

INDIAN ECONOMY AND DEVELOPMENT ADMINISTRATION IN TAMIL NADU

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MODEL TESTS

NATURE OF INDIAN ECONOMY

Nature of Indian Economy

Indian economy is the fifth largest economy in the world (nominal GDP). Being one of the top listed countries, in terms of industrialization and economic growth, India's national GDP has witnessed a growth rate of 9.6% in Financial Year 2023-2024. Real GVA has grown by 7.2% in 2023-24 over 6.7% in 2022-23. Even though the rate of growth has been sustainable and comparatively stable, there are still signs of backwardness.

Features of a Developed Economy :

1. High National Income, 2. High Per Capita Income, 3. High Standard of Living, 4. Full Employment of Resources, 5. Dominance of Industrial Sector, 6. High Level of Technology, 7. High Industrialization, 8. High Consumption Level, 9. High Level of Urbanisation, 10. Smooth Economic Growth, 11. Social Equity, Gender Equality and Low Levels of Poverty, 12. Political Stability and Good Governance

Features of Indian Economy

India has a mixed economy	Indian economy is a typical example of mixed economy. This means both private and public sectors co-exist and function smoothly. On one side, some of the fundamental and heavy industrial units are being operated under the public sector, while, due to the liberalization of the economy, the private sector has gained importance. This makes it a perfect model for public – private partnership.
An emerging market	India has emerged as vibrant economy sustaining stable GDP growth rate even in the midst of global downtrend. This has attracted significant foreign capital through FDI and FII. India has a high potential for prospective growth. This also makes it an emerging market for the world.
Agriculture plays the key role	Agriculture being the maximum pursued occupation in India, it plays an important role in economy as well. Around 50% of the people in India depend upon agriculture for their livelihood. In fact, approx. 18% of our GDP today is contributed by the agricultural sector. Green revolution, ever green revolution and inventions in bio-technology have made India as a self sufficient and also surplus production country. The export of agricultural products such as fruits, vegetables, spices, vegetable oils, tobacco, animal skin, etc. also added to forex earning through international trading.
Emerging Economy	Emerging as a top economic giant among the world economy, India bags the fifth position in terms of nominal Gross Domestic Product (GDP) and third in terms of Purchasing Power Parity (PPP). As a result of rapid economic growth Indian economy has a place among the G20 countries.
Fast Growing Economy	India's economy is well known for high and sustained growth. It has emerged as the world's fastest growing economy in the year 2016-17 with the growth rate of 7.1% in GDP next to People's Republic of China.
Fast growing Service Sector	The service sector, contributes a lion's share to the GDP of India. There has been a high rise growth in the technical sectors like Information Technology, BPO etc. These sectors have contributed immensely to the growth of the economy. These emerging service sectors have helped the country go global and helped in spreading its branches around the world.
Large Domestic Consumption	With the faster growth rate in the economy the standard of living has improved a lot. This in turn has resulted in rapid increase in domestic consumption in the country. The standard of living has considerably improved and life style has changed.
Rapid growth of Urban areas	Urbanization is a key ingredient of the growth of any economy. There has been a rapid growth of urban areas in India after independence. Improved connectivity in transport and communication, education and health have speeded up the pace of urbanization.
Stable macro economy	The Indian economy has been projected and considered as one of the most stable economies of the world. The 2014-15 Economic survey represents the Indian economy to be a "heaven of macroeconomic stability, resilience and optimism.
Demographic dividend	The human capital of India is young. This means that India is a pride owner of the maximum percentage of youth. The young population is not only motivated but skilled and trained enough to maximize the growth. Thus human capital plays a key role in maximizing the growth prospects in the country. Also, this has invited foreign investments to the country and outsourcing opportunities too.

Weakness of Indian Economy

Large Population	India stands second in terms of size of population next to China and our country is likely to overtake china in near future. Population growth rate of India is very high and this is always a hurdle to sustainable growth rate. The population growth rate in India is as high as 1.7 per thousand.
Inequality and poverty	There exists a huge economic disparity in the Indian economy. The proportion of income and assets owned by top 10% of Indians goes on increasing. This has led to an increase in the poverty level in the society and still a higher percentage of individuals are living Below Poverty Line (BPL). As a result of unequal distribution of income, the rich becomes richer and poor becomes poorer.
Increasing Prices of Essential Goods	Even though there has been a constant growth in the GDP and growth opportunities in the Indian economy, there have been steady increase in the price of essential goods. The continuous rise in prices erodes the purchasing power and adversely affects the poor people, whose income is not protected.
Weak Infrastructure	Even though there has been a gradual improvement in the infrastructural development in the past few decades, there is still a scarcity of the basic infrastructure like power, transport, storage etc.
Inadequate Employment generation	With growing youth population, there is a huge need of the employment opportunities. The growth in production is not accompanied by creation of job. Sometimes, the Indian economy is characterized by 'jobless growth'.
Outdated technology	The level of technology in agriculture and small scale industries is still outdated and obsolete.

Demographic trends in India

Scientific study of the characteristics of population is known as Demography. The various aspects of demographic trends in India are :

1. Size of population
2. Rate of growth
3. Birth and death rates
4. Density of population
5. Sex-ratio
6. Life-expectancy at birth
7. Literacy ratio

a. Size of Population

Census Year	Population (in crores)	Average annual growth rate
1901	23.84	—
1911	25.21	0.56
1921	25.13	– 0.03
1931	27.90	1.04
1941	31.87	1.33
1951	36.11	1.25
1961	43.92	1.96
1971	54.81	2.20
1981	68.33	2.22
1991	84.33	2.16
2001	102.70	1.97
2011	121.02	1.66

- ❖ As per the United Nation database, India's current 1.41 billion population surpassed China in 2023. It is also expected to hit 1.5 billion by 2030 and 1.78 billion by 2050.
- ❖ India has only about 2.4% of the world's geographical area and contributes less than 1.2% of the world's income, but accommodates about 17.5% of the world's population. In other words, every 6th person in the world is an Indian. Infact, the combined population of just two states namely, Uttarpradesh and Maharashtra is more than the population of United States of America, the third most populous country of the world. Some of the states in India have larger population than many countries in the world.
- ❖ The negative growth during 1911-21 was due to rapid and frequent occurrence of epidemics like cholera, plague and influenza and also famines. The year 1921 is known as the '**Year of Great Divide**' for India's population as population starts increasing.
- ❖ During 1951, population growth rate has come down from 1.33% to 1.25%. Hence it is known as '**Year of Small divide**'.
- ❖ In 1961, population of India started increasing at the rate of 1.96% i.e, 2%. Hence 1961 is known as '**Year of Population Explosion**'. In the year 2001, the Population of India crossed one billion (100 crore) mark.
- ❖ The 2011 census reveals growth of youth population which is described as '**demographic transition**'.

b. Birth rate and death rate

- ❖ **Crude Birth rate** : It refers to the number of births per thousand of population.
- ❖ **Crude Death rate** : It refers to the number of deaths per thousand of population
- ❖ Crude birth and death rates of India during various years

Rate		
Year	C.B.R	C.D.R
1951	39.9	27.4
2001	25.4	8.4
2011	21.8	7.11

- ❖ Birth rate was 39.9 in 1951; it fell to 21.8 in 2011. Although the birth rate has declined, the decline is not so remarkable. The death rate has declined from 27.4 in 1951 to 7.1 in 2011. However, from the data it is clear that the fall in birth rates is less than that of death rates.
- ❖ Kerala has the lowest birth rate (14.7) and Uttar Pradesh has the highest birth rate (29.5). West Bengal has the lowest death rate (6.3) and Orissa (9.2) has the highest. Among States Bihar has the highest decadal (2001-11) growth rate of population, while Kerala has the lowest growth rate. The four states Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh called **BIMARU** states have very high population.

c. Density of population

- ❖ It refers to the average number of persons residing per square kilometre. It represents the man- land ratio. As the total land area remains the same, an increase in population causes density of population to rise.

$$\text{Density of population} = \frac{\text{Total population}}{\text{Land area of the region}}$$

d. Density of population

Year	Density of population (No. of persons per sq.km)
1951	117
2001	325
2011	382

- ❖ Just before Independence, the density of population was less than 100. But after independence, it has increased rapidly from 117 in 1951 to 325 in 2001. According to 2011 census, the present Density of population is 382. Thus, the pressure of population on land has been rising. Kerala, West Bengal, Bihar and Uttarpradesh have density higher than the India's average density. Bihar is the most densely populated state in the country with 1,102 persons

living per sq.km followed by West Bengal with 880. Arunachal Pradesh has low density of population of only 17 persons.

e. Sex ratio

- ❖ It refers to the number of females per 1,000 males. It is an important indicator to measure the extent of prevailing equity between males and females at a given point of time.

Sex Ratio	
Census year	Sex ratio (Number of females per 1000 males)
1951	946
2001	933
2011	940

- ❖ In India, the sex ratio is more favourable to males than to females. In Kerala, the adult sex ratio is 1084 as in 2011. The recent census (2011) shows that there has been a marginal increase in sex ratio. Haryana has the lowest sex ratio of 877 (2011) among other states, while Kerala provides better status to women as compared to other States with 1084 females per 1000 males

f. Life expectancy at birth

- ❖ It refers to the mean expectation of life at birth. Life expectancy has improved over the years. Life expectancy is low when death rate is high and/or instances of early death are high. On the other hand, life expectancy is high when death rate is low and/or instances of early death are low.

Life Expectancy			
Year	Male	Female	Overall
1951	32.5	31.7	32.1
1991	58.6	59.0	58.7
2001	61.6	63.3	62.5
2011	62.6	64.2	63.5

- ❖ During 1901 – 11, life expectancy was just 23 years. It increased to 63.5 years in 2011. A considerable fall in death rate is responsible for improvement in the life expectancy at birth. However the life expectancy in India is very low compared to that of developed countries.

g. Literacy ratio

- ❖ It refers to the number of literates as a percentage of the total population. In 1951, only one-fourth of the males and one-twelfth of the females were literates. Thus, on an average, only one-sixth of the people of the country were literates. In 2011, 82% of males and 65.5% of females were literates giving an overall literacy rate of 74.04% (2011).

- ❖ Tax must be paid whether the individual derives any special benefit or not.
- ❖ A tax is paid for the general or common benefits extended by the government to all the taxpayers.
- ❖ No individual can claim any special service for himself in exchange for the tax paid to the government.

Direct Tax and Indirect Tax

(i) Direct tax is a tax which is expected to be paid out of the income or wealth of the same person on whom it has been imposed.

In other words the same person is expected to be the burden of the tax on whom the tax has been imposed.

In more technical language we say that the impact and the incidence of the tax are on the same person. By impact we mean the responsibility to pay the tax. By incidence, we mean the burden of the tax. For example: If a person earns Rs. 5 lakh a year, he is liable to pay income tax. The tax is to be paid out of his income. The tax burden cannot be shifted to any other person.

Similarly, if a company earns Profit during a year it is liable to pay corporation tax out of its income. The company cannot shift this on anyone else.

(ii) Indirect tax is a tax whose burden can be shifted to another person. The person who is made responsible to pay the tax is expected to charge the amount of tax from another person.

In other words, the tax burden is not borne by the person on whom the tax has been imposed. Technically, we say that the impact and incidence of an indirect tax fall on different persons.

Example: Government levies GST on production of Pepsi. The company easily includes the amount of tax in the price of Pepsi and charge the same from the buyer.

Similarly, if an import duty has been imposed on an imported camera, the seller includes that duty in the price of camera. The burden (incidents) of the tax is borne by the consumer and not the seller.

Your shopkeeper charges GST from you. He is responsible to deposit the tax money with the government treasury. But he is authorised to charge the amount from you. More generally, direct tax is levied on the income of an individual, while indirect tax is levied on expenditure.

Advantages of Direct Taxes

Direct taxes are paid out of the income or wealth of the person on whom the tax has been imposed. Direct taxes have certain merits. These can be briefly identified as:

Equity: Burden of taxation is distributed on different people and institutions in just or equitable manner. The tax rates can be progressively raised as a level of income go up.

Certainty: Direct taxes satisfy the principle of certainty. The taxpayer knows well in advance in certain terms as to how much he is expected to pay.

Elasticity: With an increase in income and wealth of the people, the revenue from direct taxes also increases.

Similarly, a government can raise more revenue simply by raising the tax rate.

Civic consciousness: The taxpayers are always aware of the fact that a part of their income has been transferred to the government. They begin to show more interest in the affairs of the government they work like watchdogs.

Reducing inequalities: Direct taxes are generally progressive in nature. Higher incomes are taxed at higher rates.

Simplicity: Direct taxes are generally simple. They are normally understood clearly by ordinary taxpayers.

Disadvantages of Direct Taxes

Arbitrary: Direct taxes tend to be arbitrary. It is indeed difficult to have objectively just on the basis of ability. The tax rates are often dictated by political compulsions of the government.

Tax evasion: Direct taxes tempt people to evade them by hiding their income and wealth.

Inconvenient: Taxpayers have to file returns of their income, these returns are scrutinised by the tax authorities. All these involved inconvenience and expenses besides time and energy.

High cost of collection: Direct taxes are often regarded as expensive to collect.

Adverse effect on will to work and save: Taxpayers always do not positively react to direct taxes. Taxes work as a disincentive to work more and earn more income since a part of the additional income is to be surrendered to the government.

Advantages of Indirect Taxes

The tax burden of indirect taxes is expected to be shifted to others. The major advantages of indirect taxes can be summed up as :

Convenience: Indirect taxes are convenient to pay and collect. The government finds it convenient to collect indirect taxes as they are paid in lump sum by the producer.

Difficult to evade: Indirect taxes are included in the price of the commodity. Evasion of an indirect tax will mean giving up the satisfaction of a given want.

Elasticity: As the consumption level increases, tax revenue mobilized by way of indirect taxes also increases.

Ability: Indirect taxes can serve the principle of ability. High rates of taxes may be imposed on those goods and services which are generally consumed by high income groups.

Social benefit: Indirect taxes enable everyone, even the poorest citizen, to contribute something towards the expenses of the state.

Equity: Indirect taxes can be made equitable by imposing heavy taxes on luxury goods that are generally considered by the rich section of the society. Consumption of lower income group may be exempted.

Promote production and investment: Indirect taxes can be so levied that the production of goods by high-priority industries is increased and low priority Industries is discouraged.

Disadvantages of Indirect Taxes

Indirect taxes has certain disadvantages also among these the more important ones are :

Unjust and inequitable: They fall alike on all the persons irrespective of their ability to pay.

Uncertain: Neither the taxpayer nor the government can be sure about the amount of tax involved.

Lack of social consciousness: Taxpayers fail to feel the pinch of tax immediately. These tax fail to evoke social consciousness among the taxpayers.

Inflationary impact: An indirect tax gets added up in the price of a product. Prices of commodities go up and this may be registered by the consumers.

Introduction to GST

Previous Indirect Tax Structure and its difficulties

❖ The history of Indian taxation goes back to ancient period. According to Arthshastra, the book written by Kautilya, in ancient time taxes were levied and collected in both cash and kind. The modern history of Indirect taxes starts from the early 20th century when Central Excise Duty was imposed on Salt, Sugar, Motor Spirit, etc. Gradually the base of Excise duties was widened. At the time of independence, the system of Central Excise Duty at the national level and the Sales Tax at the State level was prevailing. After prolonged efforts and amendments, VAT was introduced first in Indian State of Haryana in 2003 and thereafter in 24 States/UTs including Punjab, Chandigarh, HP, J&K and Delhi in 2005. If the VAT was a major improvement over the pre-existing Sales Tax regime, then the Goods and Services Tax (GST) is indeed an remarkable improvement and the next logical step towards realising perfection in taxation system in the country.

❖ Initially, it was proposed that there would be a single and national level GST. However, the GST tax regime has been finally implemented from 1st July, 2017 across India. With this there is a economic union of the country with ONE TAX, ONE MARKET AND ONE NATION.

❖ **Goods and Services Tax (GST)** is a tax on all the goods and services that we buy. It has two parts, the Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST). It is a transparent tax. For example, if you get a bill for the products you buy, you will find the following information:

Value of the Product = ₹ 100

SGST 9% = ₹ 9

CGST 9% = ₹ 9

Total = ₹ 118

❖ In the bill, the GST is 18%, and it is divided equally as 9% for the Central and State Governments. Therefore, ₹ 9 will go to State Government and another ₹ 9 will go to Central government.

❖ If a seller in Tamil Nadu sells a commodity to a buyer in other state (for example Karnataka), it is called inter-state trade. In the case of inter-state trade, the bill will be as given below :

Value of the Product = ₹ 100

IGST 18 % = ₹ 18

Total = ₹ 118

❖ ₹ 18 will go to Central government. Central government will take ₹ 9 and send another ₹ 9 to Karnataka government.

❖ The tax is divided into four slabs - 5 percentage, 12 percentage, 18 percentage, and 28 percentage. Some basic products are taxed at 0 percentage. Although GST is collected by the central government, taxes on petroleum products, alcoholic drinks, electricity are separately collected by the state government and almost all the necessities of life, like vegetables and food grains are exempted from this tax.

GST (GOODS AND SERVICES TAX)

❖ GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Services Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods & Services Tax in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition.

❖ In simple words, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India. GST is one indirect tax for the entire country. Under the GST regime, the tax will be levied at the final point of sale. In case of intra-state sales, Central GST and State GST will be charged. Inter-state sales will be chargeable to Integrated GST.

GST Council

❖ Under Article 279A Goods and Services Tax Council was constituted.

❖ It has representation from the Centre and all the states and three Union Territories having legislative assembly.

