



RAS

Rajasthan Administrative Services

Rajasthan Public Service Commission

Volume – 6

Indian Economy and Global Economy



RAS

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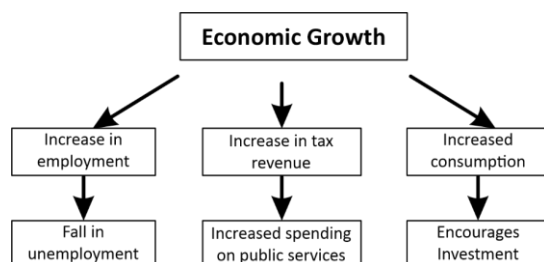
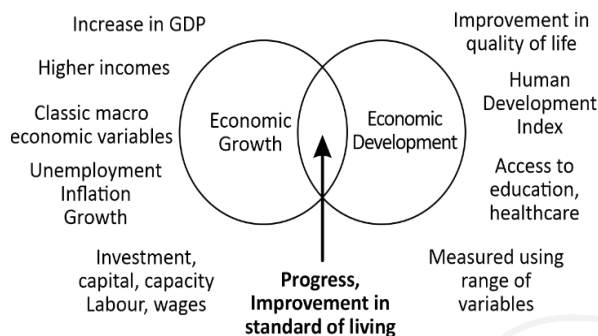
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1 CHAPTER

Fundamentals of Economy

Economic growth vs Economic development



Relation b/w GDP & Job Generation



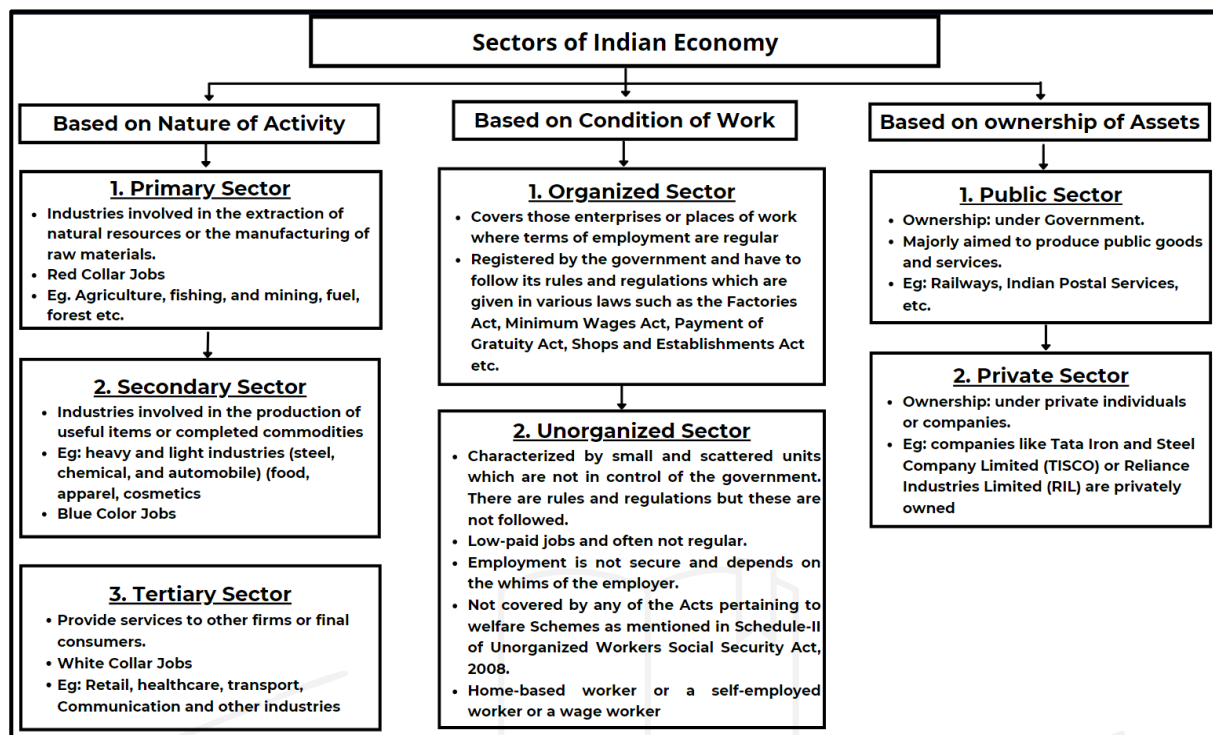
Economic growth	Economic development
1. Increase in a country's production of good and services.	1. Increase in income as well as equitable distribution of income.
2. Narrow concept; uni-dimensional	2. Broad concept; multi-dimensional
3. It is a short-term process.	3. It is long-term process.
4. Quantitative in nature	4. Qualitative in nature
5. Can happen without development	5. Cannot happen without growth
6. Indicators: GDP, National Income etc.	6. Indicators: Human Development Index etc.

Measuring Economic Growth

- Economic growth is an increase in the **production of economic goods and services** in one period of time compared with a previous period
- It can be measured in nominal or real (adjusted to remove inflation) terms.
- Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used.
- In economics, growth is commonly modeled as a function of physical capital, human capital, labor force, and technology.



Sectors of Economy



4. Quaternary Sector

- economic activity based on the intellectual or knowledge-based economy.
- Eg: teachers, scientists

National Income

- National income:** The total value of final goods and services produced by the citizens during an accounting year, after adjusting depreciation.
 - It is Net National Product (NNP) at Factor Cost (FC)
 - It does not include taxes, depreciation, and non-factor inputs (raw materials)
- It Includes: Wages, interest, rent, and profit received by components of products such as Labour, capital, land, and entrepreneurship

5. Quinary Sector

- part of the economy where the top-level decisions are made.
- Gold Collar Jobs
- Eg: senior business executives, government officials
- Domestic Income:** Total value of final goods and services produced within a domestic territory during an accounting year, after adjusting depreciation.
 - It is Net Domestic Product at Factor Cost.
- Both NNP and NDP can be measured at constant prices (real income) or market prices (nominal income)
- National income:** Domestic Income + NFIA

Terms Related to income Calculation

Transfer Payments

- A monetary payment for which no goods or services are exchanged.
- Efforts by local, state, and federal governments to redistribute money to individuals in need are usually referred to as transfer payments.

