridor Programme	Develop modern industrial zones	Delhi-Mumbai Corridor
11	FAME India	Promote electric vehicles	EV scooters subsidy
12	Udyami Bharat	Support and empower MSMEs	Loans & support to MSMEs
13	PM MITRA	Promote textile parks & investment	Textile parks in India
14	Global FDI Reforms	Open more sectors for FDI	FDI in defence, e-commerce
15	100% FDI (Automatic Route)	Full FDI allowed in some sectors	100% FDI in coal mining
16	FIF Portal	Online portal for foreign investors	Apply for approvals online
17	RoDTEP	Refund taxes to exporters	Refund to textile exporters
18	Fostering Innovation	Promote research & startups	Startup incubators
19	Startup India	Support startups & new ideas	Fintech, edtech startups
20	Public Procurement Order 2017	Preference to local goods	Govt buys Indian-made goods
21	ECLGS	Emergency credit for businesses	MSME loans during COVID-19

These schemes together create a strong industrial ecosystem for a self-reliant, innovative and globally competitive India.



UPCOMING OF GOVERNMENT

(Future of Industrial Sector)



India is moving towards a modern, technology-driven and globally competitive industrial sector.

1 Industry 4.0 (Fourth Industrial Revolution)

India is gearing up for Industry 4.0 which integrates new technologies like AI, cloud computing, IoT, machine learning, artificial intelligence and automation.

Example:

Smart factories using robots, AI based quality check, automated warehouses.



Benefits:

- Faster production
- Better quality
- Less human error
- More efficiency & competitiveness

2 National Manufacturing Policy

The National Manufacturing Policy aims to increase the share of manufacturing in GDP to **25% by 2025**.

Example:

More factories in sectors like mobile phones, electronics, automobiles, textiles, chemicals, machinery.



Benefits:

- More jobs
- More exports
- Stronger economy
- Balanced development

3 India as an Attractive Hub for Foreign Investment

Over the last few years, India has become a top destination for foreign investments in the manufacturing sector.

Why India?

- Large market
- Skilled & affordable labour
- Government support
- Better infrastructure
- Policy reforms

Example:

Apple manufacturing iPhones in India, Samsung mobile factories in Noida.



4 Rising FDI (Foreign Direct Investment)

FDI equity inflows in the manufacturing sector have been progressively rising.

India received a total FDI inflow of

US\$ 83.77 billion
in 2021-22.

Example:

Foreign companies investing in electronics, automobile sector, renewable energy, e-commerce and more.



5 Role of DPIIT

According to the Department for Promotion of Industry and Internal Trade (DPIIT), India received a total foreign direct investment (FDI) inflows of US\$ 83.77 billion in 2021-22.

Work of DPIIT:

- Formulating industrial policies
- Promoting investments
- Supporting startups
- Improving ease of doing business
- Developing industrial corridors



KEY TECHNOLOGIES OF INDUSTRY 4.0

Artificial Intelligence (AI)



Machines perform tasks like humans.

Example: Robots in car manufacturing factories.

Cloud Computing



Storing and using data over the internet.

Example: Factory data stored on cloud.

Internet of Things (IoT)



Machines connected through the internet.

Example: Smart sensors in factories monitoring machines automatically.

Machine Learning



Systems learn from data and improve automatically.

Example: Predicting machine breakdowns in advance.

Automation & Robotics



Machines and robots do work automatically.

Example: Automated assembly lines.

SUPER QUICK REVISION TABLE

No.	Topic	Easy Meaning	Example	Benefit
1	Industry 4.0	Use of advanced technologies in industries	Smart factories, AI robots	More efficiency and productivity
2	National Manufacturing Policy	Increase manufacturing share in GDP to 25% by 2025	More mobile, car, textile factories	More jobs and exports
3	Attractive Hub for FDI	India attracts foreign investment in industries	Apple, Samsung investing in India	More capital and technology
4	Rising FDI	India received US\$ 83.77 billion FDI in 2021-22	FDI in electronics, auto, renewable energy	Economic growth and development
5	Role of DPIIT	Government body promoting industries & investment	Policies like Make in India, Startup India	Industrial growth and ease of business



These initiatives will help India become a global manufacturing hub, create employment, attract investments and build a strong, self-reliant industrial ecosystem.



CHALLENGES FACED BY INDUSTRIAL SECTOR

The industrial sector plays a vital role in economic growth, but it faces several challenges that affect productivity, profitability and competitiveness.

1 Shortage of Efficient Infrastructure & Manpower

- Lack of basic infrastructure like power, water, roads and transport.
- Shortage of skilled and trained workers.