❖ The Goods and Services Tax Council consists of the following members:

- The Union Finance Minister is the Chairperson of the council
- The Union Minister of State in charge of Revenue or Finance Member
- The Minister in charge of Finance or Taxation or any other Minister nominated by each State Government

Note : UTs having legislative assembly also have membership. Hence total members from the states (28+3=31)

❖ The total number of members is 32 (31+1). One Minister is chosen as Vice –Chairperson of the council amongst the Minister in charge of Finance

or Taxation or any other Minister nominated by each State Government for such period as they may decide.

- ❖ It is stated in the Constitution that while discharging the functions conferred by Article 279A, the Goods and Services Tax Council shall be guided by the need for a harmonised structure of goods and services tax and for the development of a harmonised national market for goods and services.
- ❖ Half of the total membership that is 16 constitutes the quorum at its meeting. The weights assigned to the Centre for the purpose of voting in the council meeting is 1/3 and to all the states put together 2/3 of the total votes cast. Not less than 3/4th majority of vote cast is needed for making decision in the council meeting.
- ❖ The powers to recommend principles of levy, principles govern the place of supply and apportionment of IGST levied is important power given to GST council. On its recommendation in this regard the Parliament by law apportions the IGST among the states.

- ❖ Generally the power to recommend tax devolution is with Finance Commission. The power to recommend IGST devolution is with GST council.

Destination Based : Consider goods manufactured in Tamil Nadu and are sold to the final consumer in Karnataka. Since Goods and Service Tax is levied at the point of consumption, in this case, the entire tax revenue will go to Karnataka and not Tamil Nadu.

Components of GST

The component of GST are of 3 types. They are: CGST, SGST & IGST.

- ❖ **CGST :** Collected by the Central Government on an intra-state sale (Eg: Within state/ union territory)
- ❖ **SGST :** Collected by the State Government on an intra-state sale (Eg: Within state/ union territory)
- ❖ **IGST :** Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu)

In most cases, the tax structure under the new regime will be as follows :

Transaction	New Regime	Old Regime	
Sale within the State	CGST + SGST	VAT + Central Excise/ Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise / Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Center will then share the IGST revenue based on the destination of goods.

Nature of the Sales tax, VAT and GST

- ❖ Sales tax was multipoint tax with cascading effect.
- ❖ VAT was multipoint tax without cascading effect.
- ❖ GST is one point tax without cascading effect.

Swachh Bharat Cess : This is a cess imposed by the government of India and was started from 15 November 2015. This tax is applicable on all taxable services and the cess currently stands at 0.5%. Swachh Bharat cess is levied over the service tax that is prevalent in the present times.

GST and Centre-State Financial Relations:

The implementation of GST has brought about a fundamental shift in the financial relations between the Central Government and the State Governments in India. GST is a unified tax system that replaced multiple indirect taxes levied by both the Central and State Governments. Under GST, both the Central and State Governments share the authority to levy and collect taxes on goods and services. This has led to greater harmonization and uniformity in the tax structure across States, promoting economic integration.

The GST system follows a dual structure, comprising Central GST (CGST) and State GST (SGST), levied concurrently by the Central and State governments, respectively. Additionally, an Integrated GST (IGST) is levied on interstate supplies and imports, which is collected by the Central Government but apportioned to the destination state.

In terms of revenue distribution, the GST Council plays a crucial role. It is a joint forum consisting of the Union Finance Minister and representatives from all States and Union Territories. The Council makes decisions on various aspects of GST, including tax rates, exemptions, and revenue sharing between the Central and State Governments.

To ensure a smooth transition to the GST regime and address any revenue losses incurred by the States, a compensation mechanism was established. The Central Government was committed to providing compensation to the States for any revenue shortfall during the initial years of GST implementation. This compensation was meant to bridge the gap between the expected revenue growth and the actual revenue collected by the States.

It has fostered greater coordination, reduced tax barriers, and streamlined the tax system, leading to improved efficiency and competitiveness in the Indian economy. The successful implementation of GST relies on a cooperative and consensus-based approach between the Central and State Governments. It has transformed financial relations, ensuring greater coordination and efficiency in the Indian tax system.

Salient Features of GST:

Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. Here are some of the salient features of GST:

One Nation, One Tax: GST replaced multiple indirect taxes levied by the Central and State Governments, such as excise duty, service tax, value-added tax (VAT), and others. It brought uniformity in the tax structure across India, eliminating the cascading effect of taxes.

Dual Structure: GST operates under a dual structure, comprising the Central GST (CGST) levied by the Central Government and the State GST (SGST) levied by the State Governments. In the case of Inter-state transactions, Integrated GST (IGST) is applicable, which is collected by the Central Government and apportioned to the respective State. Import of goods or services would be treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties.

Destination-based Tax: GST is a destination-based tax, levied at each stage of the supply chain, from the manufacturer to the consumer. It is applied to the value addition at each stage, allowing for the seamless flow of credits and reducing the tax burden on the end consumer.

Input Tax Credit (ITC): GST allows for the utilization of input tax credit, wherein businesses can claim credit for the tax paid on inputs used in the production or provision of goods and services. This helps avoid double taxation and reduces the overall tax liability.

GST would apply on all goods and services except Alcohol for human consumption. GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural Gas) would be applicable from a date to be recommended by the GSTC. Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products. Exports are zero-rated supplies. Thus, goods or services that are exported would not suffer input taxes or taxes on finished products.

Threshold Exemption: Small businesses with a turnover below a specified threshold (currently, the threshold is 20 lakhs for supplier of services/both goods & services and 40 lakhs for supplier of goods (Intra-State) in India) are exempt from GST. For some special category states, the threshold varies between 10-20 lakhs. This threshold helps in reducing the compliance burden on small-scale businesses.

Composition Scheme: The composition scheme is available for small taxpayers with a turnover below a prescribed limit (currently 1.5 crores and 75 lakhs for special category state). Under this scheme, businesses are required to pay a fixed percentage of their turnover as GST and have simplified compliance requirements.

Online Compliance: GST introduced an online portal, the Goods and Services Tax Network (GSTN), for registration, filing of returns, payment of taxes, and other compliance-related activities. It streamlined the process and made it easier for taxpayers to fulfill their obligations.

Anti-Profitteering Measures: To ensure that the benefits of GST are passed on to the consumers, the government established the National Anti-Profitteering Authority (NAA). The NAA monitored and ensured that

businesses do not engage in unfair pricing practices and profiteering due to the implementation of GST. All GST anti-profitteering complaints are now dealt by the Competition Commission of India (CCI) from December 1, 2022.

Increased Compliance and Transparency: GST aims to enhance tax compliance by bringing more businesses into the formal economy. The transparent nature of the tax system, with the digitization of processes and electronic records, helps in curbing tax evasion and increasing transparency.

Sector-specific Exemptions: Certain sectors, such as healthcare, education, and basic necessities like food grains, are given either exempted from GST or have reduced tax rates to ensure affordability and accessibility.

Accounts would be settled periodically between the Centre and the States to ensure that the credit of SGST used for payment of IGST is transferred by the Exporting State to the Centre. Similarly, IGST used for payment of SGST would be transferred by the Centre to the Importing State. Further, the SGST portion of IGST collected on B2C supplies would also be transferred by the Centre to the destination State. The transfer of funds would be carried out on the basis of information contained in the returns filed by the taxpayers.

Centre and State level taxes that are subsumed into GST:

At the Central level, the following taxes are being subsumed:

- Central Excise Duty,
- Additional Excise Duty,
- Service Tax,
- Additional Customs Duty commonly known as Countervailing Duty, and
- Special Additional Duty of Customs.

At the State level, the following taxes are being subsumed:

- Subsuming of State Value Added Tax/Sales Tax,
- Entertainment Tax (other than the tax levied by the local bodies),

Central Sales Tax (levied by the Centre and collected by the States),

- Octroi and Entry tax,
- Purchase Tax,
- Luxury tax, and
- Taxes on lottery, betting and gambling.

Advantages of GST

- ❖ GST will mainly remove the cascading effect on the sale of goods and services. Removal of cascading effect will directly impact the cost of goods. Since tax on tax is eliminated in this regime, the cost of goods decreases.
- ❖ GST is also mainly technologically driven. All activities like registration, return filing, application for refund and response to notice need to be done online on the GST Portal. This will speed up the processes.

State Level Institutions

State Financial Corporation (SFCs)

The government of India passed in 1951 the State Financial Corporations Act and SFCs were set up in many states. The SFCs are mainly intended for the development of small and medium industrial units within their respective states. However, in some cases they extend to neighboring states as well.

SFCs depend upon the IDBI for refinance in respect of the term loans granted by them. Apart from these, the SFCs can also make temporary borrowings from the RBI and borrowings from IDBI and by the sale of bonds.

State Industrial Development Corporation (SIDCO)

- ❖ The Industrial Development Corporations have been set up by the state governments and they are wholly owned by them. These institutions are not merely financing agencies; they are entrusted with the responsibility of accelerating the industrialization of their states.
- ❖ SIDCOs provide financial assistance to industrial concerns by way of loans guarantees and underwriting of or direct subscriptions to shares and debentures. In addition to these, they undertake various promotional activities, such as conducting techno-economic surveys, project identification, preparation of feasibility studies and selection and training of entrepreneurs. They also promote joint sector projects in association with private promoter in such type of projects.
- ❖ SIDCOs undertake the development of industrial areas by providing all infrastructural facilities and initiation of new growth centers. They also administer various State government incentive schemes. SIDCOs get refinance facilities from IDBI. They also borrow through bonds and accept deposits.

Monetary Policy

- ❖ Monetary Policy is the macroeconomic policy being laid down by the Central Bank towards the management of money supply and interest rate. It is the demand side economic policy used by the government of a country to achieve macroeconomic objectives like inflation, consumption, growth and liquidity. The monetary policy gained its significance after the World War II, initiation made by Milton Friedman, who is associated with the doctrine of "monetarism" and who received Nobel Prize in 1976.
- ❖ He boldly announced in his book "Monetary History of the United States, 1867 – 1960" that the Great Depression of the 1930's was largely the outcome of the bungling monetary policies of the Federal Reserve System.

Monetary Policy: Expansionary Vs. Contractionary

Expansionary policy is cheap money policy when a monetary authority uses its tools to stimulate the economy. An expansionary policy maintains short-term interest rates at a lower than usual rate or increases

the total supply of money in the economy more rapidly than usual. It is traditionally used to try to combat unemployment by lowering interest rates in the hope that less expensive credit will entice businesses into expanding. This increases aggregate demand (the overall demand for all goods and services in an economy), which boosts short-term growth as measured by Gross Domestic Product (GDP) growth.

The Contractionary monetary policy is dear money policy, which maintains short-term interest rates higher than usual or which slows the rate of growth in the money supply or even shrinks it. This slows short-term economic growth and lessens inflation. Contractionary monetary policy can lead to increased unemployment and depressed borrowing and spending by consumers and businesses, which can eventually result in an economic recession if implemented too vigorously.

Objectives of Monetary Policy

The monetary policy in developed economies has to serve the function of stabilization and maintaining proper equilibrium in the economic system. But in case of underdeveloped countries, the monetary policy has to be more dynamic so as to meet the requirements of an expanding economy by creating suitable conditions for economic progress. It is now widely recognized that monetary policy can be a powerful tool of economic transformation.

The Monetary Policy Committee of India

The Monetary Policy Committee (MPC) is a committee of the Central Bank in India (Reserve Bank of India), headed by its Governor, which is entrusted with the task of fixing the benchmark policy interest rate (repo rate) to contain inflation within the specified target level. Monetary Policy Committee is defined in Section 2(iii)(cc) of the Reserve Bank of India Act, 1934 and is constituted under Sub-section (1) of Section 45ZB of the same Act. The MPC replaces the previous arrangement of Technical Advisory Committee.

The Government, in consultation with RBI, has notified the inflation target in the Gazette of India dated 5th August 2016 for the period beginning from the date of publication of this notification and ending on the March 31, 2021, as under :

- Inflation Target – Four per cent
- Upper tolerance level – Six per cent
- Lower tolerance level – Two per cent

Structure of the MPC

As per the provisions of the RBI Act, out of the six members of Monetary Policy Committee, three members will be from the RBI and the other three members of MPC will be appointed by the Central Government. Members from the RBI are the Governor who is the chairman of the MPC, a Deputy Governor and one officer of the RBI. The government members are appointed by the Centre on the recommendations of a search-cum-selection committee. The Committee is to meet at least four times a year and make public its decisions following

each meeting. The quorum for the meeting of the MPC is four members.

Functions of the MPC

The main responsibility of the MPC will be to keep the inflation targets set by the RBI. The MPC decides the changes to be made to the policy rate (repo rate) to contain inflation within the target (based on CPI) level set under India's inflation targeting regime. Members of the MPC can suggest reasons for their support or opposition for a policy rate change. This will be published in the minutes of the MPC and the minutes should be published after 14 days of MPC meeting. The minutes should contain the reasons for each member proposing or opposing the monetary policy decision taken by the MPC.

In case the inflation target is failed to achieve (2% higher or lower than the set target of 4% for continuous three quarters), the RBI has to give an explanation to the government about the reasons, the remedial actions and the estimated time for realizing the target.

Banking Sector Reforms

For restructuring and strengthening of the banks, the governments set up two committees—the Bhandari Committee (1994–95) and the Basu Committee (1995–96).

By April 2020, as per the RBI, there were 53 RRBs operating in the country (over 13 of them were under the process of amalgamation with their parent PSBs)—in coming times to be fully replaced by the Small Banks.

Narasimham Committee

- ❖ A high level committee on Financial System (CFS) was set up on 14 August, 1991 to examine all aspects relating to structure, organisation, function and procedures of the financial system based on its recommendations, a comprehensive reform of the banking system was introduced in the fiscal 1992–93.
- ❖ The recommendations of the CFS (Narasimham Committee I) were aimed at:
 - ensuring a degree of operational flexibility;
 - internal autonomy for public sector banks (PSBs) in their decision making process; and
 - greater degree of professionalism in banking operation
- ❖ The government commenced a comprehensive reform process in the financial system in 1992–93 after the recommendations of the CFS in 1991.

Narasimham Committee II

- ❖ In December 1997 the government did set up another committee on the banking sector reform under the chairmanship of M. Narasimham. The objective of the committee is objectively clear by the terms of reference it was given while setting up:
- ❖ "To review the progress of banking sector reforms to date and chart a programme of financial sector reforms necessary to strengthen India's financial system and make it internationally competitive".

- ❖ The Narasimham Committee-II (popularly called by the Government of India) handed over its reports in April 1998.

Recent Advancements in Banking Sector

E-Banking

Online banking, also known as internet banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system typically connects to or be part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services.

Today, "virtual banks" (or "direct banks") have only an internet presence, which enables them to lower costs than traditional brick-and-mortar banks.

RTGS and NEFT

Inter Bank Transfer enables electronic transfer of funds from the account of the remitter in one Bank to the account of the beneficiary maintained with any other Bank branch. There are two systems of Inter Bank Transfer - RTGS and NEFT. Both these systems are maintained by RBI.

ATM (Automated Teller Machine)

ATMs transformed the banking technology system when they were first introduced in 1967. The next revolution in ATMs is likely to involve contactless payments. Much like Apple Pay or Google Wallet, soon we will be able to conduct contactless ATM transactions using a smartphone.

Some ATM innovations are already available overseas. For example, biometric authentication is already used in India, and its recognition is in place at Qatar National Bank ATMs. These technologies can help overall bank security by protecting against ATM hacks.

NEFT

- National electronic Fund Transfer
- Transactions happens in batches hence slow
- Timing : 8:00 am to 6:30 pm (12:30 pm on Saturday)
- No minimum limit

RTGS

- Real Time Gross Settlement
- Transactions happens in real time hence fast
- Timings : 9:00 am to 4:30 pm (1:30 pm on Saturday)
- Minimum amount for RTGS transfer is ₹2 lakhs

Debit Card and Credit Card

A Debit card is a card allowing the holder to transfer money electronically from their bank account when making a purchase.

A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus the other agreed charges. The card issuer (usually a

bank) creates a revolving account and grants a line of credit to the cardholder, from which the cardholder can borrow money for payment to a merchant or as a cash advance.

Merger of Banks

- ❖ Union Cabinet decided to merge all the remaining five associate banks of State Bank Group with State Bank of India in 2017. After the Parliament passed the merger Bill, the subsidiary banks have ceased to exist.
- ❖ Five associates and the Bharatiya Mahila Bank have become the part of State Bank of India (SBI) beginning April 1, 2017. This has placed State Bank of India among the top 500 banks in the world. The five associate banks that were merged are State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT). The other two Associate Banks namely State Bank of Indore and State Bank of Saurashtra had already been merged with State Bank of India. After the merger, the total customer base of SBI increased to 37 crore with a branch network of around 22,542 and around 63,580 ATMs across the country. There are totally 2,19,000 ATMs are present in the country. (As of Feb. 2024)

Amalgamation of Vijaya Bank and Dena Bank with Bank of Baroda

The government in September, 2018 announced the merger of Dena Bank and Vijaya Bank with Bank of Baroda and this merger came into effect on 1st April 2019, making it the third-largest Public sector bank in the country. It was the part of the government's strategy to promote consolidation in the banking sector marred by non-performing assets (NPAs). The combined bank will have a geographical reach of more than 9,500 branches, more than 13,400 ATMs with 85,000 employees serving 12 crore customers.

10 Public sector banks were merged

- ❖ Indian Government decided to merge 10 public sector banks into four entities. This would take the number of nationalised banks in the country from 27 in 2017 to 12.
- ❖ These bank mergers, and the one already carried out (State Bank and its associates), will lead to the creation of big banks with an enhanced capacity to give credit, according to government, these big banks, would also be able to compete globally and increase their operational efficiency by reducing their cost of lending.
- ❖ These banks are selected for the mergers on the basis of ensuring that there is no disruption in the banking services, and that the banks should benefit from increased CASA (current account savings account) and greater each. The largest of the mergers announced is that of Punjab National Bank with Oriental Bank of Commerce and United Bank. The amalgamated entity-to be called Punjab National Bank – will become the second-largest public sector bank in India, after the State of Bank of India. It will also become the second-largest

bank in India in terms of its branch network, with a combined total of 11,437 branches.