Market Price

- Price at which a thing is sold in the market.
- Covers wages, rent, interest, input prices, profit, & other costs of production.
- Also covers government-imposed taxes & government-provided producer subsidies.

Factor Cost

- Total cost of all the factors of production consumed or used in producing a good or service.

Depreciation

- The wear and tear of capital assets
- Capital consumption allowance - another term for depreciation.

Constant price

- Constant prices refer to the prices prevailing in the base year. A base year is a carefully chosen year which is a normal year free from price fluctuations.

Basic Price

- Amount a producer receives from a purchaser for a unit of a good or service provided as output, minus any tax due and any subsidy due on that unit as a result of its production or sale.

GOODS	SERVICES
Goods are tangible items or commodities that satisfy human needs	Services are activities or benefits one party offers to another
Tangible	Intangible
Ownership is transferred to the buyer	Ownership cannot be transferred
Can be returned to the seller	Can not be returned to the seller
Can be manufactured, stored, and transported	Cannot be manufactured, stored, and transported.
Goods manufactured can be identical	Services offered can never exactly be the same
Examples: Clothing, food	Examples: Health care, transportation

- A country's embassy, consulates and military bases in different nations.
- Ships and aircrafts owned and operated by residents.
- Estimated at regular periods (such as quarterly, or yearly).
 - For India it is from 1st April to 31st March.
- **Goods included:** all final goods and services produced by the usual residents and non-residents in the domestic territory of the country
 - Does not include Net Factor Income from Abroad (NFIA)
- Calculated by Central Statistics Organization, Ministry of Statistics and Program.
- 'Quantitative concept' and indicates internal strength of the economy.
- Used by the IMF & World Bank in comparative analyses of member economies.

$$\text{GDP} = \text{Consumption} + \text{investment} + \text{government spending} + \text{exports} - \text{imports}$$

Aspects of National Income

1. Gross Domestic Product (GDP)

- Total value of **final goods and services** produced in a country in a given financial year.
- **Domestic Territory** for calculation of GDP includes
 - A country's geographical borders, including its territorial waters.

Limitations of GDP

- It is quantitative, not qualitative.
- It is range bound-within a territory.
- It does not give an idea about the equal distribution of income and secondhand goods/transactions.
- GDP does not describe what is being produced and doesn't include household work.

UPSC PRE 2015

Types of GDP

Nominal GDP

- Total financial business value **produced inside the country**.
- **Without Inflation** adjusted.
- At **Current year prices**.
- **High Worth**
- Compares quarters of a year.
- Does **not truly indicate the real performance** of the economy

$$\text{Nominal GDP} = \text{Current Year Production} \times \text{Current Year Price}$$

GDP Purchasing Power Parity (PPP)

- While purchasing power parity (PPP) is **not a direct measure** of GDP, economists use it to see how one country's **GDP compares** to other countries' GDP in "international dollars" **using a method** that **adjusts for differences in local prices** and costs of living to make **cross-country comparisons** of real output, real income, and living standards.

Real GDP

- GDP metric adjusted: With changes in the general price level.
- **Inflation-adjusted**
- At **regular prices**
- **Low Worth**
- Compares two or more FYs
- Only **change in real production** of goods and services is captured.

$$\text{Real GDP} = \text{Current Year Production} \times \text{Base Year Price}$$

GDP Per Capita

- The GDP per capita is a **measure of the GDP per person** in a country's population.
- It means that the **quantity of output** or revenue per person in a **given economy** may be used to **estimate average productivity** or living standards.

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Various Aspects of GDP Calculations

GDP Deflator

- Ratio of Nominal GDP to Real GDP
- Gives an idea of how the prices have moved from the base year to the current year.

GDP Growth Rate

- Measures how fast the economy is growing.
- Measures the change in GDP in two consecutive years or quarters.

GDP at Market Price (GDPMP)

- Market price includes net indirect taxes along with the factor cost. (Net indirect tax is the difference b/w total indirect tax and subsidies)

GDP at Factor Cost (GDPFC)

- Factor cost is the cost of producing a commodity. It includes the cost of land, labour, capital and the profits of the producer.

Potential GDP

The highest market value of goods and services that can be produced in an economy over a period of time is known as potential GDP. Unlike normal GDP estimates during the current duration, potential GDP seeks to find the highest value that can be obtained.

Determinants of potential GDP

- **Inflation:** The inflation rate in the country in a year influences the GDP
- **growth.** Higher inflation can boost the potential GDP rate.
- **Recession:** Recession is the slowdown in growth rate for two consecutive quarters.
Recession can significantly reduce the GDP.
- **Factory output:** The output of finished goods from factories increases its contribution to GDP. Continuous growth will be suitable for high GDP.

- Q. Define potential GDP and explain its determinants. What are the factors that have been inhibiting India from realizing its potential GDP?

(UPSC CSE (M) – 2020)

Factors inhibiting the potential GDP of India

- **Low productivity:** High employment generation in the economy will show that the potential GDP is high but it will not be achieved due to low productivity from employment generation.
- **Currency depreciation:** GDP is calculated using American dollars after converting it from Indian rupees. The depreciation of Indian rupees vis a vis the American dollar will reduce GDP value.
- **Decrease in foreign capital:** The inflow of foreign capital may decrease over a period due to various factors. This will result in the economy not being able to emulate the potential numbers.

- **Lack of Infrastructure:** The infrastructure growth in the domestic economy may not be in predicted lines. This will hamper the final contribution to GDP output.

Gross Value Added (GVA)

- Economic productivity metric that measures the contribution of a corporate subsidiary, company, or municipality to an economy, producer, sector, or region.
- Used to adjust GDP and measure how much money a product or service has contributed toward meeting a company's fixed costs.

$$\text{GVA} = \text{GDP} + \text{Subsidies} - \text{Taxes or}$$

$$\text{GDP} = \text{GVA} + (\text{Tax-Subsidies})$$

Note -

- The difference between the level of real GDP and potential GDP is known as the output gap.
- When the output gap is positive—when GDP is higher than potential—the economy is operating above its sustainable capacity and is likely to generate inflation.
- When GDP falls short of potential, the output gap is negative.