Example:
Factories facing power cuts and shortage of skilled machine operators.



2 Reliance on Imports, Exchange Rate Volatility & Cost Overruns

- Dependence on imported raw materials and machinery.
- Fluctuating exchange rates increase import costs.

Example:
Electronics companies importing chips and components.



3 MSME Sector – Credit Availability

- Micro, Small & Medium Enterprises face difficulty in getting timely and affordable bank credit.

Example:
A small textile unit unable to get affordable loan for expansion.



4 Industrial Locations Without Reference to Cost-effective Points

- Some industries are set up far from raw materials and markets.
- Leads to high transportation and logistics cost.

Example:
A factory located far from suppliers and customers.



5 Heavy Losses, Inefficiencies in Public Sector Industries

- Many public sector enterprises are loss making and inefficient.
- Require continuous government support.

Example:
Some PSUs record continuous losses every year.



6 Strained Labor-Management Relations & Loss of Man Hours

- Conflicts between workers and management lead to strikes and lockouts.
- Results in loss of productive man hours.

Example:
Frequent strikes in factories disrupt production.



7 Lower Export Competitiveness

- High cost of production, poor quality and tough competition from other countries.

Example:
Indian products face strong competition from cheaper imports from China, Vietnam etc.



8 Global Supply Chain Disruptions & Uncertainties

- Global events and geopolitical issues disrupt supply chains.
- Causes shortage of raw materials and delays in production.

Example:
COVID-19 pandemic caused major supply chain disruptions.



9 Inflation & Associated Macro Economic Developments

- Rising prices of raw materials, wages and logistics increase input costs.

Example:
Increase in price of steel, aluminium and other raw materials.



10 Global Slowdown & Negative Sentiments

- Slow economic growth in major economies reduces demand.
- Affects exports and industrial growth.

Example:
Lower demand for textiles and auto products in global recession.



11 Aggressive Tightening of Monetary Policy & High Cost of Credit

- Increase in interest rates makes loans expensive.
- Higher cost of credit reduces investment and expansion.

Example:
Industries pay more interest on working capital loans.



12 High and Increasing Fuel Prices

- Rising prices of fuel, electricity and gas increase production and transportation costs.

Example:
Increase in diesel prices raises logistics cost for industries.



13 Mounting Presence of Informal Sector

- Large number of units operate outside the formal system.
- Leads to low productivity, tax evasion and unfair competition.

Example:
Small unregistered workshops and units.



IMPORTANT TERMS

Infrastructure
Basic facilities required for industries like roads, power, water, transport etc.

Exchange Rate Volatility
Frequent changes in the value of currency which affect import/export costs.

Inflation
General increase in prices of goods and services in the economy.

MSMEs
Micro, Small & Medium Enterprises which are the backbone of industry.

SUPER QUICK REVISION TABLE

No.	Challenge	Easy Meaning	Example	Impact
1	Infrastructure & Manpower Shortage	Lack of basic facilities and skilled workers	Power cuts in factories	Lower productivity
2	Import Dependence & Exchange Rate	Reliance on imports, rupee fluctuations	Importing electronic chips	Higher costs
3	MSME Credit Problem	Small firms face difficulty in getting loans	Small textile unit loan rejection	Limits expansion
4	Wrong Industrial Location	Industries located far from raw materials/markets	Factory far from suppliers	High transport cost
5	Losses in Public Sector	PSUs are inefficient and loss making	Loss-making PSUs	Burden on govt.
6	Poor Labor-Management Relations	Conflicts lead to strikes and lockouts	Worker strikes in factories	Loss of man hours
7	Low Export Competitiveness	Indian products face tough global competition	Cheaper imports from China	Lower exports
8	Supply Chain Disruptions	Global issues disrupt supply of materials	COVID-19 disruptions	Production delays
9	Inflation & Input Cost Rise	Rising prices increase production cost	Expensive raw materials	Lower profit
10	Global Slowdown	Slow global growth reduces demand	Lower demand in recession	Lower sales/exports
11	High Cost of Credit	High interest rates make loans costly	Expensive business loans	Less investment
12	High Fuel Prices	Rising fuel/electricity prices increase cost	Increase in diesel prices	Higher production cost
13	Informal Sector Growth	Large unregistered sector outside rules	Small unregistered workshops	Unfair competition



Addressing these challenges is essential for a strong, competitive and self-reliant industrial sector.





SERVICE SECTOR (TERTIARY SECTOR)

The Service Sector provides services instead of producing goods.
It is also called the Tertiary Sector.