- ❖ The second merger announced was that of Canara Bank and Syndicate Bank, which would render the merged entity the fourth-largest public sector bank. The merger also has the potential to lead to large cost reductions due to network overlaps. The third merger is of Union Bank of India with Andhra Bank and Corporation Bank, the Finance Minister said, which would make the merged entity the fifth largest public sector bank. This merger would have the potential to increase the post-merger bank's business by 2-4.5 times.

A look at the banks that were merged

Banks merged	Size of merged entity	Total business
Punjab National Bank, Oriental Bank of Commerce and United Bank	2 nd largest PSB	₹18 lakh cr.
Canara Bank and Syndicate Bank	4 th largest PSB	₹15.2 lakh cr.
Union Bank, Andhra Bank and Corporation Bank	5 th largest PSB	₹14.6 lakh cr.
Indian Bank and Allahabad Bank	7 th largest PSB	₹8.08 lakh cr.

The fourth merger announced is of Indian Bank and Allahabad Bank. This, too, would lead to a doubling of the size of the business and would also lead to a huge potential for scaling up due to the complementary networks of the two banks. Following all these mergers, the country will have a total of 12 public sector banks, half of which-Punjab National Bank, Canara Bank, Union Bank of India, Indian Bank, State Bank of India, and Bank of Baroda will be able to compete at a global level, the Finance Minister said. Bank of India and Central Bank of India will both be able to expand their national presences, while Indian Overseas Bank, UCO Bank, Bank of Maharashtra, and Punjab and Sind Bank will be able to strengthen their regional focus. The government did not give the date by which these mergers are to be completed, as that decision will be taken following further consolidation with the relevant banks.

Apart from the mergers, the government also announced a number of smaller reforms to the boards of the banks that are aimed at improving their efficiency and accountability. In order to make the management accountable to the boards of the banks, a board committee would be made in charge of appraising the performance of officers of the rank of general managers and above, including the managing director. Recently, private sector lender Lakshmi Vilas Bank (LVB) has been amalgamated with DBs Band India Ltd. Previously, LVB was placed under Prompt Corrective Action (PCA) framework by RBI due to its financial crisis. Recently, Central government notified the scheme for the amalgamation of Punjab and Maharashtra Co-operative Bank Ltd (PMC Bank) with Unity Small Finance Bank Ltd. (USFBL). The amalgamation came into force with effect from the date of the notification of the scheme — January 25, 2022.

Demonetisation

Demonetisation is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. The current form or forms of money is pulled from circulation, often to be replaced with new coins or notes. On 8 November 2016, the Indian Prime Minister Mr. Narendra Modi announced the demonetisation of all ₹500 and ₹1000 bank notes of the Mahatma Gandhi Series. However, more than 99% of those currencies came back to the RBI.

Objectives of Demonetisation

- ❖ Removing Black Money from the country.
- ❖ Stopping of Corruption.
- ❖ Stopping Terror Funds.
- ❖ Curbing Fake Notes

The Union Government appointed a high-level committee headed by MC Joshi (the then CBDT Chairman) in June 2011 to study the generation and curbing of black money. The committee finalised and submitted its draft report on 30 January 2012. Unaccounted wealth stashed abroad by Indians is estimated to be in the range of \$216.48 billion to \$490 billion between 1980 and 2010, the Standing Committee on Finance said in a report on black money of India tabled in Lok Sabha.

Legislative Initiatives taken to curb Black Money in India

1. Constitution of the Special Investigation Team (SIT) on Black Money under Chairmanship and Vice-Chairmanship of two former Judges of Hon'ble Supreme Court.
2. Enactment of a comprehensive law - The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
3. Constitution of Multi - Agency Group (MAG) consisting of officers of Central Board of Direct Taxes (CBDT), Reserve Bank of India (RBI), Enforcement Directorate (ED) and Financial Intelligence Unit (FIU) for the investigation of recent revelations in Panama paper leaks.
4. Double Taxation Avoidance Agreements (DTAAs) / Tax Information Exchange Agreements (TIEAs) Multilateral Conventions.
5. Foreign Account Tax Compliance Act (FATCA).
6. Prevention of Money Laundering Act, 2002.
7. Enactment of the Benami Transactions (Prohibition) Amendment Act, 2016.
8. Launching of 'Operation Clean Money' on 31 January 2017.
9. Lokpal and Lokayukta act.
10. The Real Estate (Regulation and Development) Act, 2016.
11. The Fugitive Economic Offenders Act, 2018

Non-Performing Assets (NPAs)

Non-Performing Assets (NPAs) are the bad loans of the banks. The criteria to identify such assets have been changing over the time. In order to follow international best practices and to ensure greater transparency, the RBI shifted to the current policy in 2004. Under it, a loan is considered NPA if it has not been serviced for one term (i.e., 90 days). This is known as '90 day' overdue norm. For agriculture loans the period is tied with the period

of the concerned crops ranging from two crop seasons to one year overdue norm.

NPAs were classified into three types:

- ❖ Sub-standard: remaining NPAs for less than or equal to 12 months;
- ❖ Doubtful: remaining NPAs for more than 12 months; and
- ❖ Loss assets: where the loss has been identified by the bank or internal/external auditors or the RBI inspection, but the amount has not been written off.

ARCs (Asset Reconstruction Companies)

- ❖ ARCs were introduced to India under the SARFAESI Act (2002), as specialists to resolve the burden of NPAs. But the ARCs (most are privately-owned) finding it difficult to resolve the NPAs they purchased, are today only willing to purchase such loans at low prices. As a result, banks have been unwilling to sell them loans on a large scale.
- ❖ Since (2014) the fee structure of the ARCs was modified (requiring ARCs to pay a greater proportion of the purchase price up-front in cash to the banks) purchases of NPAs by them have slowed down further—only about 5 per cent of total NPAs were sold during 2014–15 and 2015–16.
- ❖ To resolve the twin problems of 'balance sheet syndrome' (of the banks as well as the corporate sector), the Economic Survey 2016–17 has suggested the Government to set up a public sector asset rehabilitation agency (PARA)—charged with the largest and most complex cases of the 'syndrome'. Such initiatives were successfully able to handle the 'twin balance sheet' (TBS) problems in the countries hit by the South East Currency Crises of mid-1990s. As per the Survey, the Agency charged with working out the largest and most complex cases. Such an approach could eliminate most of the obstacles currently plaguing loan resolution.

SARFAESI Act, 2002

Government of India finally cracked down on the wilful defaulters by passing the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.

The Act gives far reaching powers to the banks/FIs concerning NPAs:

Banks/FIs having 75 per cent of the dues owed by the borrower can collectively proceed on the following in the event of the account becoming NPA:

- ❖ Issue notice of default to borrowers asking to clear dues within 60 days.
- ❖ On the borrower's failure to repay:
 - take possession of security and/or
 - take over the management of the borrowing concern and/or
 - appoint a person to manage the concern.
- ❖ If the case is already before the BIFR, the proceedings can be stalled if banks/FIs having 75 per cent share in the dues have taken any steps to recover the dues under the provisions of the ordinance.

- ❖ Redistribution of ceiling surplus lands and waste lands among the landless farmers, unemployed youth together with some initial start-up capital
- ❖ Tenancy reforms to recognize the rights of the tenants and sharecroppers
- ❖ Updation, improvement in and computerization of land records and issuing land pass-books to farmers
- ❖ Recognition of women's rights on land

Shortcomings in the Past

Since land reforms constitute a state subject, the Central Government's role is restricted to formulating general directions on this issue and persuading the state governments to take them up for implementation. The political will on the part of the state governments to enforce the legislation is weak, and the bureaucracy rather indifferent. However, the following points must be noted:

- ❖ Legal definitions of the terms have left room for different kinds of interpretation affecting the process of realizing the goals of the programmes.
- ❖ Distribution of land continues to be skewed. Agricultural workers, particularly scheduled castes and scheduled tribes, who constitute the bulk of the agricultural labour force, have not gained much from the abolition of zamindari.
- ❖ There remains a wide gap between the land distributed and its actual occupation by the beneficiaries, which is obstructed by physical prevention and litigation (the beneficiaries like landless labourers and poor peasants can hardly afford it).
- ❖ Identification of benami land (land held under a different name to circumvent the law) is not possible through the efforts of the administration alone. For this, support of the local organizations of the beneficiaries or the organizations representing the interest of the beneficiaries of land distribution is necessary

Local civic organizations have to come up with innovative ideas to rectify inequities of land ownership in the rural areas, like in case of the Pani Panchayat in Ralegaon and Siddhi in Maharashtra. Under this, every member of the village, irrespective of the size of his land holding, has a proprietary right over the harvested water for irrigation. As the water available to each member is limited, members with large land holdings have been persuaded to lease their land to small and marginal farmers and agricultural labourers who have water rights but no land. The arrangement has allowed the landless access to land. The large landholders have also benefited as they receive rent for land, which would otherwise have remained fallow for lack of irrigation.

Causes for Slow Progress of Land Reforms

The Task Force on Agrarian Relations set up by the Planning Commission for the purpose of appraising the progress and tending to the problems related to land reforms, headed by P.S. Appu, made a critical study of the land reform programme in India and enumerated the following causes of the slow progress of land reforms in India:

- ❖ **Lack of political will:** Considering the structure of the political power in the country, it was only natural that the required political will was not forthcoming.
- ❖ **Absence of pressure from below:** Besides a few scattered and localized pockets, poor peasants and agricultural workers were passive, unorganized and inarticulate all over the country. In these circumstances, it is no wonder that there has been no insistent pressure from them, a prerequisite for the effective implementation of land reform laws.
- ❖ **Inadequate policy instrument:** The administrative organization has proved to be an inadequate instrument for the speedy and efficient implementation of land reforms.
- ❖ **Legal hurdles:** Legislations relating to land reforms were full of loopholes. Some loopholes were deliberately built in, while others were the result of poor drafting. In almost all states, protracted litigation has delayed and often frustrated the implementation of land reform laws.
- ❖ **Absence of correct updated land records:** A programme that aims at the redistribution of income and wealth in the rural areas cannot succeed unless the beneficiaries can produce evidence of their rights. The position regarding records of tenancies, particularly in the matter of entries relating to the rights of sharecroppers is not satisfactory anywhere in the country and in some areas there are no records. The problem is largely administrative. The absence of up-to-date records is a serious obstacle in the implementation of land reforms.

Food Problem in India

- ❖ Food, clothing and shelter are the basic necessities of a person. Among these, food is the first most important necessity. No one can survive without sufficient food. It is a prime duty of every government to provide sufficient food to all the people of a State. If a government fails to provide sufficient and nourishing food to her people, it fails on all the economic social and political fronts. Therefore, sufficient food should be provided to all the people of a State. Production of foodgrains should be sufficient to meet their demand. If the production is less than demand, the country will have to import food grains which will create the problem of adverse balance of trade and balance of payments.

- ❖ In India, food problem is a chronic problem. It dates back to 1937, the time of separation of Burma from India and 1947, the time of partition. Unemployment has further aggravated the problem.

Causes of food problem in India

Important causes of food problem in India are as follows : Rapid growth of population, Low agricultural productivity, Natural calamities, Development of commercial crops, Changes in the consumption pattern, Increase in income demand for food, Economic development and urbanisation, Hoarding and black – marketing.

Public Distribution of Food grains

Government adopted public distribution system to ensure fair distribution of food grains at controlled prices. Under the system, fair price shops are opened. Each such shop is envisaged to serve a population of about 2000. As of 2023 there were about 5.4 lakh fair price shops (Ration shops) in the country. These shops supply rice, wheat, sugar, edible oils and kerosene to people in certain quantity at controlled prices.

Buffer Stock Scheme

Government started a scheme of maintaining buffer stock of important food grains to ensure their regular supply throughout the year. Whenever there is a rise in their prices, government releases them from buffer stock to stabilise prices. Buffer stock operations are normal these days and they have become a normal part of the food policy of Government of India.

Main Constituents of Public Distribution System

Fair Price Shops or Ration Shops

Public distribution system ensures supply of essential commodities through a network of fair price shops. At present, there are about 5.4 lakh fair price shops in India.

Consumers Co-operative Stores

Consumer co-operatives play an important role in the supply of quality goods at reasonable rates to common people. There is a three-tier structure of consumer cooperative societies in India. They are primary consumer co-operative societies, central consumer co-operative stores and state level consumer federations. More than 50,000 village level societies are engaged in the distribution of consumer goods in rural areas.

Price Policies of the Government

Minimum support prices

- ❖ A minimum support prices is declared by government, normally at the beginning of sowing season for every important agricultural commodity. These prices are a long term guarantee to farmers that the prices of these products will not be allowed to fall below a certain level. These prices assure the farmers and encourage them to carry on and to expand their production. They put their best efforts to

get maximum production. If the prices fall below minimum support prices, government will buy the entire marketable surplus at procurement prices.

- ❖ The MSPs are announced at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP, 1985).

- ❖ Commencing with 'wheat' for the 1966–67, currently the MSPs are announced for 23 commodities including seven cereals (paddy, wheat, barley, jowar, bajra, maize and ragi); five pulses (gram, arhar/tur, moong, urad and lentil); eight oilseeds (groundnut, rapeseed/mustard, toria, soyabean, sunflower seed, sesamum, safflower seed and nigerseed); copra, raw cotton and raw jute. The MSPs are fixed at incentive level, to fulfil the following purposes:

- to induce more investment by farmers in the farm sector,
- to motivate farmers to adopt improved crop production technologies, and
- to enhance production and thereby farmers, income.

- ❖ In the absence of such a guaranteed price, there is a concern that farmers may shift to other crops causing shortage in these commodities. The agricultural price policy in India emerged in the backdrop of food scarcity and price fluctuations provoked by drought, floods and international prices for exports and imports.

- ❖ Aimed at making farming remunerative the Government announced to fix the MSP for crops 50 per cent above their production cost since 2018–19. The new MSP is fixed by the CACP over the Cost A2 + F1 (where, Cost A2 includes all paid out costs borne by the farmer on seeds, fertilisers, pesticides, hired labour, leased-in land, fuel, irrigation, etc. and the F1 is imputed cost of unpaid family labour). While farm activists demand it to be fixed over the Cost C2 (which is a more comprehensive cost that factors in rentals and interest forgone on owned land and fixed capital assets on top of Cost A2+F1).

- ❖ Experts have concluded that the current MSP for common paddy is ₹ 1750 per quintal (fixed over the Cost A2+F1) while it would be ₹ 2340 per quintal had it been fixed over the Cost C2.

- ❖ The M. S. Swaminathan headed Commission on Farmers (of 2004) had suggested it to be fixed above the Cost C2.

Procurement Prices

These are the prices which are declared by government, generally at the time of harvest of crops. These are the prices at which the government buys agricultural products from farmers. These prices serve two important objectives :

- ❖ To provide guarantee to the farmers that the prices of these products will not be allowed to fall below a certain level. If market prices fall below this level, the farmers can sell their products to government.
- ❖ It enables government to procure these products for maintaining public distribution system and buffer stocks. These prices are announced by government on the recommendations of Commission for Agricultural Costs and Prices (CACP). These prices are widely used by government for the procurement of wheat and rice. Procurement prices are generally higher than minimum support prices.

Issue Prices

Issue prices are the prices at which food grains are allocated and supplied by Food Corporation of India (FCI) to the states and union territories. These prices meet the requirements of public distribution system. Prices of goods to be supplied through fair price shops directly depend upon issue prices. Issue prices are normally less than market prices and higher than procurement prices.

Retail Prices

Public distribution system is carried on through the network of fair price shops (ration shops). These shops supply essential consumer goods to households at the prices fixed by government. These prices are known as retail prices. Retail prices are higher than issue prices so that the expenses of public distribution system may be recovered and the licensees may get a certain margin.

Buffer Stock Operations

- ❖ Buffer stock operations refer to buying and selling of food stocks by government. These operations serve two important purposes :
- ❖ To regulate and control price fluctuations within a reasonable limit.
- ❖ To enable government to procure food stocks so that regular supply of these stocks may be ensured throughout the year as well as throughout the country. These operations are carried on by Food Corporation of India (FCI). Whenever there is a fall in the prices of food stocks, FCI starts buying them at procurement prices and whenever there is a rise in these prices, FCI starts selling. Thus, buffer stock operations play an important role in stabilizing agricultural prices.

Market Intervention Scheme

The Market Intervention Scheme (MIS) is similar to MSP, which is implemented on the request of state governments for procurement of perishable and horticultural commodities in the event of fall in market prices. The scheme is implemented when there is at least 10 per cent increase in production or 10 per cent

decrease in the ruling rates over the previous normal year. Proposal of MIS is approved on the specific request of the state/UT governments, if the states/UTs are ready to bear 50 per cent loss (25 per cent in case of North-Eastern states) incurred on its implementation.

Open Market Sale Scheme

The FCI has been undertaking sale of wheat at pre-determined prices (reserve prices) in the open market from time to time, known as the Open Market Sale Scheme (OMSS). This is aimed at serving the following objectives:

- ❖ to enhance market supply of foodgrains;
- ❖ to exercise a moderating influence on open market prices; and
- ❖ to offload surplus stocks

Price Stabilisation Fund

The Government of India, by late March 2015, launched the Price Stabilisation Fund (PSF) as a Central Sector Scheme to support market interventions for price control of perishable agrihorticultural commodities.