Green GDP

- Green GDP is a term used generally for expressing GDP after adjusting for environmental damage.
- An Expert Group was also convened under the direction of the Prime Minister by the National Statistical Organization, Ministry of Statistics and Programme Implementation, Government of India in August 2011 to examine the prospects of developing green national accounts in India.
- Economic assets like oceans, mountains and forests do not have private ownership so Green GDP Does Not Include it.
- Green GDP includes the services which are provided by the environment.

Net Domestic Product (NDP)

- Net worth of all goods and services generated inside a country's geographic borders.
- Value of depreciation of national capital assets such as machinery, houses, and cars are subtracted from the GDP to calculate NDP

- **Other considerations:** such as asset obsolescence and destruction, are also taken into account by the NDP.

Net Domestic Product (NDP) = Gross Domestic Product (GDP) – Depreciation.

- NDP Will **always** be **lower** than GDP.
- NDP is **not used across world** due to different rates of depreciation

Significance

- To understand the historical situation of the loss due to the depreciation of the economy.
- To understand and analyze the sectoral situation of depreciation in industry and trade in comparative periods.
- Showcase the achievements of the economy in the area of R&D, which have tried to cure the levels of depreciation in a historical period.

Gross National Product (GNP)

UPSC PRE 2018

- Total value of all goods and services produced by citizens and enterprises in a country, regardless of where they are produced
- It is the GDP of a country added to its income from abroad.
- 'Income from Abroad' includes:
 - **Trade Balance:** net outcome at year-end of the total exports and imports of a country

NNP = GNP – Depreciation

or

NNP = GDP + Income from Abroad – Depreciation

- **Interest on External Loans:** balance of interest on the money lent by the country and the interest on the money it has borrowed from other countries.
 - India has always been a 'net borrower' from the world economies.
- **Private Remittances:** an account of the 'private transfers' by Indians working abroad (to India) and foreign nationals working in India (to their home countries).
- **Factors to GNP:** Manufacturing of items such as equipment, machinery, agricultural products, and cars & some services such as consulting education, and health care.

- The cost of delivering services is not calculated.
- When a citizen holds dual citizenship: GNP per capita is utilized to calculate GNP on a country-by-country basis.
- In that situation, their earnings are counted twice, as each country's GNP.

GNP (Y) = Consumption expenditure (c) + Investment (I) + Government expenditure (G) + Net exports (X) + Net income from Abroad (Z).

$$Y = C + I + G + X + Z$$

$$\text{GNP} = \text{GDP} \pm \text{NFIA}$$

Net National Product (NNP) (National income)

- Value generated by removing depreciation from the gross national product.
- Determines how much a country can consume in a specific period.
- When a country's net national product (NNP) dips or falls,
 - Businesses contemplate shifting to industries that are considered recession-proof.
- It is the Purest Income of an Economy

$$\text{Per Capita Income} = \text{NNP} / \text{Population}$$
- India Calculates National Income at Market Cost Since 2015. (NNP_{ML} or NI_{MC})

- Market Cost = Factory Cost + Indirect tax (Centre + State)
- In India rate of Depreciation is decided by the Ministry of Commerce and industry.

Gross Domestic Product GDP	GDP = Sum of all goods and services produced in a country in given financial year
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Net Domestic Product NDP	NDP = GDP - Depreciation on assets
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Gross National Product GNP	GNP = GDP + Income from abroad
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Net National Product NNP	$\text{NNP} = \text{GNP} - \text{Depreciation on assets}$ $\text{NNP} = \text{GDP} + \text{Income from abroad} - \text{Depreciation on assets}$
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Difference between Personal Income & Personal Disposable Income

Personal Income

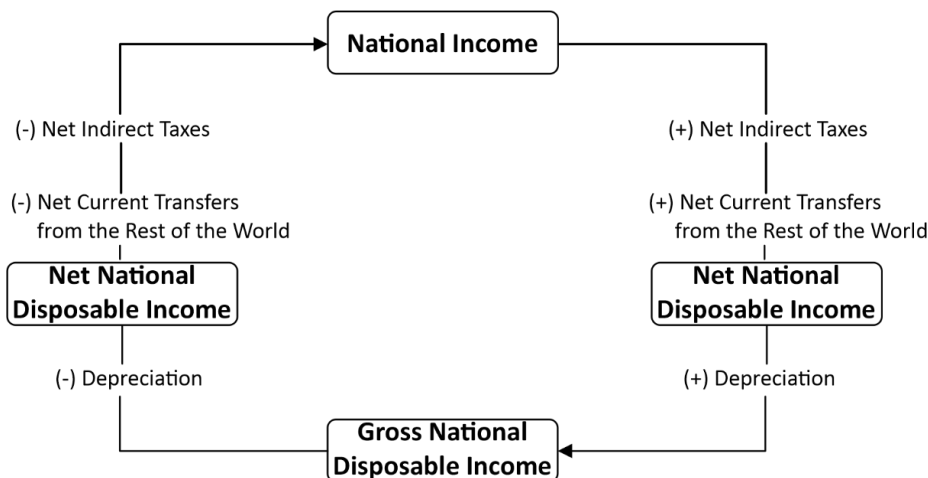
- It is the total income received by the individual of a country from all sources before payment of direct taxes.

$$\text{Personal Income} = \text{National Income} - \text{Undistributed Corporate Profits} + \text{Transfer Payments}$$

Personal Disposable Income

- Disposable personal income is the amount someone has left to spend or save after paying taxes.