Examples: Banking, Education, Transport, Healthcare, IT Services, Tourism etc.



IMPORTANCE OF SERVICE SECTOR IN INDIA

After economic reforms, the service sector became the biggest contributor to Income, Employment and GDP growth.

India's IT industry, banking, tourism and telecom sectors generate huge income and jobs.



BROAD CLASSIFICATION OF SERVICES (As per National Industrial Classification, 2008)

1 Wholesale & Retail Trade

Buying and selling of goods.

Example:

Supermarkets,
Kirana shops,
Shopping malls



2 Transportation & Storage

Moving and storing goods and people.

Example:

Railways, Airlines,
Warehouses,
Logistics companies



3 Accommodation & Food Services

Hotels, restaurants and food businesses.

Example:

Hotels, Zomato,
Swiggy,
Restaurants



4 Information & Communication

Services related to internet, telecom and media.

Example:

Jio, Airtel,
Television channels,
Internet companies



5 Financial & Insurance Activities

Banking and insurance services.

Example:

SBI Bank,
LIC,
Mutual funds



6 Real Estate Activities

Buying, selling and renting property.

Example:

Property dealers,
Housing companies



7 Professional, Scientific & Technical Activities

Specialized expert services.

Example:

Lawyers,
Engineers,
Chartered
Accountants,
IT consultants



8 Administrative & Support Services

Support services for businesses.

Example:

Security agencies,
Cleaning services,
Call centers



9 Public Administration, Defence & Social Security

Government services and national security.

Example:

Police, Army,
Government
offices



10 Education

Teaching and training services.

Example:

Schools, Colleges,
Coaching
institutes



11 Human Health & Social Work Activities

Healthcare and welfare services.

Example:

Hospitals,
Clinics,
NGOs



12 Arts, Entertainment & Recreation

Entertainment and leisure activities.

Example:

Cinema, Sports,
Music industry,
Theme parks



13 Other Service Activities

Small personal services.

Example:

Beauty parlours,
Repair shops,
Laundry services



14 Activities of Households as Employers

Services provided by workers in homes.

Example:

Maids, Cooks,
Drivers,
Gardeners



15 Activities of Extra Territorial Organizations & Bodies

International organizations working in India.

Example:

United Nations (UN),
World Bank,
WHO etc.



IMPORTANT TERMS

	Tertiary Sector	Another name for service sector.
	Economic Reforms	Changes introduced in 1991 to improve India's economy.
	Infrastructure	Basic facilities needed for industries and services.
	Exchange Rate Volatility	Frequent changes in value of currency.
	Inflation	General increase in prices of goods and services.

SUPER QUICK REVISION TABLE

No.	Service Type	Easy Meaning	Example
1	Wholesale & Retail Trade	Buying and selling of goods	Supermarkets, Kirana shops
2	Transportation & Storage	Moving and storing goods/people	Railways, Airlines
3	Accommodation & Food Services	Hotels, restaurants and food services	Zomato, Restaurants
4	Information & Communication	Internet, telecom and media services	Jio, Airtel
5	Financial & Insurance Activities	Banking and insurance services	SBI, LIC
6	Real Estate Activities	Property related services	Property dealers, Housing companies
7	Professional, Scientific & Technical	Expert and technical services	Lawyers, Engineers
8	Administrative & Support Services	Support services for businesses	Security, Cleaning, Call centers
9	Public Administration & Defence	Government & national security services	Police, Army, Govt. offices
10	Education	Teaching and training services	Schools, Colleges
11	Health & Social Work Activities	Healthcare and welfare services	Hospitals, Clinics, NGOs
12	Arts, Entertainment & Recreation	Entertainment and leisure	Cinema, Sports, Music
13	Other Service Activities	Small personal services	Repair shops, Laundry
14	Household Services	Services provided by workers in homes	Maids, Cooks, Drivers
15	Extra Territorial Organizations	International organizations in India	UN, World Bank, WHO



The service sector is the backbone of India's economy.
It creates jobs, improves lifestyle and drives overall development.





GENERAL ASPECTS RELATED TO SERVICE SECTOR



The service sector refers to the industry producing intangible goods via services as output.

Examples: Banking, Education, IT Services, Healthcare, Tourism, etc.

1 Largest Sector of India

- The services sector is the largest sector of India.
- It accounts for about **53.89%** of India's GVA.

Example:

IT companies, banks, telecom and tourism generate huge income.



2 Fastest Growing Sector

- The service sector is the fastest growing sector in India.
- It has the highest labour productivity.

Example:

Growth in online education, IT services, digital banking, e-commerce.