National Food Security Act 2013

- ❖ The National Food Security Act, 2013 was notified on 10th September, 2013 with the objective to provide for food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity.
- ❖ The Act provides for coverage of up to 75% of the rural population and upto 50% of the urban population for receiving subsidized food grains under Targeted Public Distribution System (TPDS), thus covering about two-thirds of the population.
- ❖ The eligible persons will be entitled to receive 5 Kg of food grains per person per month at subsidised prices of ₹ 3/2/1 per Kg for rice/wheat/coarse grains respectively. The existing Antyodaya Anna Yojana (AAY) households, which constitute the poorest of the poor, will continue to receive 35 Kg of food grains per household per month.
- ❖ The Act also has a special focus on the nutritional support to women and children. Besides meal to pregnant women and lactating mothers during pregnancy and six months after the child birth, such women will also be entitled to receive maternity benefit of not less than ₹ 6,000. Children up to 14 years of age will be entitled to nutritious meals as per the prescribed nutritional standards.
- ❖ In case of non-supply of entitled food grains or meals, the beneficiaries will receive food security allowance. The Act also contains provisions for setting up of grievance redressal mechanism at the District and State levels. Separate provisions have also been made in the Act for ensuring transparency and accountability.

Green Revolution

The term Green Revolution refers to the technological breakthrough in agricultural practices. During 1960's the traditional agricultural practices were gradually replaced by modern technology and agricultural practices in India. Initially the new technology was tried in 1960-61 as a pilot project in seven districts. It was called as the High Yielding Varieties Programme (HYVP).

Some of the Achievements of Green Revolution

- ❖ The major achievement of the new strategy was to boost the production of major cereals viz., wheat and rice. India was depending on the US for the food grain. The US by using Public Law 480 (PL480) exported wheat to India. Indians were waiting for the ships to sip their food. On the other hand, India lost lots of minerals. The US could strategically exploit Indian mineral resources at cheapest price for manufacturing missiles and weapons, which gave job opportunity for larger US youth and largely contributed to US GDP. But now India is food surplus, exporting food grains to the European countries.
- ❖ The Green revolution was confined only to High Yielding Varieties (HYV) cereals, mainly rice, wheat, maize and jowar.
- ❖ This Strategy was mainly directed to increase the production of commercial crops or cash crops such as sugarcane, cotton, jute, oilseeds and potatoes.
- ❖ Per hectare productivity of all crops had increased due to better seeds.
- ❖ Green Revolution had positive effect on development of industries, which manufactured agricultural tools like tractors, engines, threshers and pumping sets.
- ❖ Green Revolution had brought prosperity to rural people. Increased production had generated employment opportunities for rural masses. Due to this, their standard of living had increased.
- ❖ Due to multiple cropping and more use of chemical fertilizers, the demand for labour increased.
- ❖ Financial resources were provided by banks and co-operative societies. These banks provided loans to farmer on easy terms.

Weaknesses of Green Revolution

- ❖ Indian Agriculture was still a gamble of the monsoons.
- ❖ This strategy needed heavy investment in seeds, fertilizers, pesticides and water.
- ❖ The income gap between large, marginal and small farmers had increased. Gap between irrigated and rain fed areas had widened.
- ❖ Except in Punjab, and to some extent in Haryana, farm mechanization had created widespread unemployment among agricultural labourers in the rural areas.
- ❖ Larger chemical use and inorganic materials reduced the soil fertility and spoiled human health. Now organic farming is encouraged.

Second Green Revolution

The Government of India had implemented 'Second Green revolution' to achieve higher agricultural growth. The term "Evergreen Revolution" was coined by Dr. M.S. Swaminathan to describe a strategy for improving output and productivity without compromising short- and long-term food production goals. The target of Second Green Revolution was to increase 400 million tons of food grain production as against about 214 million tons in 2006-07. This is to be achieved by 2020. In agricultural sector, the growth rate of 5% to 6% has to be maintained over next 15 years.

Requirements of Second Green Revolution

- ❖ Introduction of Genetically Modified (GM) seeds which double the per acreage production.
- ❖ Contribution of private sector to market the usage of GM foods.
- ❖ Government can play a key role in expediting irrigation schemes and managing water resources.
- ❖ Linking of rivers to transfer surplus water to deficient areas.

Impact of LPG on Agricultural Sector Reforms

- ❖ Since the inception of economic reforms, Indian economy has achieved a remarkable rate of growth in industry and service sector. However, this growth process bypassed the agricultural sector, which showed sharp deceleration in the growth rate (3.62 percent during 1984/85 – 1995/96 to 1.97 percent in 1995/96 – 2004/05). The sector has recorded wide variations in yield and productivity and there was a shift towards cash crop cultivation. Moreover, agricultural indebtedness pushed several farming households into poverty and some of them resorted to extreme measures like suicides.

Crop Insurance

- ❖ Agriculture in India is highly prone to risks like droughts and floods. It is necessary to protect the farmers from natural calamities and ensure their credit eligibility for the next season. For this purpose, the Government of India introduced many agricultural schemes throughout the country.
- ❖ The Pradhan Mantri Fasal Bima Yojana (Prime Minister's Crop Insurance Scheme) was launched on 18 February 2016.
- ❖ It envisages a uniform premium of only 2 percent to be paid by farmers for Kharif crops and 1.5 percent for Rabi crops. The premium for (annual) commercial and horticultural crops will be 5 percent.

Cold Storage

- ❖ India is the largest producer of fruits and second largest producer of vegetables in the world. In spite of that per capita availability of fruits and vegetables is quite low because of post harvest

RURAL DEVELOPMENT AND WELFARE

"India Lives in Villages" – Mahatma Gandhi

Introduction

- ❖ Rural Economics deals with the application of economic principles in understanding and developing rural areas.
- ❖ In general, rural areas are geographical areas located outside towns and cities.
- ❖ According to the Census of India, the basic unit for rural areas is the revenue village. Rural economy refers to villages, and rural community refers to people living in villages.
- ❖ According to the 2011 Population Census, there are 6,40,867 villages in India and 68.84 percent of the 121 crore total population live in rural areas.

Features of Rural Economy

Main Characteristics of rural economy are :

- ❖ **Village is an Institution** : The Village is a primary institution and it satisfies almost all the needs of the rural community. The rural people have a feeling of belongingness and a sense of unity towards each other.
- ❖ **Dependence on Agriculture** : The rural economy depends much on nature and agricultural activities. Agriculture and allied activities are the main occupation in rural areas.
- ❖ **Life of Rural People** : Lifestyles in villages are very simple. Public services like education, housing, health and sanitation, transport and communication, banking, roads and markets are limited and unavailable. Rural people rely much on faith, superstitions and traditional cultural practices. The standards of living of majority of rural people are poor and pitiable. In terms of methods of production, social organization and political mobilization, rural sector is extremely backward and weak.
- ❖ **Population Density** : Population density, measured by number of persons living per sq.km is very low and houses are scattered in the entire villages.
- ❖ **Employment** : There exists unemployment, seasonal unemployment and underemployment in rural areas. Unemployment refers to the situation of people with willingness and ability to work but is not getting employed. Under employment also called disguised unemployment is the situation of people employed in excess, over and above the requirement. Disguised unemployment is a situation Where people work but no increase in production. Both the situations are common in rural areas.
- ❖ **Poverty** : Poverty is a condition where the basic needs of the people like food, clothing and shelter are not being met. According to NITI Aayog, 288 million people in rural area and close to 38 million in urban areas were poor in 2015.

- ❖ **Indebtedness** : People in rural areas are highly indebted owing to poverty and underemployment, lack of farm and non-farm employment opportunities, low wage employment, seasonality in production, poor marketing network etc.

- ❖ A famous British writer Sir Malcolm Darling (1925) stated that 'An Indian farmer is born in debt, lives in debt, dies in debt and bequeaths debt'. Since formal loan facilities are not available to the villagers, they depend on local money lenders who, like a parasite, squeeze the villagers. Hence the villagers commit suicide frequently.

- ❖ **Rural Income** : The income of the rural people is constrained as the rural economy is not sufficiently vibrant to provide them with jobs or self – employment opportunities. Large proportion of labourers and skilled persons are underemployed and the scope for increasing their income is limited.

- ❖ **Dependency** : Rural households are largely dependent on social grants and remittances from family members working in urban areas and cities.

- ❖ **Dualism** : Dualism means the co existence of two extremely different features like developed and underdeveloped, organised and unorganised, traditional and modern, regulated and unregulated, poor and rich, skilled and unskilled and similar contradicting situations in a region. These characteristics are very common in rural areas.

- ❖ **Inequality** : The distributions of income, wealth and assets are highly skewed among rural people. There are number of historical, social, economic and political reasons behind the existence of inequality. Landlords and landowners dominate the rural activities. Land, livestock and other assets are owned by a few people.

- ❖ **Migration** : Rural people are forced to migrate from villages to urban areas in order to seek gainful employment for their livelihood. This character of the development gives rise to the formation of cities. Lack of basic amenities in rural areas also push the people to migrate to urban areas.

Meaning of Rural Development

According to the World Bank, 'Rural Development is a strategy designed to improve the economic and social life of a specific group of people - rural poor'. In short, rural development is a process of improving the rural areas, rural people and rural living.

Need for Rural Development

- ❖ A major share of population lives in rural areas, and their development and contributions are very much supportive for the nation building activities. India cannot be developed by retaining rural as backward.

- ❖ The rural economy supports the urban sectors by way of supplying drinking water, milk, food and raw materials. Hence, the backwardness of the rural sector would be a major impediment to the overall progress of the economy.
- ❖ Improvements in education, health and sanitation in villages can help avoid many urban problems namely, begging, rick picking and road side slumming.
- ❖ Development of agriculture and allied activities are necessary for providing gainful employment in rural areas and improving overall food production.
- ❖ The evils of brain-drain and rural urban migration can be reduced if, rural areas are developed.
- ❖ In order to better utilise the unused and under-utilised resources, there is a need to develop the rural economy.
- ❖ Rural development should minimise the gap between rural and urban areas in terms of the provision of infrastructural facilities. It was called as PURA by former President Abdul Kalam.
- ❖ In order to improve the nation's status in the global arena in terms of the economic indicators like Human Development Index (HDI), Women Empowerment Index (WEI), Gender Disparity Index (GDI), Physical Quality of Life Index (PQLI) and Gross National Happiness Index (GNHI) should be given due attention.

Problems of Rural Economy

- ❖ **People Related Problems** : The problems related to individuals and their standard of living consist of illiteracy, lack of technical know how, low level of confidence, dependence on sentiments and beliefs etc.
- ❖ **Agriculture Related Problems** : The problems related to agriculture include, 1. Lack of expected awareness, knowledge, skill and attitude, 2. Unavailability of inputs, 3. Poor marketing facility, Insufficient extension staff and services, 5. Multidimensional tasks to extension personnel, 6. Small size of land holding, 7. Sub-division and fragmentation of landholdings, 8. Absence of infrastructure to work and stay in rural areas, 9. Primitive technology and low adoption of modern technologies 10. Reduced public investment and absence of role for farmers in fixing the prices for their own products.
- ❖ **Infrastructural Related Problems** : Poor infrastructure facilities like, water, electricity, transport, educational institutions, communication, health, employment, storage facility, banking and insurance are found in rural areas.
- ❖ **Economics related Problems** : The economic problems related to rural areas are: inability to adopt high cost technology, high cost of inputs, under privileged rural industries, low income, indebtedness and existence of inequality in land holdings and assets. In fertile areas, a few absentee landlords own large area and they do not evince greater Interest in improving the performance of agriculture.

- ❖ **Leadership Related Problems** : The specific leadership related problems found in rural areas are: Leadership among the hands of inactive and incompetent people, self-interest of leaders, biased political will, less bargaining power and negation skills and dominance of political leaders.

- ❖ **Administrative Problems** : The rural administrative problems consist of political interference, lack of motivation and interest, low wages in villages, improper utilization of budget, and absence of monitoring and implementation of rural development programme.

Rural Poverty

Poverty in India has been defined as the situation in which an individual fails to earn sufficient income to buy the basic minimum of subsistence. Poverty line is a hypothetical line based on income or consumption levels that divides the population as people below poverty line and above poverty line. On the basis of recommended nutritional intake, persons consuming less than 2,400 calories per day in rural areas are treated as they are under rural poverty.

As per the Erstwhile Planning Commission estimates, the percentage of people living below poverty in rural areas was 33.80 per cent during 2009-10. Poverty is deepest among members of scheduled castes and tribes in the rural areas. In 2005 these groups accounted for 80 per cent of rural poor, although their share in the total rural population is much smaller. In 2015, more than 80 crores of India's people lived in villages. One quarter of village population (22 crores people) list below the poverty line. India is the home to 22 per cent of the world's poor. It is needless to state that the country has been successful in reducing the proportion of poor people, in spite of increasing of population.

Causes of Rural Poverty

The distribution of land is highly skewed in rural areas. Therefore, majority of rural people work as hired labour to support their families.

Lack of Non-farm Employment : Non-farm employment opportunities do not match the increasing labour force. The excess supply of labour in rural areas reduces the wages and increases the incidence of poverty.

Lack of Public Sector Investment : The root cause of rural poverty in our country is lack of public sector investment on human resource development.

Inflation : Steady increase in prices affects the purchasing power of the rural poor leading to rural poverty.

Low Productivity : Low productivity of rural labour and farm activities is a cause as well as the effect of poverty.

Unequal Benefit of Growth : Major gains of economic development are enjoyed by the urban rich people leading to concentration of wealth. Due to defective economic structure and policies, gains of growth are not reaching the poor and the contributions of poor people are not accounted properly.

Low Rate of Economic Growth : The rate of growth of India is always below the target and it has benefited the rich. The poor are always denied of the benefits of the achieved growth and development of the country.

More Emphasis on Large Industries : Huge investment in large industries catering to the needs of middle and upper classes in urban areas are made in India. Such industries are capital-intensive and do not generate more employment opportunities. Therefore, poor are not in a position to get employed and to come out from the poverty in villages.

Social Evils : Social evils prevalent in the society like custom, believes etc., increase unproductive expenditure.

Remedial Measures to Rural Poverty

Rural unemployment and rural poverty are interrelated, creation of employment opportunities would support elimination of poverty. Poverty alleviation schemes and programmes have been implemented, modified, consolidated, expanded and improved over time.

Rural unemployment

Unemployment is a situation in which a person is actively searching for employment but unable to find work at the prevailing wage rate. It is a tragic waste of manpower and under utilisation of human resources. As long as there is unemployment, social problems cannot be stopped; and, economy cannot achieve development.

India's unemployment rate in 2023-24 remained steady at 3.2%, with rural areas seeing a slight increase to 2.5% and urban areas experiencing a decline to 5.1%. Female labour force participation rose to a seven-year high of 41.7%, while male participation also reached a seven-year high at 78.8%. Rural unemployment in India are categorised into three classes: (i) Open Unemployment (ii) Concealed Unemployment or Under employment and (iii) Seasonal Unemployment.

Types of Rural unemployment :

- ❖ In **Open Unemployment**, unemployed persons are identified as they remain without work. This type of unemployment is found among agricultural labourers, rural artisans and literate persons.
- ❖ In **Concealed Unemployment**, it is difficult to identify who are under employed; for many are employed below their productive capacity and even if they are withdrawn from work the output will not diminish. It is also called **Disguised Unemployment or Under employment**. This type of unemployment is found among small and marginal farmers, livestock rearers and rural artisans. This kind of unemployment situation is more serious in villages than in urban areas.
- ❖ Disguised unemployment in rural India is 25 per cent to 30 per cent.
- ❖ In **Seasonal Unemployment**, employment occurs only on a particular season supported by natural circumstances and the remaining period of a year the rural people are unemployed or partially employed. In seasons like ploughing, sowing, weeding and harvesting there is scarcity of labour and in the rest of the year there is unemployment.

- ❖ According to the **Agricultural Labour Enquiry Committee Report**, "the extent of under employment is on the average, 82 days of unemployment in a year for 84 per cent of agricultural labours."

Causes for Rural Unemployment

- ❖ **Absence of skill development and employment generation** : Lack of Government initiatives to give required training and then to generate employment opportunities.
- ❖ **Seasonal Nature of Agriculture** : Agricultural operations are seasonal in nature and depend much on nature and rainfall. Therefore, the demand for labour becomes negligible during off-season. So, non-farm employment opportunities must be created.
- ❖ **Lack of Subsidiary Occupation** : Rural people are not able to start subsidiary occupations such as poultry, rope making, piggery etc. due to shortages of funds for investment and lack of proper marketing arrangements. This restricts the employment opportunity and rural family incomes. Government must arrange funds for these people. However, they pay huge interest to the local money lenders, for they are unable to get loans from formal sources.
- ❖ **Mechanization of Agriculture** : The landlords are the principal source of employment to the farm labour. Mechanization of agricultural operations like ploughing, irrigation, harvesting, threshing etc., reduces employment opportunities for the farm labour.
- ❖ **Capital-Intensive Technology** : The expanding private industrial sector is largely found in urban areas and not creating additional employment opportunities due to the application of capital intensive technologies. Government must establish firms to absorb surplus labour power.
- ❖ **Defective System of Education** : The present system of education has also aggravated the rural unemployment problem. Large number of degree producing institutions has come in the recent years. Students are made to concentrate only to acquire degree not the desired skill.

Remedies for Rural Unemployment

- ❖ **Subsidiary Occupation** : To reduce the seasonal unemployment rural people should be encouraged to adopt subsidiary occupations. Loans should be granted and proper arrangements should be made for marketing their products.
- ❖ **Rural Works Programme** : Rural Works Programme such as construction and maintenance of roads, digging of drains, canals, etc should be planned during off-season to provide gainful employment to the unemployed.
- ❖ **Irrigation Facilities** : Since rainfall is uncertain irrigation facilities should be expanded to enable the farmers to adopt multiple cropping. The increased cropping intensity creates additional demand for labour.