Characteristics	Personal Income	Personal Disposable Income
Definition	Refers to the total earnings generated by an individual from investments, salaries, dividends, bonuses, pensions, social benefits and other ventures over a given period	Refers to the amount of revenue or funds a person has after taxes have been paid
Taxes	Is subject to taxes	Is not subject to taxes



Methods of Computing GDP

Methods of GDP Calculation		
Expenditure Method	Income Method	Value Added/ Output Method
Consumption + Investment + Government Expenditure + Net Exports (i.e. exports – imports)	Rent + Wages + Interest + Profits	Final value of all goods and services - Intermediate Costs

Value added / Product /Output method

Value Added Approach = Gross Value of Output
Consumption – Value of Intermediate

Example

Suppose a factory Makes Plastic Bottles. It purchases plastic for Rs. 6000 with this plastic, it makes plastic bottles worth Rs. 10000

In this case

Sales 10000 – This is called the Value of Output (Value of Goods and Service Produced)

Purchase 60000 – This is called the Value of Intermediate Goods (Expenditure on producing these goods and services)

Profit 4000 – This is called Value Added

Format for Calculating National Income (in Income Method)

Calculation of National Income	
Different Factor Incomes	
Rent	10
Royalty	50
Interest	30
Compensation to Employees	40
Profit	20
Mixed Income	30
Total (Domestic Income NDP_{FC})	180
Add NFIA	20
NNP FC (National income)	200

As per Income Method

We calculate factor income earned
Totaling by all factor incomes
as well as Mixed Incomes

Sum total of this is equal to NDP
FC(Domestic Income)

In this ,we add NFIA (Net factor income
from Abroad) to arrive at National Income

Note

Depreciation is
not reduced in his method

Expenditure Approach

Gross Domestic Product (GDP) = C + I + G + NX

GDP = Gross Domestic Product

- C = The amount of spending on the consumption of goods and services by the consumer
- I = The total amount of spending on the investments in the capital assets by the private sector and the government.
- G = Government spending on the infrastructures to boost the country's economy.
- NX = Net exports of the country.

GDP Calculation in India

- India's Central Statistic Office calculates the nation's gross domestic product (GDP).
- India's GDP is calculated with two different methods, one based on economic activity (at factor cost), and the second on expenditure (at market prices).
- The factor cost method assesses the performance of eight different industries.
- The expenditure-based method indicates how different areas of the economy are performing, such as trade, investments, and personal consumption.

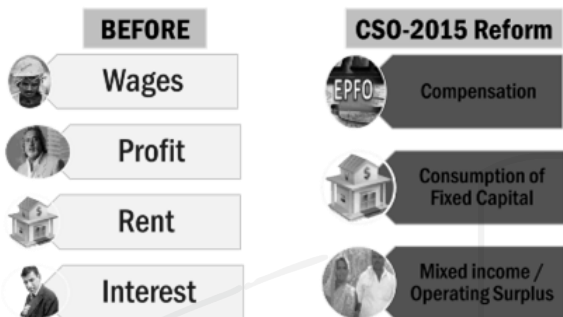
Ways to Calculate Gross Domestic Product (GDP)

(How India does it)

Expenditure method	Value Addition method
Private consumption + Gross investment + Government spending + Net exports (total exports – total imports)	Final value of all goods and services – Intermediate costs

*GDP Indicates, Capacity and Efficiency of Economy
*In India, GDP estimates are prepared every Quarter

CSO Reforms 2015 for GDP Calculation – Income Method



- Although India Calculate its national Income at constant prices (developing) not Current Prices (Developed)

Base Year - Importance

- The base year prices are also known as constant prices
- they reduce all of the data to a similar baseline, the base year price.
- The base year is a representative year that is free of unusual events like droughts, floods, earthquakes etc.
- This is a year that's very close to the one for which the national accounts statistics are being compiled.
- The base year must be updated regularly to reflect structural changes in an economy, such as a rising percentage of services in GDP like AI products in IT service.
- If the base year can be updated more regularly then data will be more accurate.

MCA 21

- MCA21 is an e-Governance initiative of Ministry of Corporate Affairs (MCA)
- It was launched in 2006.
- It enables an easy and secure access of the MCA services to the corporate entities, professionals and citizens of India

- This will help the business community to meet their statutory obligations.
- During the fiscal 2021-22, the Ministry of Corporate Affairs (MCA) launched data analytics driven MCA21 Version 3.0.
- This Version has additional modules for e-Adjudication, e-Consultation and Compliance Management.
- MCA21 system is the first Mission Mode e-Governance project of Government of India.

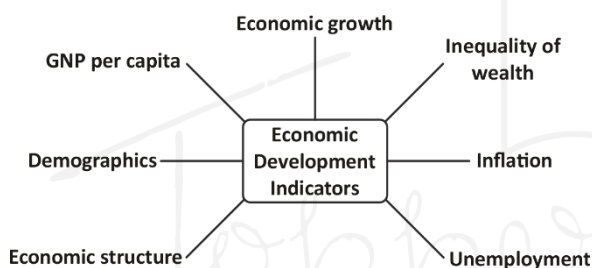
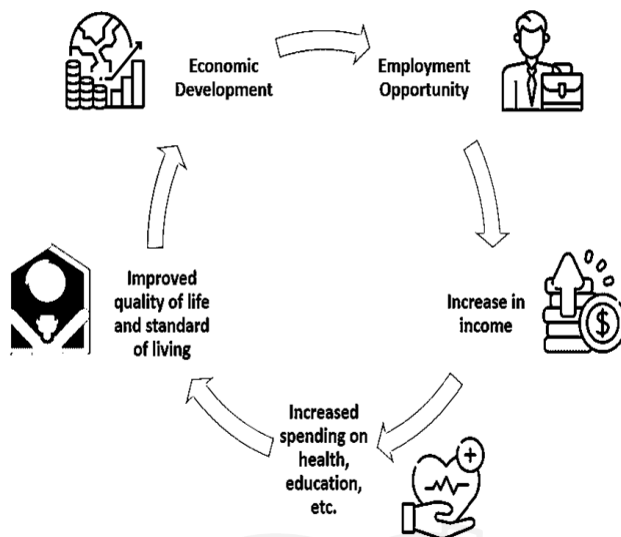
Standing Committee on Economic Statistics

- Constituted by:** Ministry of Statistics and Program Implementation (MOSPI)
- Chairman:** former Chief Statistician
- Functions**
 - Analyse and Develop:** the country's surveys on employment, industry, and services.
 - Look at the current framework of data sources, indicators, and definitions.
 - For an index of industrial production, periodic labour force surveys, time use surveys, economic censuses, and unorganised sector statistics.
 - 4 standing committees on labour force statistics, industrial statistics, services sector, and unincorporated sector firms will be absorbed into the SCES.
 - 108 economists and social scientists expressed worry over "political involvement" in influencing statistical data in India.
 - Appealed for the statistical organizations' "institutional independence" and integrity to be restored.