3 Growth Influenced by Domestic & Global Factors

- Both domestic and global factors influence the growth of services sector.

Example:

US companies outsourcing IT work to India.



4 Rapid Expansion of Knowledge-based Services

- Professional and technical services are expanding rapidly.

Example:

IT services, consultancy, finance, research, engineering services.



5 Growth of Information-Intensive Service Activities

- Technology development has increased information-intensive services.

Example:

Accounting, marketing, legal services, inventory management, digital advertising.



6 Service Sector Supports Growth of Manufacturing

- Services sector activities complement growth in manufacturing.

Example:

Transport delivers goods, banking provides loans, IT improves factory management.



7 Startups Mostly Belong to Service Sector

- Startups in services sector have grown remarkably in the last few years.

Example:

Zomato, Swiggy, Paytm, Byju's, Ola.



8 India Among Top WTO Members in Service Trade

- India is among the top 10 WTO members in service exports and imports.

Example:

Exports: Software, BPO, Financial services, R&D services, etc.



9 Services Exports Remained Resilient During COVID-19

- While other sectors were adversely affected, services exports remained strong.
- Higher demand for digital support and need for digital infrastructure modernization.

Example:

Online work, digital payments, video meetings, cloud services.



10 Largest Recipient of FDI Inflows

- The Indian services sector is the largest recipient of FDI inflows.
- FDI equity inflows into services sector account for more than 60% of total FDI equity inflows into India.



11 India Became Major FDI Destination

- According to the World Investment Report 2022 of UNCTAD, India is the seventh largest recipient of FDI in the top 20 host countries in 2021.

Example:

Google, Amazon, Microsoft and many global companies investing in India.



12 Highest-ever FDI Inflows in 2021-22

- In 2021-22, India received the highest-ever FDI inflows of US\$ 84.8 billion.
- Out of which US\$ 71 billion were FDI equity inflows in the services sector.



US\$ 84.8 Billion
Total FDI (2021-22)

US\$ 71 Billion
FDI Equity in Services Sector

13 100% FDI in Telecommunication Services

- To ensure liberalization, 100% foreign participation is allowed in telecom services through the Automatic Route.



14 FDI Limit in Insurance Companies Raised

- FDI ceiling in insurance companies has been raised from 49% to 74%.

Example:

Foreign insurance companies can now invest more in Indian insurance sector.



15 Government Measures Facilitate Investment

- Launch of National Single Window System.
- Enhancement in FDI ceiling through automatic route.
- These measures have played a significant role in facilitating investment.



IMPORTANT TERMS

	Service Sector (Tertiary Sector)	It provides services instead of physical goods.
	GVA (Gross Value Added)	Value of goods and services produced minus the cost of inputs.
	WTO (World Trade Organization)	International organization that regulates global trade.
	FDI (Foreign Direct Investment)	Investment made by foreign companies in Indian businesses.
	Automatic Route	Foreign investment allowed without prior government approval.

SUPER QUICK REVISION TABLE

No.	Aspect	Easy Meaning	Example	Impact
1	Largest Sector	Biggest contributor to India's GVA (~53.89%)	IT, banking, tourism	High income & jobs
2	Fastest Growing	Services are growing the fastest	Online education, digital banking	More growth
3	Domestic & Global Factors	Growth depends on both Indian & global factors	IT outsourcing	Stronger demand
4	Knowledge-based Services	Professional & technical services growing fast	IT, consulting, finance	High productivity
5	Information-intensive Services	Services using information & technology	Accounting, legal, digital ads	More efficiency
6	Supports Manufacturing	Services help industries grow	Transport, banking, IT	Industrial growth
7	Startup Growth	Most startups are in services	Zomato, Paytm, Byju's	Innovation & jobs
8	Top in WTO	India is top 10 in service trade	Software exports	Global recognition
9	Resilient in COVID	Services remained strong during pandemic	Online work, payments	Steady growth
10	Largest FDI Recipient	Services get most FDI inflows	IT, telecom, banking	More investment
11	Major FDI Destination	India became 7th largest FDI recipient in 2021	Google, Amazon	Global trust
12	Highest FDI in 2021-22	US\$ 84.8 bn total; US\$ 71 bn in services	Record FDI inflows	More capital
13	100% FDI in Telecom	100% foreign investment allowed	Telecom companies	Better infrastructure
14	FDI in Insurance Raised	FDI limit increased from 49% to 74%	Insurance companies	More foreign capital
15	Govt Measures	Policies make investment easier	Single window system	Easy business



The Service Sector is the backbone of modern India.

Its continuous growth leads to **more income, more jobs** and a **better quality of life**.