- ❖ **Rural Industrialization** : To provide employment new industries should be set up in rural areas. This will open new fields of employment and also change the attitude of rural people towards work. For this, government has to do something. Private sector would not take up this responsibility.
- ❖ **Technical Education** : Employment oriented courses should be introduced in schools and colleges to enable the literate youth to start their own units.

Rural Industries

Rural industries embrace all industries which are run by rural people in rural areas. These industries are based primarily on the utilization of locally available raw materials, skills and small amount of capital. The rural industries can be broadly classified into, a) cottage industries, b) village industries, c) small industries, d) tiny industries and e) agro-based industries.

The important characteristics of this type of industries are as follows :

- ❖ These industries are carried out by artisans in their own homes at their own risk and for their own benefit. Artisans may combine this work with another regular job.
- ❖ No or little outside labour is employed. Normally, the members of the household provide the necessary labour.
- ❖ These industries are generally hereditary and traditional in character.
- ❖ No or little power is used.
- ❖ These industries usually serve the local market and generally work on the orders placed by other industries.

Examples of cottage industries are mat, coir and basket making industries. The principal cottage industries of India are hand-loom weaving (cotton, silk, jute, etc.) pottery, washing soap making, conch shell, handmade paper, horn button, mother-of-pearl button, cutlery, lock and key making industries.

Village Industries : Village industries are traditional in nature and depend on local raw-material. They cater to the needs of local population. Examples of village industries are gur and khandsari, cane and bamboo basket, shoe making, pottery and leather tanning. These are almost similar to the cottage industries.

Small Scale Industries (SSIs) : Most small scale industries are located near urban centres. They produce goods for local as well as foreign markets. Examples of such small scale industries are manufacture of sports goods, soaps, electric fans, foot wear, sewing machines and handloom weaving.

Agro based Industries : These industries are based on the processing of agricultural produce. Agro-based industries may be organised on a cottage-scale, small-scale and large-scale. These industries tend to develop household settlements around them as they employ more labour on a regular basis. Examples are textile, sugar, paper, vegetable oil, tea and coffee industries.

Rural Indebtedness

Rural indebtedness refers to the situation of the rural people unable to repay the loan accumulated over a period. Existence of the rural indebtedness indicates the weak financial infrastructure of our country, in reaching the needy farmers, landless people and the agricultural labourers.

The farmers borrow loan for various purposes like agricultural operations, supporting the family in the lean season or purchase of equipments in the recent years, expenses on celebrations, liquor consumption and medicines go on increasing without any limit. Due to lower income, the villagers are unable to repay the loans or pay the pending interest on the principal amount.

The data of the National Sample Survey Organisation (NSSO, 2002-03) reveals that only about 30 per cent of the poor borrowers get credit from the formal banks. According to the All India Debt and Investment Survey (AIDIS) 2002, the share of institutional credit has declined from 66.3 per cent in 1991 to 57.1 percent in 2002, with a corresponding increase in informal channels of credit (RBI, 2006).

According to the Government of India's Socio Economic and Caste Census (SECC), 2015, around 73 per cent of households in India are rural. Of these, 18.5 per cent are scheduled caste households and 11 per cent belong to the scheduled tribe category.

Features of Rural Indebtedness

Nearly three fourth of rural families in the country are in debt. The amount of debt is heavier in the case of small farmers. Cultivators are more indebted than the non-cultivators. Most of the debts taken are short term and of unproductive nature. The proportion of debts having higher rates of interest is relatively high. Most of the villagers are indebted to private agencies particularly money lenders.

Causes for Rural Indebtedness

- ❖ **Poverty of Farmers** : The vicious circle of poverty forces the farmers to borrow for consumption, cultivation and celebrations. Thus, poverty, debt and high rates of interest hold the farmer in the grip of money lenders.
- ❖ **Failure of Monsoon** : Frequent failure of monsoon is a curse to the farmers and they have to suffer due to the failure of nature. Therefore, farmers find it difficult to identify good harvesting years to repay their debts.
- ❖ **Litigation** : Due to land disputes litigation in the court compels them to borrow heavily. Being uneducated and ignorant they are caught in the litigation process and dry away their savings and resources.
- ❖ **Money Lenders and High Rate of Interest** : The rate of interest charged by the local money lenders is very high and the compounding of interest leads to perpetuate indebtedness of the farmer.

List of Districts in Tamil Nadu

District	Date of official formation	Population	Population density (/km ²)
ARIYALUR	23.11.2007	754,894	390
	Taluks : Andimadam, Ariyalur, Udayarpalayam, Sendurai Legislative assembly constituencies : Ariyalur, Jayankondam		
CHENGALPATTU	29.11.2019	2,556,244	868
	Taluks : Chengalpattu, Cheyyur, Madurantakam, Pallavaram, Tambaram, Thiruporur, Thirukazhukundram, Vandalur Legislative assembly constituencies : Pallavaram, Tambaram, Chengalpattu, Thiruporur, Cheyyur, Madurantakam		
CHENNAI	1.11.1956	7,139,630	17,000
	Taluks : Alandur, Ambattur, Aminjikarai, Ayanavaram, Egmore, Guindy, Madhavaram, Maduravoyal, Mambalam, Mylapore, Perambur, Purasawalkam, Sholinganallur, Tiruvottiyur, Tondiarpet, Velachery Legislative assembly constituencies : Maduravoyal, Madhavaram, Ambattur, Thiruvottiyur, Dr. Radhakrishnan Nagar, Perambur, Kolathur, Villivakkam, Thiru-Vi-Ka Nagar, Egmore, Royapuram, Harbour, Chepauk-Thiruvallikeni, Thousand Lights, Anna Nagar, Virugambakkam, Saidapet, Thyagaraya Nagar, Mylapore, Velachery, Sholinganallur, Alandur		
COIMBATORE	1.11.1956	3,458,045	732
	Taluks : Anaimalai, Annur, Coimbatore-North, Coimbatore-South, Kinathukadavu, Madukkarai, Mettupalayam, Perur, Pollachi, Sulur, Valparai Legislative assembly constituencies : Mettupalayam, Sulur, Kavundampalayam, Coimbatore North, Thondamuthur, Coimbatore South, Singanallur, Kinathukadavu, Pollachi, Valparai		
CUDDALORE	30.09.1993	2,605,914	709
	Taluks : Bhuvanagiri, Chidambaram, Cuddalore, Kattumannarkoil, Kurinjipadi, Panruti, Srimushnam, Titakudi, Veppur, Vriddachalam Legislative assembly constituencies : Tittakudi, Virudhachalam, Neyveli, Panruti, Cuddalore, Kurinjipadi, Bhuvanagiri, Chidambaram, Kattumannarkoil		
DHARMAPURI	2.10.1965	1,506,843	335
	Taluks : Dharmapuri, Harur, Karimangalam, Nallampalli, Palacode, Pappireddipatti, Pennagaram Legislative assembly constituencies : Palacode, Pennagaram, Dharmapuri, Pappireddipatti, Harur		
DINDIGUL	15.9.1985	2,159,775	345
	Taluks : Athoor, Dindigul-West, Dindigul-East, Gujiliamparai, Kodaikanal, Natham, Nilakottai, Oddanchattiram, Palani, Vedsandur Legislative assembly constituencies : Palani, Oddanchatram, Athoor, Nilakottai, Natham, Dindigul, Vedsandur		
ERODE	31.8.1979	2,251,744	394
	Taluks : Anthiyur, Bhavani, Erode, Gobichettipalayam, Kodumudi, Modakurichi, Perundurai, Sathyamangalam, Nambiyur taluk Legislative assembly constituencies : Erode East, Erode West, Modakurichi, Perundurai, Bhavani, Anthiyur, Gobichettipalayam, Bhavanisagar		
KALLAKURICHI	26.11.2019	1,370,281	389
	Taluks : Chinnasalem, Kallakurichi, Kalvarayan Hills, Sankarapuram, Thirukoilur, Ulundurpet Legislative assembly constituencies : Tirukkoyilur, Ulundurpettai, Rishivandiyam, Sankarapuram, Kallakurichi		
KANCHIPURAM	1.7.1997	1,166,401	704
	Taluks : Kanchipuram, Kundrathur, Sriperumbudur, Uthiramerur, Walajabad Legislative assembly constituencies : Sriperumbudur, Kanchipuram, Uthiramerur		

SURA'S 📞 INDIAN ECONOMY AND DEVELOPMENT ADMINISTRATION IN TAMIL NADU

District	Date of official formation	Population	Population density (/km ²)
KANYAKUMARI	1.11.1956	1,870,374	1,119
	Taluks : Agastheeswaram, Kalkulam, Killiyur, Vilavancode, Thiruvattar, Thovalai Legislative assembly constituencies : Kanyakumari, Nagercoil, Colachel, Padmanabhapuram, vilavancode, Killiyur		
KARUR	30.9.1995	1,064,493	357
	Taluks : Aravakurichi, Kadavur, Karur, Krishnarayapuram, Kulithalai, Manmangalam, Pugalur Legislative assembly constituencies : Aravakurichi, Karur, Krishnarayapuram, Kulithalai		
KRISHNAGIRI	9.2.2004	1,879,809	366
	Taluks : Anchetty, Bargur, Denkanikottai, Krishnagiri, Hosur, Pochampalli, Shoolagiri, Uthangarai Legislative assembly constituencies : Uthangarai, Bargur, Krishnagiri, Veppanahalli, Hosur, Thalli		
MADURAI	1.11.1956	3,038,252	812
	Taluks : Madurai-East, Madurai-North, Madurai-South, Madurai-West, Kallikudi, Melur, Peraiyur, Thirumangalam, Thirupparankundram, Usilampatti, Vadipatti Legislative assembly constituencies : Melur, Madurai East, Sholavandan, Madurai North, Madurai South, Madurai Central, Madurai West, Thiruparankundram, Thirumangalam, Usilampatti		
MAYILADUTHURAI	28.12.2020	918,356	784
	Taluks : Kuthalam, Mayiladuthurai, Sirkazhi, Tharangambadi Legislative assembly constituencies : Sirkazhi, Mayiladuthurai, Poompuhar		
NAGAPATTINAM	18.10.1991	697,069	498
	Taluks : Kilvelur, Nagapattinam, Thirukkuvilai, Vedaranyam Legislative assembly constituencies : Nagapattinam, Kilvelur, Vedaranyam		
NAMAKKAL	1.11.1997	1,726,601	513
	Taluks : Kollimalai, Kumarapalayam, Mohanur, Namakkal, Paramathi-Velur, Rasipuram, Sendamangalam, Thiruchengode Legislative assembly constituencies : Rasipuram, Sendamangalam, Namakkal, Thiruchengode, Paramathi-Velur, Kumarapalayam		
NILGIRIS	1.11.1956	735,394	300
	Taluks : Coonoor, Gudalur, Kotagiri, Kundah, Pandalur, Udagamandalam Legislative assembly constituencies : Udagamandalam, Gudalur, Coonoor		
PERAMBALUR	30.9.1995	565,223	320
	Taluks : Alathur, Kunnam, Perambalur, Veppanthattai Legislative assembly constituencies : Perambalur, Kunnam		
PUDUKKOTTAI	14.1.1974	1,618,345	347
	Taluks : Alangudi, Aranthangi, Avadaiyarkoil, Gandarvakottai, Illuppur, Karambakkudi, Kulathur, Manamelkudi, Ponnamaravathi, Pudukkottai, Thirumayam, Viralimalai Legislative assembly constituencies : Gandarvakottai, Viralimalai, Pudukkottai, Thirumayam, Alangudi, Aranthangi		
RAMANATHA PURAM	1.11.1956	1,353,445	331
	Taluks : Kadaladi, Kamuthi, Kilakarai, Mudukulathur, Paramakudi, R. S. Mangalam, Ramanathapuram, Rameswaram, Tiruvadanai Legislative assembly constituencies : Paramakudi, Tiruvadanai, Ramanathapuram, Mudukulathur		
RANIPET	28.11.2019	1,210,277	542
	Taluks : Arakkonam, Arcot, Kalavai, Nemili, Sholingur, Walajapet Legislative assembly constituencies : Arakkonam, Sholingur, Ranipet, Arcot		
SALEM	1.11.1956	3,482,056	669
	Taluks : Attur, Idappadi, Gangavalli, Kadyampatti, Mettur, Omalur, Pethanaickenpalayam, Salem, Salem South, Salem West, Sankagiri, Valapady, Yercaud Legislative assembly constituencies : Gangavalli, Attur, Yercaud, Omalur, Mettur, Edappadi, Sankari, Salem West, Salem North, Salem South, Veerapandi, Perabalur		

District	Date of official formation	Population	Population density (/km ²)
SIVAGANGAI	15.3.1985	1,339,101	328
	Taluks : Devakottai, Ilayangudi, Kalayarkoil, Karaikudi, Manamadurai, Singampunari, Sivaganga, Tirupathur, Tiruppuvanam Legislative assembly constituencies : Karaikudi, Tirupattur, Sivaganga, Manamadurai		
TENKASI	12.11.2019	1,407,627	483
	Taluks : Alangulam, Kadayanallur, Sankarankoil, Shenkottai, Sivagiri, Tenkasi, Thiruvengadam, Veerakeralampudur Legislative assembly constituencies : Sankarankovil, Vasudevanallur, Kadayanallur, Tenkasi, Alangulam		
THANJAVUR	1.11.1956	2,405,890	708
	Taluks : Budalur, Kumbakonam, Orathanadu, Papanasam, Pattukkottai, Peravurani, Thanjavur, Thiruvaiyaru, Thiruvidaimarudur Legislative assembly constituencies : Thiruvidaimarudur, Kumbakonam, Papanasam, Thiruvaiyaru, Thanjavur, Orathanadu, Pattukkottai, Peravurani		
THENI	25.7.1996	1,245,899	406
	Taluks : Andipatti, Bodniyakkanur, Theni, Periyakulam, Uthamapalayam Legislative assembly constituencies : Andipatti, Periyakulam, Bodinayakanur, Cumbum		
THOOTHUKUDI	20.10.1986	1,750,176	372
	Taluks : Eral, Ettayapuram, Kayatharu, Kovilpatti, Ottapidaram, Sathankulam, Thiruvaikundam, Tiruchendur, Thoothukudi, Vilathikulam Legislative assembly constituencies : Vilathikulam, Thoothukudi, Tiruchendur, Srivaikuntam, Ottapidaram, Kovilpatti		
TIRUCHIRAPPALLI	1.11.1956	2,722,290	618
	Taluks : Lalgudi, Manachanallur, Manapparai, Marungapuri, Musiri, Srirangam, Tiruchirappalli West, Tiruchirappalli East, Thiruverumbur, Thottiyam, Thuraiyur Legislative assembly constituencies : Manapparai, Srirangam, Tiruchirappalli East, Tiruchirappalli West, Thiruverumbur, Lalgudi, Manachanallur, Musiri, Thuraiyur		
TIRUNELVELI	1.11.1956	1,665,253	433
	Taluks : Ambasamudram, Cheranmahadevi, Manur, Nanguneri, Palayamkottai, Radhapuram, Thisayanvilai, Tirunelveli Legislative assembly constituencies : Tirunelveli, Ambasamudram, Palayamkottai, Nanguneri, Radhapuram		
TIRUPATTUR	28.11.2019	1,111,812	618
	Taluks : Ambur, Natrampalli, Tirupattur, Vaniyambadi Legislative assembly constituencies : Vaniyambadi, Ambur, Tirupattur, Jolarpet		
TIRUPPUR	22.2.2009	2,479,052	478
	Taluks : Avinashi, Dharapuram, Kangeyam, Madathukulam, Palladam, Tiruppur North, Tiruppur South, Udumalaipettai, Uthukuli Legislative assembly constituencies : Avinashi, Tiruppur North, Tiruppur South, Palladam, Dharapuram, Kangeyam, Udumalaipettai, Madathukulam		
TIRUVALLUR	1.7.1997	3,728,104	1,089
	Taluks : Avadi, Gummidipoondi, Pallipattu, Ponneri, Poonamallee, RK Pet, Tiruttani, Tiruvallur, Uthukkottai Legislative assembly constituencies : Gummidipoondi, Ponneri, Tiruttani, Tiruvallur, Poonamallee, Avadi		

District	Date of official formation	Population	Population density (/km ²)
TIRUVANNAMALAI	30.9.1989	2,464,875	398
	Taluks : Aarani, Chengam, Chetpet, Cheyyar, Jamunamarathur, Kalasapakkam, Kilpennathur, Polur Thandarampattu, Tiruvannamalai, Vandavasi, Vembakkam Legislative assembly constituencies : Chengam, Tiruvannamalai, Kilpennathur, Kalasapakkam, Polur, Arani, Cheyyar, Vandavasi		
	18.10.1991	1,264,277	585
TIRUVARUR	30.9.1989	1,614,242	795
	Taluks : Anaicut, Gudiyatham, Pernambut, Katpadi, Kilvaithinankuppam, Vellore Legislative assembly constituencies : Katpadi, Vellore, Anaicut, Kilvaithinankuppam, Gudiyatham		
VILUPPURAM	30.9.1993	2,093,003	562
	Taluks : Gingee, Kandachipuram, Marakkanam, Melmalaianur, Tindivanam, Vanur, Vikravandi, Villupuram, Thiruvennainallur Legislative assembly constituencies : Vanur, Villupuram, Vikravandi, Gingee, Mailam, Tindivanam		
	15.3.1985	1,942,288	453
VIRUDHUNAGAR	30.9.1989	1,614,242	795
	Taluks : Aruppukkottai, Kariapatti, Rajapalayam, Sattur, Sivakasi, Srivilliputhur, Tiruchuli, Virudhunagar, Watrap, Vembakottai Legislative assembly constituencies : Rajapalayam, Srivilliputhur, Sattur, Sivakasi, Virudhunagar, Aruppukkottai, Tiruchuli		

Phases of Division

1965	Dharmapuri district bifurcated from Salem District
1974	Pudukkottai district bifurcated from Tiruchirappalli and Thanjavur district
1979	Erode district bifurcated from Coimbatore district
1985	Virudhunagar and Sivaganga districts bifurcated from Ramanathapuram
1985	Dindigul district bifurcated from Madurai district
1986	Thoothukudi bifurcated from Tirunelveli district
1989	Tiruvannamalai and Vellore districts bifurcated from North Arcot district (District now ceased to exist)
1991	Nagapattinam and Tiruvarur districts bifurcated from Thanjavur district
1993	Cuddalore and Viluppuram districts bifurcated from South Arcot district (District now ceased to exist)
1995	Karur and Perambalur districts bifurcated from Tiruchirappalli districts
1996	Theni district bifurcated from Madurai district
1997	Namakkal district bifurcated from Salem district
1997	Kanchipuram and Tiruvallur districts bifurcated from Chingleput district (District now ceased to exist)
2004	Krishnagiri district bifurcated from Dharmapuri district
2007	Ariyalur district bifurcated from Perambalur district
2009	Tiruppur district bifurcated from Coimbatore and Erode districts
2019	Tenkasi district bifurcated from Tirunelveli district
2019	Kallakurichi district bifurcated from Viluppuram
2019	Tirupattur and Ranipet districts bifurcated from Vellore district
2019	Chengalpattu district bifurcated from Kanchipuram district
2020	Mayiladuthurai district bifurcated from Nagapattinam district

are raw materials for the paper industry. Soda, Soda ash, Chlorine, Sulphur, wood pulp, and plenty of water are other requirements for setting up paper industries.