Economic Development

- Economic development means an improvement in the quality of life and living standards, e.g. measures of literacy, life-expectancy and health care.
- Development looks at a wider range of statistics than just GDP per capita.
- Development is concerned with how people are actually affected.
- It looks at their actual living standards and the freedom they have to enjoy a good standard of living. (UPSC Pre 2019)

How Economic Development Works?



Economic Growth

'Economic growth' refers to an increase over time in a country's real output of goods and services - or more appropriately product per capita.

Economic Development

'Economic development' implies progressive changes in the socio-economic structure of a country. Further, development goals are defined in terms of progressive reduction in unemployment, poverty and inequalities.

Economic Underdevelopment

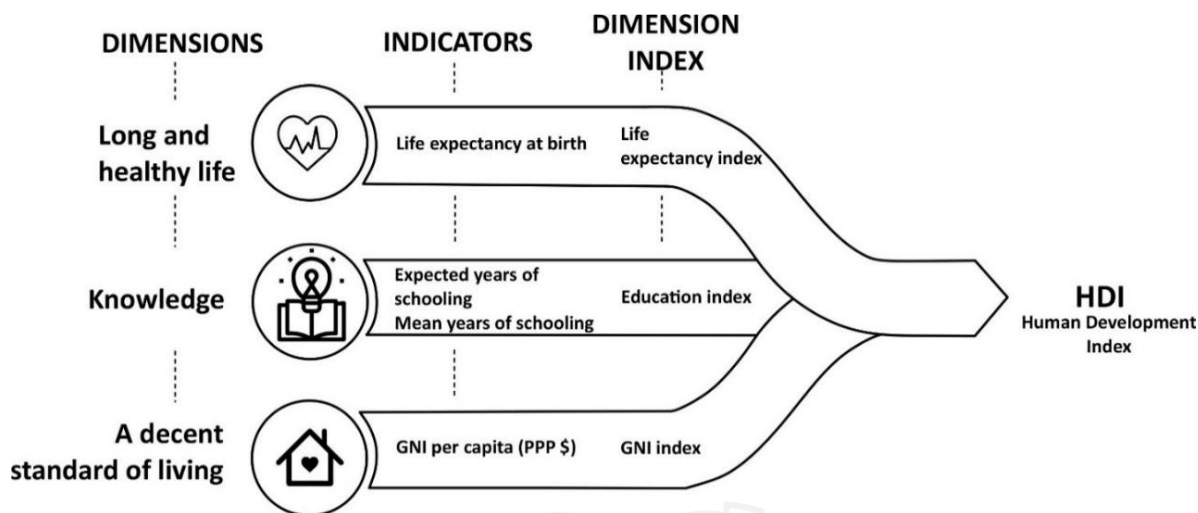
An underdeveloped country is characterized by a low level of per capita income. The Indian Planning Commission defines an underdeveloped country as one which is characterized by the coexistence of unutilised or underutilized manpower and of unexploited natural resources.

Approach to Human Development

- The very first Human Development Report, published in 1990, pioneered a new approach to improving human well-being.
 - **Human Development:** It is concerned with enlarging the people's freedom and opportunities by improving their well-being rather than simply the richness of the economy in which people live.
1. **Income Approach**
 - Oldest approach to Human Development.
 - It is built around the belief that development is linked to income.
 - The level of income a person has influences their level of freedom.
 2. **Welfare Approach**
 - It considers human beings as the beneficiaries and not development participants.
 - It argues for higher government expenditure in health, education, and amenities.
 - Here, the government is solely responsible for increasing the standard of living and promoting development.
 3. **Basic Needs Approach**
 - Proposed by the International Labour Organisation (ILO).
 - Identified six necessities viz. food, water supply, housing, sanitation, health and education.
 4. **Capability Approach**
 - Proposed by acclaimed Indian economist Amartya Sen.
 - Under it, the key to human development is building human capabilities in education, health and accessibility of resources.

Measures of Economic Development

Human Development Index (HDI)



- Pakistani economist Mahbub ul Haq created HDI in 1990 which was further used to measure the country's development by the United Nations Development Program (UNDP).
- The HDI was developed by the Pakistani economist Mahbub ul Haq working alongside Indian economist Amartya Sen

Relation b/w HDI & SDG

- Life expectancy at birth (Sustainable Development Goal 3),
- Expected years of schooling (Sustainable Development Goal 4.3),
- Mean years of schooling (Sustainable Development Goal 4.4),
- Gross national income (GNI) (Sustainable Development Goal 8.5).