- ❖ Pukkathurai in Kancheepuram district, Bhavani Sagar, Pallipalayam, Pugalur, Paramathi Vellore, Coimbatore, Udumalaipettai, Thoppampettai, Nilakottai, and Cheranmadevi are centres of paper mills in Tamil Nadu.
- ❖ Tamil Nadu Newsprint and Papers Limited (TNPL) is a government of Tamil Nadu enterprise producing newsprint and printing and writing paper at its mill located at Kagithapuram in Karur district.
- ❖ It was started in 1979 with an installed capacity of 2.45 lakh MT of production per annum.
- ❖ TNPL is one of the most accomplished mills in the world/producing different varieties of paper of acceptable quality primarily from bagasse and pulpwood.

Sugar Industry

Sugar Industry is an Agro-based industry and Sugarcane is cultivated by about 5 Lakhs farmers in Tamil Nadu.

- ❖ There are 41 Sugar Mills in Tamil Nadu comprising 16 Sugar Mills in Co-operative Sector, 3 Sugar Mills in Public Sector, and 22 Sugar Mills in Private Sector.
- ❖ Presently 38 Sugar Mills are functioning while 3 mills viz. Madurantakam Co-operative Sugar Mill (from 2001-02 season) Madura Sugars (from 2002-03 season) and Arunachalam Sugar Mills (from 2003-04 season) is not functioning.
- ❖ Sugar industry has emerged as a vehicle for rural economic transformation and the Government has decided to establish nine new sugar mills in the state.

Fire works

The town of Sivakasi is a leader in the areas of printing, fireworks, and safety matches. It was fondly called as "Little Japan" by Jawaharlal Nehru. It contributes to 80% of India's fireworks production. Sivakasi provides over 60% of India's total offset printing solutions. In 2024, the total production value of fireworks in Sivakasi was estimated to be around ₹ 6,000 crore.

Sivakasi - A fireworks manufacturing hub

- Sivakasi is a town in Virudhunagar District of Tamil Nadu and World renowned for firework Production
- Accounts for USD 80 Million exports of safety Matches, printing and Firework in 2013 – 14.

Sivakasi Contributes :

- 90% India's Firework Production
- 450 Firework Factories
- 0.5 Million direct employment
- 0.2 Million indirect employment
- 60% of safety match production
- 4500 match units

Industrial Parks

The major Unique Selling Point (USP) of Tamil Nadu is its facilitation of companies while setting up in India.

It is the only state with separate manufacturing clusters for automobiles and components, electronics, IT, textile, aerospace, food processing, and country-specific hubs.

- ❖ The state also promotes the development of Industrial Parks, joint venture model, plug & play, and brown field opportunities.
- ❖ 1st in India in Industrial Land Availability
- ❖ Tamil Nadu is the only State with Industrial Corridors and an abundant skilled workforce across all its Districts
- ❖ Accommodates 24 State-owned SIPCOT Parks, 57 Operational SEZs, 30 Private Industrial Parks, and more than 120 SIDCO Parks for small scale Industries
- ❖ Total Installed power capacity of more than 36 GW
- ❖ Surplus Industrial Water supply with more than 500 MLD from TIRO and Desalination Plants.
- ❖ 4 Major Industrial Corridors: TNDIC, CBIC, CKIC, KCBI
- ❖ This Multimodal Trade Hub comprising 5 Sea & 65 Dry Ports and 3 International Air Cargo Terminals makes the state an ideal destination for Manufacturing and Trade operations
- ❖ 10+ million sq.ft. Plug & Play Facilities
- ❖ Surplus Industrial water supply with more than 500 MLD from TIRO and Desalination Plants.

Fintech

Chennai is called as the 'SaaS capital of India', Tamil Nadu is now all set to evolve into a global FinTech hub and there are numerous FinTech companies in the State who want to emulate their phenomenal success in a short period to tap over \$1.5-trillion global business opportunities.

- ❖ 100+ FinTech start-ups in Tamil Nadu
- ❖ \$500mn+ Investment in FinTech
- ❖ 10,000 Employees working in FinTech Companies

Other Industries

- ❖ One of the global electrical equipment public sector companies viz BHEL has manufacturing plants at Tiruchirappalli and Ranipet. The Tamil Nadu State Government owns the Tamil Nadu Newsprint and Papers (TNPL), the world's biggest bagasse based paper mill in Karur.
- ❖ Tamil Nadu is a leading producer of cement in India and with manufacturing units located at Ariyalur, Virudhunagar, Coimbatore and Tirunelveli.
- ❖ The region around Salem is rich in mineral ores. The country's largest steel public sector undertaking, SAIL has a steel plant in Salem.
- ❖ Coimbatore is also referred to as "the Pump City" as it supplies two thirds of India's requirements of motors and pumps. The city is one of the largest exporters of jewellery, wet grinder and auto components and the term "Coimbatore Wet Grinder" has been given a Geographical indication
- ❖ Thoothukudi is known as "Gateway of Tamil Nadu". Thoothukudi is the major chemical producer in the state. It produces the 70 per cent of the total salt production in the State and 30 per cent in the country.

MSMEs

- ❖ The Micro, Small and Medium Enterprises are defined under the MSMED Act 2006. The enterprises are classified as Manufacturing and Service enterprises based on the investment in plant and machinery and equipment (excluding land and building) the classification of Micro, Small and Medium Enterprises.
- ❖ Tamil Nadu accounts for 15.07% Micro, Small and Medium Enterprises (MSMEs) in the country (the highest among all States) with 6.89 lakhs registered MSMEs. Producing over 8000 varieties of product for a total investment of more than ₹ 32,008 crore.
- ❖ MSMEs produce a wide variety of products in almost all sectors. The prominent among them are the engineering, electrical, chemicals, plastics, steel paper, matches, textiles, hosiery and garments sector. Around 15.61 lakh entrepreneurs have registered, providing employment opportunities to about 99.7 lakhs persons with total investment of ₹ 1,68,331 crore.

Tamil Nadu Industrial Corridors

Corridor-based development is expected to transform the economic landscape of the state in the next few years

- ❖ **Chennai-Bengaluru Industrial Corridor (CBIC)** - The special purpose vehicle to develop the Ponneri node has been created and the master planning is underway. CBIC will be extended to the state's western region as Kochi-Coimbatore Industrial Corridor, including an Integrated Manufacturing Cluster in Salem.
- ❖ **Chennai-Kanyakumari Industrial Corridor (CKIC)** - CKIC is being implemented in partnership with the Asian Development Bank as the second phase of the East Coast Economic Corridor to promote port-based economic development. This Corridor covers 23 districts of Tamil Nadu. The Comprehensive Development Plan has been prepared and the preparation for Phase II is near completion.
- ❖ **Tamil Nadu Defence Industrial Corridor (TNDIC)** - The Tamil Nadu Defence Industrial Corridor (TNDIC) launched in 2019 covers 5 nodal cities, namely, Chennai, Hosur, Salem, Coimbatore, and Tiruchirappalli. This has attracted investment proposals worth ₹ 3,123 cr. from the ordnance factory boards, defence public sector undertakings, and private sector projects.

Energy

- ❖ The total installed capacity of Power in Tamil Nadu stands at 34,706.16 MW as on 01.04.2023, of which, 8,739.01 MW i.e. 25.18% from Wind, 6,539.23 MW i.e., 18.84% from Solar, 164.84 MW i.e., 0.47% from Bio-mass and 523.80 MW i.e., 1.51 % from Co-generation which are renewable sources of energy.
- ❖ Tamil Nadu stands first in installed wind capacity in India. The State has the total installed wind capacity of 10,067.20 MW (State capacity - 8,739.01 MW and CTU capacity - 1,328.19) as on

01.04.2023, which is 24% of the Nation's wind power capacity.

- ❖ The State stands fourth highest in installed Solar capacity in India. It has an installed capacity of 6,689.23 MW (State Capacity - 6,539.23 MW and CTU capacity - 150 MW) as on 01.04.2023.
- ❖ On 11.09.2022, 74% of Tamil Nadu's total electricity consumption was met out from Renewable Energy.

S. N	Category	Capacity in MW
I	Conventional energy sources	
1.	Thermal	4,320.00
2.	Gas	516.08
3.	Central Generating Stations (CGS)	7,170.00
4.	Power purchases	
	Independent Power Projects (IPP)	1,105.50
	Long Term Open Access (LTOA)	2,830.00
	Medium Term Open Access (MTOA)	252.00
	Total power purchases	4,187.50
5.	Captive Power Projects/ Third party generators (Approved open access quantum)	223.80
	Total Conventional	16,417.38
II	Renewable Energy Sources	
1.	Hydro	
	Non-Irrigation	1,030.65
	Pumped Storage	400.00
	Irrigation	891.25
	Hydro total	2,321.90
2.	Wind	8,739.01
3.	Solar	6,539.23
4.	Bio-mass - combustion	164.84
5.	Co-Generation (Bagasse)	523.80
	Total Renewables	18,288.78
	Grand Total	34,706.16

The power demand of the State is rising year by year. In order to meet the rising power demand of the State and to modernize the distribution system, the Government has rolled out 'TNEB 2.0' with an aim to double the installed electricity capacity of the State. The major focus is on development of renewable energy sources. The share of renewable energy, which at present

stands at 20.88% of the total energy generation is proposed to be increased to 50% by 2030. The State aims to increase the energy generation from renewable resources to 50% by 2030.

Services

Banking, insurance, energy, transport and communication fall under tertiary sector i.e., services.

Education

a. School Education

- ❖ Tamil Nadu is grouped among high Gross Enrolment Ratio (GER) States. It ranks third next only to Kerala (98%) and Himachal Pradesh (104.6%). The all India average is 97.8%.

Tamil Nadu's primary education statistics		
Number of schools	Primary	35,414
	Middle	9,708
	Higher and Higher Secondary	12,911

- ❖ Gross Enrolment Ratio is 118.8% for primary level(class 1-5); 112.3% for upper primary level (class 6-8), 62.7% for secondary level (class 9-10), 49.26% at Higher Secondary level (class 11-12). This has been possible mainly due to the supply of free food, uniform, foot-wear, scholarship, laptop etc.

b. Higher Education

- ❖ In Gross Enrolment Ratio under higher education (Tertiary level) Tamil Nadu continues to be at the top level well ahead of other states. The GER is 46.9% in Tamil Nadu which is far higher against national average and all other States.

Gross Enrolment Rate (%)	
State	2019-20
Tamil Nadu	73.2
Maharashtra	67
Uttar Pradesh	46.9
Odisha	69.3
Bihar	30.8
All India	51.4

- ❖ Tamil Nadu has consistently performed well in National Institutional Ranking Framework (NIRF), having 18 institutions in the Overall category within the top 100 ranks and 36 institutions within the top 200 ranks, 22 Universities within the top 100 ranks and 33 Universities within the top 200 ranks, likewise 32 Arts and Science colleges are within top 100 ranks and 73 colleges within top 200 ranks. Besides 10 Research Institutions are within top 100 ranks and 35 Engineering Colleges are within top 100 ranks. Presidency College, Chennai emerged at third position in Arts and Science College Category.

Health

Tamil Nadu ranks among the top three States in various vital indicators of health. There are 256 Taluk and Non Taluk Hospitals, 37 District Headquarter Hospitals and 62 hospitals attached to 36 Government Medical Colleges established in Tamil Nadu.

In Tamil Nadu 1830 Primary Health Centres are functioning in 388 Blocks for curative and preventive health care services to the rural people. 24 × 7 delivery care services are provided in 1,776 Primary Health Centres.

State has achieved impressive reduction in Infant Mortality Rate (IMR) and Maternal Mortality Ratio (MMR). The State has already reached the target under the Sustainable Development Goals (SDG) which are due to be achieved by the year 2030 in respect of IMR and MMR. Tamil Nadu has well spread-out public health medical institutions all over the State. To maintain its lead in the health sector, Tamil Nadu has been investing its resources to make available high end treatment facilities. 1000 bedded Kalaingar Memorial Multi Super Speciality Hospital is being built in the premises of King Institute of Preventive Medicine and Research Centre, Guindy. Government Medical College Hospitals at Madurai, Coimbatore and Kilpauk are being improved at a total out lay of ₹ 1020 crore.

Transport

Tamil Nadu has a well established transportation system that connects all parts of the State. This is partly responsible for the investment in the State. Tamil Nadu is served by an extensive road network in terms of its spread and quality, providing links between urban centres, agricultural market-places and rural habitations in the countryside. However, there is scope for improvement.

a. Road

There are 28 national highways in the State, covering a total distance of 5,128 km. The State has a total road length of 2.71 lakh km, of which 5,128 km are maintained by Highways Department. Tamil Nadu ranks second in India with a share of over 20% in total road projects under operation in the public-private partnership (PPP) model.

The density of road in Tamil Nadu is 2084.71 km per 1000 sq.km, which is higher than the National average of 1926.02 km per 1000 sq.km. This indicates availability of sound road network in the State. Recently, the state government inaugurated the Kalaingar Centenary Bus Terminus at Kilambakkam, which will serve as the new gateway for passengers travelling to the State's southern districts in government and omni buses. The bus terminus, constructed at a cost of ₹ 393.74 crore, is expected to attract 1 lakh passengers daily, as 2,310 buses will be operated from the terminus every day eventually.

b. Railways

- ❖ Tamil Nadu has a well-developed rail network as part of Southern Railway, Headquartered at Chennai. The present Southern Railway network

extends over a large area of India's Southern Peninsula, covering the States of Tamil Nadu, Kerala, Puducherry, minor portions of Karnataka and Andhra Pradesh.

- ❖ Tamil Nadu has a total railway track length of 6,693 km and there are 690 railway stations in the State. The system connects it with most major cities in India. Main rail junctions in the State include Chennai, Coimbatore, Erode, Madurai, Salem, Tiruchirapalli and Tirunelveli.

Metro Rail

- ❖ Chennai Metro Rail : The Chennai Metro Rail is a rapid transit system in Chennai, Tamil Nadu. It started its first service in 2015 connecting a small stretch — Koyambedu to Alandur. Chennai Metro is the 4th longest metro system in India.
- ❖ Works of Phase-II of the Chennai Metro Rail Project for a length of 119 km in three corridors at a total cost of ₹ 63,246 crore are in progress.
- ❖ The Government has decided to implement the Metro Rail project in Coimbatore city. The Metro Rail project will be implemented along Avinashi Road and Sathyamangalam Road at an estimated cost of ₹ 9,000 crore.
- ❖ The Metro Rail project will be implemented in Madurai at an estimated cost of ₹ 8,500 crore.
- ❖ CMRL is planning to extend its proposed Poonamallee-Sriperumbudur line further by another 28km or so to connect Parandur to the metro network. Recently it has been proposed to extend the metro line from airport to Kilambakkam bus terminus.

c. Airways

- ❖ Tamil Nadu has four major international airports. Chennai International Airport is currently the third largest airport in India after Mumbai and Delhi. Other international airports in Tamil Nadu include Coimbatore International Airport, Madurai International Airport and Tiruchirapalli International Airport.
- ❖ It also has domestic airports at Tuticorin and Salem, which connect several parts of the country. Increased industrial activity has given rise to an increase in passenger traffic as well as freight movement which has been growing at over 18 per cent per year.
- ❖ Parandur Airport is a proposed project in Chennai, Tamil Nadu proposed by Tamil Nadu Industrial Development Corporation (TIDCO).
- ❖ In 2021, Tamil Nadu's state government requested Airports Authority of India (AAI) to inspect various sites and prepare a feasibility study report. Other sites in contention were located at Sriperumbudur, Maduranatakam, Walajabad, Alamathy, Kancheepuram, Cheyyur, Mamandur, Parandur or Gummidipoondi.
- ❖ The Parandur site was finalized in July 2022. The new airport is expected to be completed and opened

in 2028. It will be connected with the Bangalore – Chennai Expressway.

d. Ports

- ❖ Tamil Nadu has three major ports; one each at Chennai, Ennore, and Tuticorin, as well as one intermediate port in Nagapattinam, and 23 minor ports, in various parts of the State. The ports are currently capable of handling over 73 million metric tonnes of cargo annually (24 per cent share of India). All the minor ports are managed by the Tamil Nadu Maritime Board.
- ❖ **Chennai Port** : This is an artificial harbour and the second principal port in the country for handling containers. It is currently being upgraded to have a dedicated terminal for cars capable of handling 4 lakhs. Ennore Port was recently converted from an intermediate port to a major port and handles all the coal traffic in Tamil Nadu.
- ❖ **V.O. Chidambaranar Port** : V.O.Chidambaranar Port, formerly Tuticorin Port, is one of the 12 major ports in India. It was declared to be a major port on 11 July 1974. The Port is located strategically close to the East-West International sea route on Coromandel Coast. It is second-largest port in Tamil Nadu and fourth-largest container terminal in India. It has services to USA, China, Europe, Sri Lanka and Mediterranean countries. Iron Ore, Fertilizers and Thermal Coal were the major items handled by this port.

Tourism

Tamil Nadu has since ancient past been a hub for tourism. In recent years, the state has emerged as one of the leading tourist destinations for both domestic and foreign tourists. Tourism in Tamil Nadu is promoted by Tamil Nadu Tourism Development Corporation (TTDC), a Government of Tamil Nadu undertaking. The State currently ranks the highest among Indian States with about 25 crore arrivals (in 2013). The annual growth rate of this industry stood at 16 per cent. Approximately 40 lakh foreign and 11 crore domestic tourists visit the State every year. According to the Ministry of Tourism report, the number of domestic arrivals was at 494.8 million making the state the second most popular tourist destination in the country.

Unemployment and Poverty

As on 7th March 2023, National average of unemployment rate stands at 8.3% and Tamil Nadu with unemployment rate of 3.8%. There are different kinds of unemployment with different economic implications. Tamil Nadu is one of India's richest states. Since 1994, the state has seen a steady decline in poverty. Today, Tamil Nadu has lower levels of poverty than most other States in the country. After 2005, Tamil Nadu was among India's fastest growing states, with growth being driven mainly by services.

Districts	Waterfalls
Theni	Kumbakkarai and Suruli
Namakkal	Agayagangai
The Nilgiri	Catherine and Pykara
Salem	Kiliyur
Virudhunagar	Ayyanar
Coimbatore	Vaideki, Sengupathi, Siruvani and Kovaikutram
Tiruppur	Tirumurthy
Madurai	Kutladampatti
Kanyakumari	Tirparappu, Kaalikesam, Ulakkai and Vattaparai

Climate

- ❖ Tamil Nadu lies to the south of Tropic of Cancer, which is near the Equator.
- ❖ The annual temperature ranges from 18° to 43° and the annual rainfall is 958.5 mm (approx.).
- ❖ Tamil Nadu falls within the hot climatic zone, the east coast of Tamil Nadu enjoys tropical maritime climate.
- ❖ The western region of the state enjoys the mountainous climate.
- ❖ Low altitude and distance from the sea are the reasons for high temperature and dry conditions in the central part of Tamil Nadu.
- ❖ The migration of vertical sun's rays leads to the formation of different seasons in Tamil Nadu.

Seasons of Tamil Nadu	
Season	Period
Winter Season	January, February
Summer Season	March – May
Southwest Monsoon	June – September
Northeast Monsoon	October – December

Winter Season

- ❖ During January and February, the vertical rays of the sun fall between the Tropic of Capricorn and the Equator. Hence, Tamil Nadu and India on the whole receive slanting rays from the sun. So, the weather is slightly cooler during these months.

Winter temperature in Tamil Nadu	15°C – 25°C
In hill stations	Occasionally the temperature below 5°C
In Nilgiri valleys	0°C

- ❖ This drop in temperature leads to the formation of thick mist and frost. This season is dry.

Summer Season

- ❖ The apparent migration of the sun towards north during March, April and May results in the reception of vertical sun's rays by South India. Thus there is a steady rise in temperature from the equator. Hence, Tamil Nadu located to the south of Tropic of Cancer, experiences high temperature. Temperature varies from 30°C to more than 40°C.
- ❖ During the month of May, the state receives rainfall from pre-monsoon showers and convectional rainfall.

Southwest Monsoon

- ❖ The intense heating of the landmass of the north during March to May creates a well-developed low pressure in North India, which draws wind from the Indian Ocean. This results in the formation of southwest monsoon. During this season, Tamil Nadu is located in the rain shadow region for the wind, which blows from the Arabian Sea. As a result, Tamil Nadu receives only a meagre rainfall from this monsoon.
- ❖ Rainfall during this season decreases from west to east.
- ❖ Coimbatore plateau receives an average of 50 cm rainfall. The southern districts like Kanyakumari, Tirunelveli and The Nilgiris record 50–100cm rainfall during this season.

Coriolis Force : An apparent force acts as a result of the earth's rotation deflects moving objects (such as projectiles or air currents) to the right in the northern hemisphere and to the left in the southern hemisphere.

Northeast Monsoon

- ❖ The high pressure created over Central Asia and northern part of India becomes the source for the northeast monsoon winds. The apparent migration of the sun from Tropic of Cancer to the Tropic of Capricorn causes a change in receiving temperature and air pressure during this season. It makes the wind to blow towards Bay of Bengal from North India. After reaching Bay of Bengal, the wind gets deflected by Coriolis force and takes the northeast direction. Hence it is known as northeast monsoon. As the northeast monsoon is a part of returning of southwest monsoon wind, it is also called as the retreating monsoon.
- ❖ Tamil Nadu accounting for its 48% of annual rainfall during this season. Coastal districts of the state get 60% and the interior districts get about 40–50% of their annual rainfall.
- ❖ Tropical cyclones are common during this season. Cyclone originating from the Bay of Bengal bring heavy rainfall to the east coastal regions of Tamil Nadu.
- ❖ More than 50% of the state's rainfall is received from tropical cyclones. Eastern Coastal region receives 100 to 200 cm and the central and northwestern

parts receives 50 to 100 cm of rainfall. The cyclones sometimes disturb the cultivation of crops and cause severe damage to life and property.

Chinnakallar near Valparai is the 3rd wettest place in India and the wettest place in Tamil Nadu.

Soils of Tamil Nadu

- ❖ Soil is the loose material mainly formed by the weathering and erosion of rocks. It forms an important element of agriculture.
- ❖ It takes 300 – 1,000 years to form two inches of soil.
- ❖ The soil of a place depends on the factors like climate, parent rocks and vegetation cover.

Soils in Tamil Nadu

Alluvial soil

Formation	These soils are formed by the deposition of silt by the rivers. It is porous and loamy.
Minerals	It is rich in lime, potassium, magnesium, and phosphoric acid. It is deficient in nitrogen and humus
Crops	Paddy, sugarcane, banana and turmeric
Found in	Thanjavur, Tiruvarur, Nagapattinam, Villupuram, Cuddalore, Tirunelveli and Kanyakumari

Black soil

Formation	These soils are formed by the weathering of igneous rocks. It is developed over the Deccan lava granite region under semi-arid conditions.
Minerals	It is rich in calcium, magnesium, carbonates, potash and lime It is poor in phosphoric acid, nitrogen and organic matter
Crops	Cotton, sorghum, cumbu and fodder crops
Found in	Coimbatore, Madurai, Virudhunagar, Tirunelveli and Thoothukudi
Other names	Regur soil, Black cotton soil

Red soil

Formation	This soil is sandy and loamy in texture
Total cover	It covers over two-third of the total area of Tamil Nadu
Minerals	It is rich in iron oxides. It is poor in nitrogen, phosphorus, acids and humus
Crops	Paddy, ragi, tobacco and vegetables
Found in	Sivagangai and Ramanathapuram districts

Laterite soil

Formation	This soil is formed by the process of intense leaching
Crops	Paddy, ginger, pepper and plantains
Found in	Kancheepuram, Tiruvallur and Thanjavur

Saline soil

- ❖ Saline soils are found in Vedaranyam and the Coromandel coast.
- ❖ On December 26, 2004, the tsunami waves brought a lot of sand and deposited it all along the east coast of Tamil Nadu. The tsunami made the coastal areas unsuitable for cultivation

Soil Erosion

- ❖ Soil is a non-renewable resource
- ❖ Deforestation, overgrazing, urbanisation and heavy rains are responsible for soil erosion in Tamil Nadu.

Desertification is one of the major problems of Tamil Nadu. According to the desertification atlas prepared by the ISRO about 12% of the total geographical area is under desertification and land degradation. Theni, the Nilgiris and Kanyakumari are the worst affected districts. About 12,000 hectares (120 Sq.km) were affected by sand deposition in Theni and Rajapalayam.

Natural Vegetation

- ❖ As per National Forest Policy, 1988, a minimum of one-third of the total geographical area must be under forest cover. According to the Tamil Nadu State of Forest Report-2021 assessment, the area under forest in the state is 26,419 sq.km, which constitutes 20.31% of the total area. Tamil Nadu constitutes 3.96% of India's forest cover.
- ❖ The Western Ghats is one of the 36 global hotspots of bio-diversity.
- ❖ Categories of forest classified under the provision of Indian Forest Act

Forest Type	Area (sq.km)
Very Dense Forest (VDF)	3,593
Moderately Dense Forest (MDF)	11,034
Open Forest (OF)	11,792
Total	26,419

Forest Types

1. Tropical Evergreen Forest

Location	Regions receive heavy rainfall
Nature of the forest	Dense, multi-layered forest
Found in	Western Ghats of Tirunelveli, Kanyakumari, the Nilgiris and Coimbatore districts
Flora	Cinnamon, Malabar ironwood, Panasa, java plum/jamun, jack, kindal, ayani and crape myrtle

Semi-Evergreen Forests

Location	Regions of sub-tropical climate cover the Eastern Ghats
Found in	Servarayan, Kollimalai and Pachaimalai hills
Flora	Indian mahogany, monkey teak, wooly cassia, jack and mango trees

2. Montane Temperate Forest

Found in	Anaimalai, Nilgiris and Palani hills over a 1000 metre altitude
Nature of the forest	Evergreen and usually short
Flora	Nilgiri Champa, wight's litsea and rose apple
Other name	Sholas

3. Tropical Deciduous Forest

Location	It lies in the margin of semi-evergreen and evergreen forests
Characteristics	The trees in this forest shed their leaves during the dry season
Nature of the forest	The trees reach upto a height of 30 metres
Flora	Silk cotton, kapok, kadamba, dog teak, woman's tounge, axle wood, siris and bamboos

4. Mangroves

Location	Coastal areas, river deltas, tails of islands and over sea faces
Nature of the forest	Evergreen, moderate in height and has leathery leaves
Adaptations	Adapted to survive in tidal mud and salt water
Found in	Pichavaram, Vedaranyam, Muthupet, Chatram and Thoothukudi

Some Wild life Sanctuaries in Tamil Nadu

S.No	Name of the Sanctuary	District	Year of Establishment
1.	Mudumalai Wildlife Sanctuary	The Nilgiris	1940
2.	Mundanthurai Wildlife Sanctuary	Tirunelveli	1962
3.	Point Calimere Wildlife Sanctuary	Nagapattinam	1967
4.	Indira Gandhi Wildlife Sanctuary	Coimbatore	1976
5.	Kalakad Wildlife Sanctuary	Tirunelveli	1976
6.	Vallanadu Black Buck Sanctuary	Thoothukudi	1987
7.	Grizzled Giant Squirrel Wildlife Sanctuary	Virudhunagar	1988
8.	Kanyakumari Wildlife Sanctuary	Kanyakumari	2007
9.	Sathyamangalam Wildlife Sanctuary	Erode	2008
10.	Megamalai Wildlife Sanctuary	Theni and Madurai	2009
11.	Point Calimere Wildlife Sanctuary – Block A and Block B	Thanjavur and Tiruvarur, Nagapattinam	2013

Flora	Asiatic mangrove, white mangrove, wild jasmine/Indian pivot
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Role of Mangroves in Coastal zone management

Mangroves helps in the prevention of coastal erosion from waves and storms. It also protects coral reefs and sea grass meadows from being smothered in sediments

Pichavaram mangrove forest is located near Chidambaram, Cuddalore district. This is the second largest mangrove forest in the world covering about 1,100 hectares (11 sq.km) of area. It is separated from the Bay of Bengal by a sandbar. It consists of species like Avicennia and Rhizophora. It also supports the existence of rare varieties of shell and fin fishes.

Tropical Thorn Forest

Location	These forests are found in plains up to 400 metres altitude
Found in	Dharmapuri, Ramanathapuram, Virudhunagar
Flora	Palm, neem, rusty acacia and shrubs

Districts with prominent forest cover in Tamil Nadu

District	Area (sq km)
Dharmapuri	3,280
Coimbatore	2,627
Erode	2,427
Vellore	1,857
The Nilgiris	1,583
Dindigul	1,662

Biosphere Reserves

S. No	Biosphere Reserves in Tamil Nadu
1.	Nilgiri Biosphere Reserve
2.	Gulf of Mannar Biosphere Reserve
3.	Agasthiyarmalai Biosphere Reserve

S.No	Name of the Sanctuary	District	Year of Establishment
12.	Kodaikanal Wildlife Sanctuary	Dindigul and Theni	2013
13.	Gangaikondan Spotted Deer Sanctuary	Tirunelveli	2013
14.	Cauvery North Wildlife Sanctuary	Dharmapuri and Krishnagiri	2014
15.	Nellai Wildlife Sanctuary	Tirunelveli	2015
16.	Kaduvur Slender Loris Sanctuary	Karur and Dindigul	2022
17.	Cauvery South Wildlife Sanctuary	Dharmapuri and Krishnagiri	2022
18.	Thanthai Periyar Wildlife Sanctuary	Erode and Nilgris	2023

Some Bird Sanctuaries in Tamil Nadu

S.No	Name of the Sanctuary	District	Year of Establishment
1.	Vettangudi Birds Sanctuary	Sivaganga	1977
2.	Pulicat Lake Birds Sanctuary	Tiruvallur	1980
3.	Karikili Birds Sanctuary	Kancheepuram	1989
4.	Kanjirankulam Birds Sanctuary	Ramanathapuram	1989
5.	Chitrangudi Birds Sanctuary	Ramanathapuram	1989
6.	Koonthankulam Birds Sanctuary	Tirunelveli	1994
7.	Vellode Birds Sanctuary	Erode	1997
8.	Vedanthangal Birds Sanctuary	Chengalpattu	1998
9.	Udayamarthandapuram Birds Sanctuary	Tiruvarur	1998
10.	Melaselvanur-Keelselvanur Birds Sanctuary	Ramanathapuram	1998
11.	Vaduvor Birds Sanctuary	Tiruvarur	1999
12.	Karaivetti Birds Sanctuary	Ariyalur	2000
13.	Theerthangal Birds Sanctuary	Ramanathapuram	2010
14.	Sakkarakottai Tank Birds Sanctuary	Ramanathapuram	2012
15.	Oussudu Lake Birds Sanctuary	Villupuram	2015
16.	Kaluveli Birds Sanctuary	Villupuram	2021
17.	The Nanjarayan Tank	Tiruppur	2022

New Botanical Garden: During 2022-23, Tamil Nadu Government has issued administrative sanction for a sum of ₹ 300.00 crores for setting up a Botanical Garden at Kadambur Village, Chengalpattu district in collaboration with Royal Botanical Gardens, Kew, England over an area of 137.65.0 hectare.

The Longwood Shola in Kotagiri, Nilgiri has been granted Queen's Commonwealth Canopy (QCC) accreditation, a forest conservation initiative that began in 2015 to facilitate knowledge exchange, share best practices and create new collaborative initiatives for forest conservation.

Natural Disasters in Tamil Nadu

- According to United Nations office for Disaster Risk Reduction (UNDRR) is the concept and practice of reducing disaster risks through systematic efforts to analyse and reduce the casual factors of disasters.

Measures to reduce Disasters

- reducing exposure to hazards
- lessening the vulnerability of people and property
- land management
- environment management
- early warning for adverse events

Landslide

- A collapse of a mass of earth or rock from a mountain or cliff is called landslide.
- Water is the most common trigger of a landslide.
- Nilgiris is one of the most vulnerable districts.
- The other regions which are prone to landslides are Coimbatore and Kodaikanal.

Flood

- Flood is a common one in the coastal districts of Tamil Nadu during northeast monsoon.
- In 2015 flood, most affected state is Tamil Nadu. They affected the Coromandel Coast region of the South Indian states of Tamil Nadu and Andhra Pradesh.
- More than 500 people were killed and over 1.8 million people were displaced. Estimates of damages and losses ranging from nearly 200 billion.
- Chennai district received close to 400 mm of average rainfall in two days between December 4 & 5, 2023 due to cyclone Michaung causing wide spread destruction.
- Heavy rains battered the southern districts of Tirunelveli, Thoothukudi, Tenkasi and Kanyakumari in December 2023.

Member of Legislative Assembly Constituency Development Scheme

The MLACDS is fully funded by the State Government and each MLA identifies and proposes the works to be executed in his Constituency. The Scheme is implemented both in rural and urban areas. The main objective of the Scheme is to identify and implement the essential works to bridge the critical infrastructure gaps in the Assembly Constituencies. The allocation of funds under the Scheme had been increased from ₹ 1.75 crore to ₹ 2.00 crore per Constituency per annum from 2011-2012 onwards.

THANE Housing Scheme

- ❖ Tamil Nadu witnessed one of the worst Cyclones, 'Thane' in the month of December, 2011. The 'Thane' cyclone has been classified as a 'very severe cyclonic storm', which had damaged lakhs of houses and left lakhs of families without livelihood.
- ❖ The Government would construct 1 lakh concrete houses at a cost of ₹ 1,000 crore to replace damaged houses in the Thane Cyclone affected Districts of Cuddalore and Villupuram.