Classification of countries in HDI

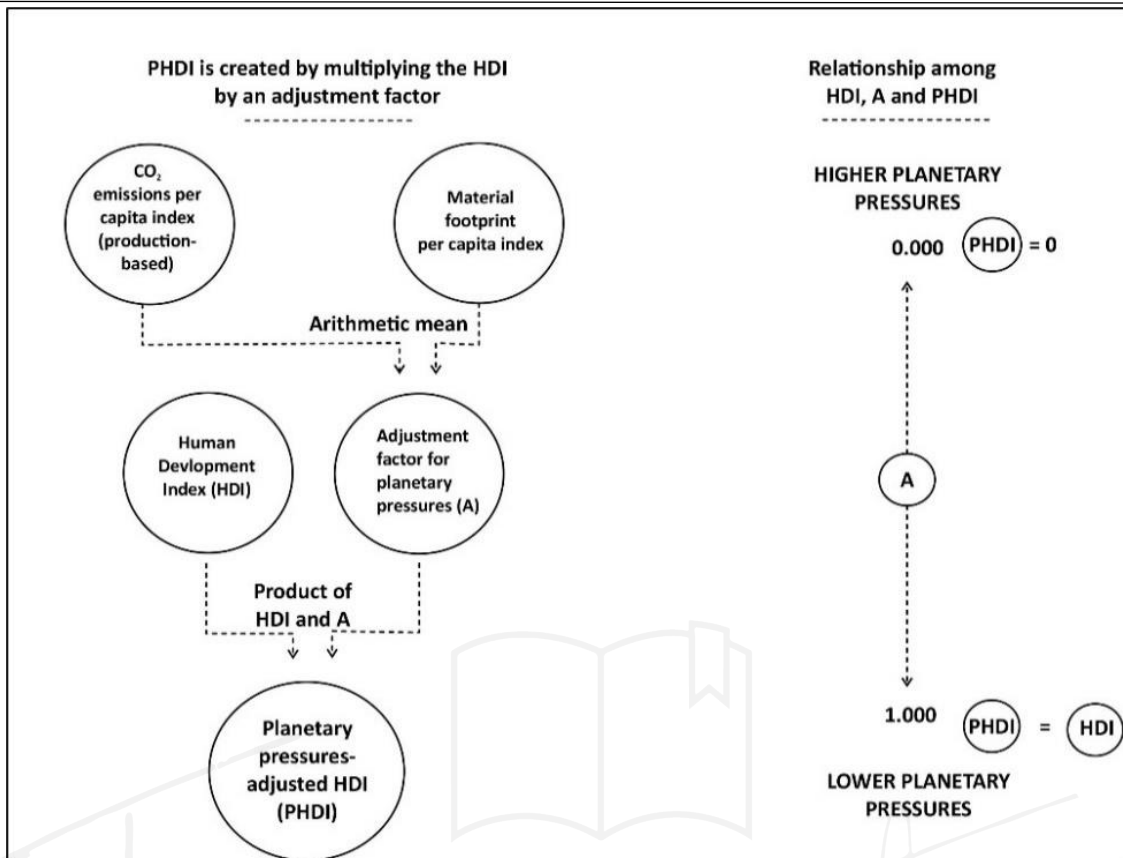
- If HDI Index is
 - > 0.800 : Very high human development
 - 0.700 - 0.799 : high human development
 - 0.550 - 0.699 : medium human development
 - < 0.550 : Low human development

Inequality Adjusted Human Development Index

- IHDI is based on a distribution-sensitive class of composite indices proposed by Foster, Lopez-Calva and Szekely (2005)
- Draws on the Atkinson (1970) family of inequality measures.
- The IHDI indicates percentage loss in HDI due to inequality.
- It is computed as a geometric mean of inequality-adjusted dimensional indices.
- The IHDI value equals the HDI value when there is no inequality across people but falls below the HDI value as inequality rises.

Planetary Pressures–Adjusted Human Development Index (PHDI)

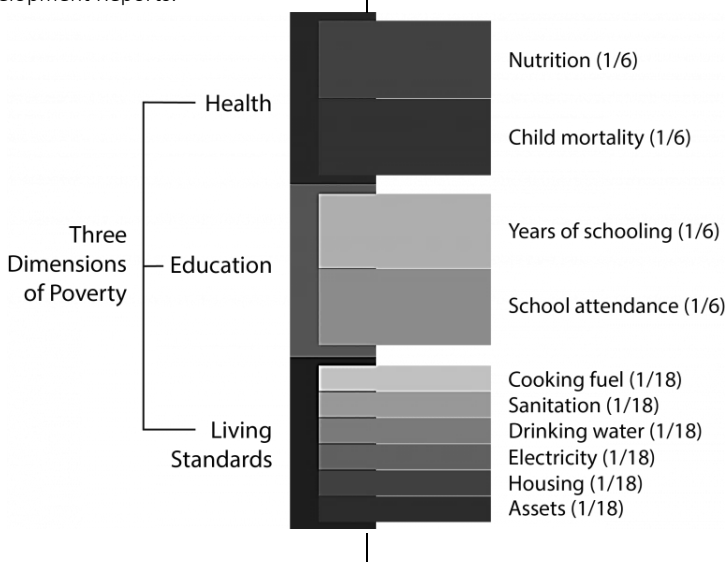
- PHDI is an experimental index that adjusts the Human Development Index (HDI) for planetary pressures in the Anthropocene.
- The concept of the planetary boundary was introduced by a group of scientists across the world, led by J. Rockström (Stockholm Resilience Centre, 2009).
- It adjusts the standard HDI by a **country's level of carbon dioxide emissions and material footprint**, each on a per capita basis.



Global Multidimensional Poverty Index

- It is an international measure of multidimensional poverty covering 107 developing countries.
- It was first developed in 2010 by Oxford Poverty and Human Development Initiative (OPHI) and UNDP for UNDP's Human Development Reports.

- It is released at the High-Level Political Forum (HLPF) on Sustainable Development of the United Nations in July, every year.
- It monitors **deprivations in 10 indicators** spanning **health, education and standard of living** and includes both incidence as well as intensity of poverty.

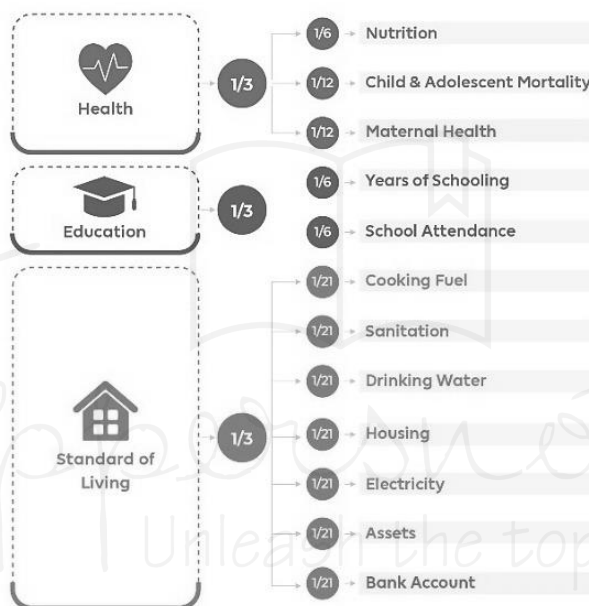


- A person is **multidimensionally poor** if he/she is **deprived in one third or more** of the weighted indicators (out of the ten indicators).
- Those who are **deprived in one half or more** of the weighted indicators are considered living in **extreme multidimensional poverty**.
- NITI Aayog as the nodal agency has been assigned the responsibility of leveraging the monitoring mechanism of the Global Multidimensional Poverty Index (MPI) to drive reforms.

National Multidimensional Poverty Index

- The MPI seeks to measure poverty across its multiple dimensions.
- **Objective:** Deconstructing the Global MPI and creating a globally aligned and yet customised India MPI.
 - For drawing up comprehensive Reform Action Plans with the larger goal of improving India's position in the Global MPI rankings.
- It measures simultaneous deprivations across three equally weighted dimensions of health, education, and standard of living represented by 12 SDG aligned indicators.

Indicators and their weights



- It uses the globally accepted and robust methodology developed by the Oxford Poverty and Human Development Initiative (OPHI) and the UNDP.

Latest Update

- NITI Aayog recently released its 'National Multidimensional Poverty Index: A progress of Review 2023' Report
- India witnessed 13.5 crore people moving out of multidimensional poverty between 2015-16 and 2019-21 with fastest reduction in Uttar Pradesh, Bihar, Madhya Pradesh, Odisha and Rajasthan

Social Progress Index (SPI)

- SPI is a comprehensive tool that can serve as a holistic measure of a country's social progress at the national and sub-national levels.

- The index assesses states and districts based on 12 components across three critical dimensions of social progress - Basic Human Needs, Foundations of Wellbeing, and Opportunity.
- The index uses an extensive framework comprising 89 indicators at the state level and 49 at the district level.
- Social Progress Index (SPI) for States and Districts Prepared by Institute for Competitiveness and Social Progress Imperative and was mandated by the Economic Advisory Council- Prime Minister (EAC-PM).

Note-

- Puducherry, Lakshadweep & Goa emerge as best-performing states
- Aizawl (Mizoram), Solan & Shimla (HP) are the top 3 best-performing districts

Social Progress Index



Genuine Progress Index

- It is a metric used to measure the economic growth of a country.
- The GPI indicator takes everything the GDP uses into account but adds other figures that represent the cost of the negative effects related to economic activity, such as the cost of crime, cost of ozone depletion, and cost of resource depletion, among others.

Note -

- GPI factors in all the components of GDP and includes environmental and social elements that impact the economy, such as pollution, volunteerism, crime, and climate change.
- According to some economists, GPI is a better metric than GDP as it gives a holistic view of the wellbeing of a nation's economy.

Bare Necessities Index

- It is built on the idea of **Thalinomics** in the **Economic Survey, 2019-20**, through which it had sought to examine the access to food in the country.

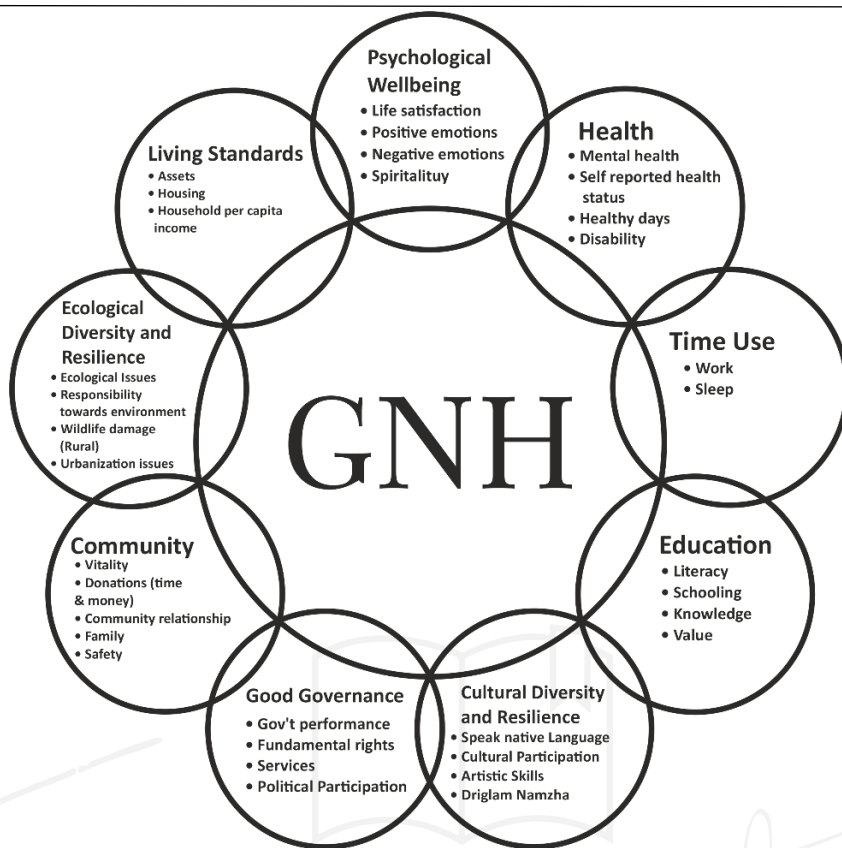
- It has been created for all states for 2012 and 2018 using NSO data.
- It summarises 26 indicators on five dimensions viz.
 - Water
 - Sanitation
 - Housing
 - Micro-environment
 - Other facilities
- It classifies areas on **three levels of access-high, medium, low to bare necessities**.
- The Survey underlined the need to focus on reducing variations in the access to bare necessities across states, between rural and urban areas, and between income groups.

Gross National Happiness (GNH)

- Coined by Fourth King of Bhutan, Jigme Singye Wangchuck in the 1970s.
- The concept implies that sustainable development should take a holistic approach towards notions of progress and give equal importance to non-economic aspects of well-being.
- It is often been explained by its four pillar
 - good governance
 - sustainable socio-economic development
 - cultural preservation
 - environmental conservation
- The four pillars have been further classified into nine domains to reflect the holistic range of GNH values.

Gross National Happiness Index

- It is a single number index developed from 33 indicators categorised under nine domains.
- It is constructed based upon a robust multidimensional methodology known as the Alkire-Foster method.



OECD better life index

- The Better Life Index is an initiative created by the OECD to compare the well-being priorities of people around the world.
- It consists of 11 social indicators: "housing, income, jobs, community, education, environment, governance, health, life satisfaction, safety, work-life balance" that contribute to well-being in OECD countries.

Happiness in India

Some factors that mattered

Social Support

Top 3

- Ladakh
- Nagaland
- Assam

Bottom 3

- Lakshadweep
- Jharkhand
- Bihar

Freedom to make life choices

Top 3

- Tamil Nadu
- Dadra and Nagar Haveli
- Ladakh

Bottom 3

- Lakshadweep
- Uttar Pradesh
- Jammu and Kashmir

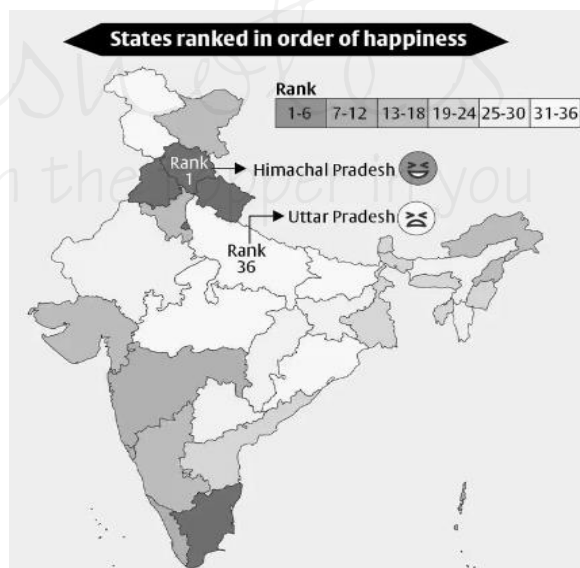
Perception of corruption

Top 3

- Tamil Nadu
- Mizoram
- Karnataka

Bottom 3

- Meghalaya
- Himachal Pradesh
- Punjab



GII vs GGG vs GPI

Global Gender Gap Index

- It is released annually by the World Economic Forum (WEF) since 2006.
- It measures gender parity in 146 countries and across four areas viz.

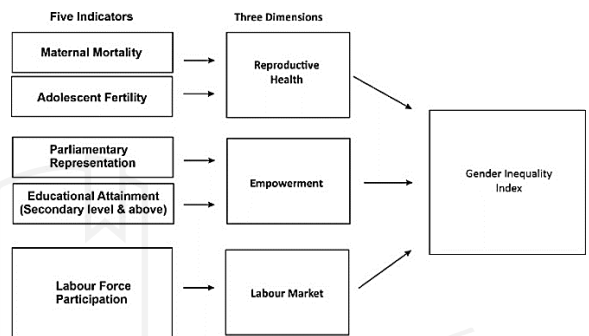
- economic participation and opportunity
- educational attainment
- health and survival
- political empowerment
- On each of the four sub-indices as well as on the overall index, it provides scores between 0 and 1, where 1 shows full gender parity and 0 is complete imparity.

Gender Parity Index

- It is released by UNESCO as a part of its Global Education Monitoring Report.
- It is the ratio of the number of female students enrolled at primary, secondary and tertiary levels of education to the number of male students in each level.
- Simply, GPI reflects equitable participation of girls in the School system.
- GPI Values
 - A GPI of 1 indicates parity between the sexes
 - A GPI that varies between 0 and 1 typically means a disparity in favour of males
 - A GPI greater than 1 indicates a disparity in favour of females.

Gender Inequality Index

- The GII is an inequality index released by UNDP.
- It measures gender inequalities in three important aspects of human development viz.
 - Reproductive Health
 - Empowerment
 - Economic status
- It is built on the same framework as the IHDI to better expose differences in the distribution of achievements between women and men.
- It measures the human development costs of gender inequality. Thus, the higher the GII value the more disparities between females and males and the more loss to human development.



2 CHAPTER

Subsidies

- "Money granted by the state, public body, or other entity to keep commodity prices low."
- It is a **grant** or other form of financial assistance given for the **purpose of supporting or developing them**.
- They have an **impact on the economy through- the commodities** market because they lower the relative price of the subsidised commodity, resulting in an increase in demand.
- They **occur on the expenditure side of government budgets**.
- They **increase money in circulation while taxes reduce it**.
- They **argued in order to achieve redistributive goals**, particularly to ensure a basic level of food and nourishment for all members of society.

Need for farm subsidies

- **Article 48 of the Indian Constitution:** The responsibility of the state to organize agriculture on modern lines.
- As per FAO, 70% of Indian rural households are primarily dependent on agriculture for their livelihood.
- **Subsidies:** The tool for income distribution and to reduce inequalities (Oxfam report 2020- top 10% holds 72% of wealth).
- Poor income realization to farmers (farmers income is less than 1/3rd income of non-farmers)
- Farm subsidies act as a complementary income to farmers, which can be invested back in agriculture.
- Farm subsidies → Access to quality inputs such as seeds, fertilizers → Increase in productivity → Better income to farmers.
- Farm subsidies in a way motivate farmers to continue farming as an occupation.
- Insulate farmers from the issues posed by the covid-19 pandemic.

Classification of Subsidies

Direct Subsidy

- This subsidy is **paid directly to the farmers** and is usually in the form of a **direct cash subsidy**.

- As a result, direct subsidies **play a critical role in enhancing farmers' purchasing power** and raising the standard of living of the rural poor.
- Direct farm subsidies are **popular in most industrialised nations**,
 - such as the **United States and Europe**, while **India only offers them in limited forms**, such as food subsidies and MSP-based procurement.

Food Subsidy

- The **government incurs food subsidies** in order to fulfil its commitment
 - To distribute justice, and the food security system's twin objectives,
 - To **provide minimal nutritional support** to the needy through subsidised foodgrains and to ensure price stability in different states.
- The **difference b/w the economic cost of foodgrains and the issue price is refunded to FCI**, which used to **distribute wheat and rice to the poor** and maintain a buffer stock.

Limitations of Direct Subsidy

- In rural areas, there is a **lack of financial inclusion and ATMs**.
- **Banking services are difficult to come by**.
- The possibility that **farmers would spend the funds for non-farm, non-productive purposes**.
- **Inflation may result from more money** in the hands of the general populace.
- It's possible that this will have an **influence on the country's food security**.
- **Market reforms and agricultural innovation** are two **major challenges** that have yet to be addressed.
- There are **issues in identifying beneficiaries**.

Indirect Farm Subsidies

- These are **not in the form of money**, but rather in the form of:
 - Irrigation Subsidy
 - Power Subsidy
 - Fertilizer Subsidy
 - Seed Subsidy