Self Sufficiency Scheme (SSS)

The Government recognized the community participation in collaborative decision-making, mediation, community building and consensus building to ensure an open and accountable process through which the individuals and groups could exchange views and promote useful community assets. Hence as a measure to promote public participation in Government Schemes, this Government has re introduced the Self Sufficiency Scheme in 2011-12.

Tamil Nadu Rural Roads Improvement Scheme (TNRRIS)

During 2015-16, the Government had introduced a scheme called the Tamil Nadu Rural Roads Improvement Scheme (TNRRIS) for the comprehensive improvement of the rural roads with an overall allocation of ₹ 800 crore. The objective of the scheme is to ensure optimal allocation of funds for Upgradation, Strengthening and Maintenance of Panchayat Union and Village Panchayat roads. The amount of ₹ 800 crore may be met from State Finance Commission Grants devolution for rural local bodies.

Solid Waste Management System(SWMS)

- ❖ Establishment of a sustainable solid waste management system in all our villages in a phased manner is an essential need. Initially, a proper solid waste management system with recycling and waste disposal facilities will be established in 2,000 select village Panchayats.
- ❖ Solid Waste Management (SWM) activities in the village Panchayats will include collection, removal and safe disposal of wastes with the participation of every member of the village Community.

Rural Roads under NABARD - Rural Infrastructure Development Fund (RIDF)

National Bank for Agriculture and Rural Development (NABARD) set up Rural Infrastructure Development Fund (RIDF) in 1995-96, to extend financial assistance to the State Governments; Government owned Corporations, Village Panchayats, Self Help Groups and Non-Government Organisations for taking up infrastructure projects in rural areas. The NABARD is releasing funds under different tranches. Major investments covered under the Fund include rural roads, bridges, minor irrigation structures, schools, health centers and power projects. Loans under RIDF have been sanctioned by NABARD to the Government of Tamil Nadu.

Tsunami Emergency Assistance Project (TEAP) funded by the Asian Development Bank (ADB)

The main objective of the Project was to support the efforts of the Government of Tamil Nadu to accelerate economic growth and poverty alleviation in the Tsunami affected areas of the State by assisting in the restoration of livelihoods, especially for the poor, disabled, complementary rehabilitation and reconstruction of damaged public infrastructure.

This project was implemented at a cost of about ₹ 310 crore. The coastal stretch in the 12 tsunami affected districts of Thiruvallur, Kancheepuram, Villupuram, Cuddalore, Nagapattinam, Thiruvallur, Thanjavur, Pudukottai, Ramanathapuram, Thoothukudi, Thirunelveli and Kanniyakumari were benefited through the project. The Asian Development Bank had provided 100% grant towards livelihood, sanitation and incremental operating cost components, and a soft loan towards projects for creation of infrastructure like roads, drains and public buildings, etc.

Emergency Tsunami Reconstruction Project (ETRP) funded by World Bank (WB)

This project was originally started in 2005 with the loan assistance of the World Bank. This project is a component of the programme of recovery and reconstruction implemented by the State Government to mitigate the impact of the Tsunami. The project was originally expected to be completed by October, 2007.

The objective of the project is to assist the borrower and the Project state to

- ❖ Revive livelihood.
- ❖ Promote recovery in the Tsunami affected areas in the short term.
- ❖ To reduce the vulnerability of coastal communities to a range of natural hazards such as cyclone, storm surge, flood and tsunami over the long – term

International Fund for Agricultural Development - assisted Post Tsunami Sustainable Livelihood Programme

- ❖ TNCDW is the nodal agency for implementing the International Fund for Agricultural Development (IFAD) assisted Post Tsunami Sustainable Livelihood Programme (PTSLP).

- ❖ The objective of PTSLP is to build self reliant, coastal communities which are able to manage their livelihood in a sustainable manner. This would be achieved by developing viable enterprises and resource management systems.
- ❖ The project was implemented at a total outlay of ₹ 298.57 crores over a period of 8 years.

World Bank-Aided Pudu Vazhvu Project

One of the prime developmental objectives of Government of Tamil Nadu is alleviating poverty and ensuring inclusive growth. An important intervention in this direction is the World Bank funded Pudu Vazhvu Project which was designed based on a concept note 'Tamil Nadu Poverty Reduction initiative' developed in 2000 – 01. The Pudu Vazhvu Project was approved on 24.10.2005 and launched in November 2005 and will be implemented over a 6 year period with World Bank assistance. The total outlay of this project is ₹ 717 Crores. The project will be implemented in 2,509 Village Panchayats in 70 backward Blocks spread over 15 districts.

Convergence of Mahalir Thittam and Pudu Vazhvu Project

Mahalir Thittam is being implemented in Vazhndhu Kaattuvom project Blocks through Vazhndhu Kaattuvom project staff and Village Poverty Reduction Committees. This has helped in converging the efforts of Mahalir Thittam and Vazhndhu Kaattuvom and has avoided duplication of efforts. VPRCs have entered into an agreement with Mahalir Thittam for forming, training and monitoring SHGs and have been treated on par with NGOs for these activities.

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

The Mahatma Gandhi National Rural Employment Guarantee Scheme was launched on 02.02.2006. It guarantees 100 days of employment in a financial year to any rural household whose adult members volunteer to do unskilled manual work. Mahatma Gandhi National Rural Employment Guarantee Act is an important step towards the realization of the "right to work". The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) framed under the Act is the only anti-poverty programme which has legal backing.

The core objective of this scheme, as per the revised schedule-I of the MGNREG Act, are;

- ❖ Providing not less than one hundred days of unskilled manual work as a guaranteed employment in a financial year to every household in rural areas as per demand, resulting in creation of productive assets of prescribed quality and durability;
- ❖ Strengthening the livelihood resource base of the poor;
- ❖ Proactively ensuring social inclusion;
- ❖ Strengthening of Panchayat Raj institutions.

Pradhan Mantri Gram Sadak Yojana (PMGSY)

Pradhan Mantri Gram Sadak Yojana was launched in 2000 to provide all weather road access to unconnected habitations. PMGSY is a 100% centrally sponsored scheme. From 2015-16 onwards, the funding pattern has been revised to 60% Central share and 40% State Share. The programme objective is to provide round-the-year connectivity by all weather roads with necessary culverts and cross drainage structures.

Anaiththu Graama Anna Marumalarchi Thittam'

'Anaiththu Graama Anna Marumalarchi Thittam', which will be executed in all village panchayats of the district for strengthening infrastructure like roads, streetlights, drinking water etc., the scheme will also benefit individuals by coordinating various government departments for augmenting the revenue of rural poor.

Maintenance of waterbodies, augmenting the facilities in the government schools, constructing village panchayat, anganvadi and ration shop buildings, laying paver block or concrete roads etc. will be taken up at 'Anaiththu Graama Anna Marumalarchi Thittam'.

Tamil Nadu State Rural Livelihoods Mission (TNSRLM)

The Government of Tamil Nadu is implementing a special scheme called Tamil Nadu State Rural Livelihood Mission from the year 2012-13. The Mission activities are funded by Government of India and the State Government in the ratio of 60:40. The objectives of TNSRLM is to build strong and vibrant institutional platforms of the poor in the rural areas which enable them to increase their household incomes through livelihood enhancements and access to financial and other services. Under this scheme the target group comprises of poor and vulnerable section of the community. The target people are organized into active Community Based Organizations (CBOs) to provide sustainable livelihood opportunities.

Vaazhndhu Kaattuvom Project

The Project management and implementation is governed by Tamil Nadu Rural Transformation Society (TNRTS) formed under the Department of Rural Development and Panchayat Raj, Government of Tamil Nadu. TNRTS was formed and registered on 07.07.2017 under the Tamil Nadu Societies Registration Act 1975. At the district level, the District Rural Transformation Societies (District Society) were formed under the Chairmanship of District Collector, to guide and facilitate the implementation of the project. The Governing Body (GB) and Executive Committees (EC) of the TNRTS will provide guidance on policy level decisions, coordination and direction to the SPMU Team. The Project will be implemented through the State, District and Block level Project Management units.

The Vaazhndhu Kaattuvom Project (Vaazhndhu Kaattuvom Project) is an innovative World Bank assisted project that aims at rural transformation through strategies that focus beyond poverty alleviation by building sustainability and prosperity of rural communities

through enterprise promotion, access to finance and employment opportunities. Vaazhndhu Kaattuvom Project is built on existing institutional capital and investments made by Tamil Nadu Pudhu Vaazhvu Project (TNPVP), Tamil Nadu State Rural Livelihoods Mission (TNSRLM) and National Rural Livelihoods Project (NRLP).

Mahalir Thittam

Mahalir Thittam is a socio-economic empowerment programme for women implemented by Tamil Nadu Corporation for Development of Women Ltd.

Tamil Nadu Women Development Project under the name of "Mahalir Thittam", with state funding covers all rural and urban areas of the entire state, except the six city corporation areas since 1.4.2000. The original announcement made in 1996 can also be seen as a path-breaker, involving a massive replication of TNWDP to cover about 10 lakhs poor women of the State. This scheme is intended to promote economic development and social empowerment of the poorest women through a network of Self Help Groups formed with active support of NGOs. The Tamil Nadu Corporation for Development of Women Ltd., was incorporated on December 9, 1983 under Companies Act 1956. It's registered office is located in Chennai while it's area of operation extends to the entire state of Tamil Nadu. The immediate goal of TNCDW is to ensure that all poor women particularly widows, destitutes and marginalised are included in SHGs in the next three years. TNCDW's vision is to build strong and self reliant SHG federations at the Village Panchayat, Block and district levels throughout the State.

Mudhalvarin Graama Saalaigal Membattu Thittam

The Government launched the Mudhalvarin Graama Saalaigal Membattu Thittam in 2023. In the upcoming financial year, works for 5,145 km of roads will be undertaken at an estimated cost of ₹ 2,000 crore.

URBAN DEVELOPMENT SCHEMES

Kalaigarnar Urban Development Scheme

- ❖ The Tamil Nadu government will implement the Kalaigarnar Urban Development Scheme.
- ❖ The objective of the programme was to provide employment to urban poor, who had lost their jobs because of the COVID-19 pandemic.
- ❖ A committee headed by former RBI Governor C. Rangarajan had also recommended that the Tamil Nadu government start an employment scheme in urban areas in the wake of the pandemic.
- ❖ Through this, Infrastructure including community hall, markets, modern libraries will be created in municipalities and town panchayats.

Tamil Nadu Urban Road Infrastructure Project (TURIP)

With a view to upgrade the urban roads in the State to International standards, "Tamil Nadu Urban Roads Improvement Project" is being implemented since 2011-2012. Under this scheme, in addition to improving all

roads in Town Panchayats, roads will be provided with pavements and storm water drainage.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

- ❖ "Reforms driven, fast track, planned development of identified cities with focus on efficiency in urban infrastructure/services delivery mechanism, community participation and accountability of Urban Local Bodies (ULBs)/ Parastatals towards citizen" is the Mission statement of the scheme.
- ❖ This scheme is applicable to the Town Panchayats fall within Chennai Metropolitan Development Authority limits and Urban Agglomeration area of Madurai and Coimbatore. 45 Towns are eligible for funding under JNNURM.
- ❖ The main thrust of the sub-Mission on Urban Infrastructure and Governance will be on major infrastructure projects relating to water supply including sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of inner (old) city areas with a view to upgrading infrastructure therein, shifting industrial/commercial establishments to conforming areas, etc

Swarna Jayanthi Sagari Rozhar Yojana (SJSRY)

Provision of gainful employment to the urban poor through self employment and wage employment ventures has been a key objective of the Government. The Swarna Jayanthi Shahari Rozgar Yojana is a unified centrally sponsored scheme launched on 1.12.1997. The scheme is funded by the Government of India and the State Government in the ratio of 75:25. The scheme aims at alleviation of urban poverty through employment generation.

Namakku Naame Thittam (Urban)

People's participation is essential in civic infrastructure projects and it also brings the sense of ownership among the people. In order to improve the self-support mechanism of public and to enhance increased public participation in creating and maintaining community infrastructures, the Government had launched Namakku Naame Thittam (Urban) and Guidelines for the implementation of the Namakku Naame Thittam (Urban) have been issued. Renovation of water bodies, Formation, improvement and renovation of Parks, Play grounds, Traffic Islands, Fountains, Streetlights, CCTV Camera, Planting of trees and installation of tree-guards, Construction and renovation of buildings for Schools, Colleges, Hospitals, Urban Primary Health Centres, Shopping complex and any other buildings of public benefit, Construction of modern libraries / knowledge centres, bridge, culverts, new crematorium and storm water drain, Upgradation of earthen / gravel/ WBM roads / streets to all-weather roads, Community toilets / Public toilets, shops, Markets can be taken under this scheme.

The minimum public contribution for any of the identified work except renovation of water bodies should be one third of the estimate value. Minimum Public Contribution for the works related to renovation of water bodies should be 50%. There will be no upper limit for public contribution.

Tamil Nadu Urban Livelihoods Mission

The Ministry of Housing & Urban Affairs, Government of India restructured the erstwhile Swarna Jayanthi Sehri Rozgar Yojana and launched the Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM) in 2014-15 with the funding ratio of 60:40 by the Central and State Governments. DAY-NULM intends to reduce poverty and vulnerability of the urban poor households by building strong Community Based Organisations of the urban poor and enabling them to access gainful Self-employment and Skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on a sustainable basis. The mission also specifically targets the needs of the Urban Homeless by providing shelters equipped with essential services and the livelihood concerns of the Street Vending Community by facilitating access to suitable vending spaces, institutional credit, social security and skills for accessing emerging market opportunities.

Vada Chennai Valarchi Thittam

The Government will implement the Vada Chennai Valarchi Thittam at a cost of ₹ 1,000 crore over the next three years. Under this scheme, action will be taken to identify and address the infrastructure deficit and gaps in development. The scheme will be implemented by converging the funds of Chennai Metropolitan Development Agency with the ongoing schemes.

AGRICULTURAL SCHEMES

Kalaigarin All Village Integrated Agriculture Development Programme (KAVIADP)

Objectives

- ❖ To bring fallow lands under cultivation and increase the cultivable area by creation of new water sources.
- ❖ To increase the agricultural production and productivity.
- ❖ To increase the economic status of farmers.
- ❖ 1997 villages identified by RD and PR department under the scheme of Anaithu Grama Anna Marumalarchi Thittam (except Chennai and The Nilgiris District).

Chief Minister's Dryland Development Mission

The Tamil Nadu government will implement the Chief Minister's Dryland Development Mission, and three lakh rain-fed farmers will benefit from it. The project will be implemented on an outlay of ₹ 146.64 crore, with Union and State government funds.

Many small and marginal farmers in Tamil Nadu are engaged in dry farming. The scheme will be implemented on 3,00,000 hectares during the current year on a cluster basis.

Cooperative Farming Scheme

- ❖ The Tamil Nadu government unveiled an ambitious cooperative farming scheme and allocated ₹ 100 crore for the year 2021-22.
- ❖ The project aims at helping small and tiny farmers with easy credit and farm inputs. The project will help TN farmers who have been hit by back-to-back drought also promises marketing skills for the farmers.
- ❖ According to the project, small farmers will be grouped as farmers integrated groups (FIG). Five FIGs would be further developed into a farmer producer group. Such FPGs would be encouraged to adapt mixed farming and add value to the supply chain of agricultural produce through micro enterprises.
- ❖ The concept of collective farming is to identify small and marginal farmers across the state. A corpus fund of ₹ 5 lakh will be provided to each farmers' producers group and totally 2,000 FPGs would be provided support from state funds.

Tamil Nadu Mission on Sustainable Green Cover in Farm Lands

- ❖ Chief Minister launched the Tamil Nadu Mission on Sustainable Green Cover in Farm Lands, under which over 73 lakh high-value tree saplings are to be distributed to farmers at a cost of ₹ 11.14 crore.
- ❖ Teak, red sandal, acacia, vengai, sandal, manjal kadambu, rosewood, malai vembu, mahagony, karumaruthu and poovarasu are among the timber value species that are likely to be distributed to the farmers under this scheme

World Bank Aided Tamil Nadu Irrigated Agriculture Modernization Project (TN IAMP)

Objectives

- ❖ More crop per drop of water.
- ❖ To increase the crop production and income of the farmer.

Kudimaramathu Scheme

Kudimaramathu scheme was launched at Manimangalam village in Kancheepuram district on March 13, 2017. The scheme envisages the rejuvenation of 1,519 out of 16,098 Public Works Department tanks in 30 districts. Work on deepening tanks, strengthening bunds, desilting supply channels and repairing sluices is entrusted to farmers under a participatory arrangement. The Kudimaramathu scheme, which has the centuries-old concept of participatory water management at its core, was launched with the aim of rejuvenating the State's crumbling water bodies.

164. Arrange the source of revenue of government of India for the year 2020-21 in descending order
 i) GST ii) Personal income tax
 iii) Excise iv) Corporate tax
 v) Customs

Select the correct answer :

- A) i, ii, iii, iv, v
 B) ii, iv, i, v, iii
 C) i, iv, ii, iii, v
 D) iv, i, iii, ii, v

165. Assertion (A) : RBI controls the supply of money in the Economy.

Reason (R) : It wants to stabilize exchange rate and control inflation.

Select the correct answer :

- A) A is false but R is true
 B) A is true but R is false
 C) A is true, but R is not the correct explanation of A
 D) Both A and R are true but R is the correct explanation of A

166. Match the Geographical Indication Tag (GI tag) product with its place :

Product	Place
a) Turmeric	1. Madurai
b) Mat	2. Erode
c) Painting	3. Pattamadai
d) Sungudi	4. Thanjavur

Codes :

- | | | | |
|------|----|----|----|
| a) | b) | c) | d) |
| A) 1 | 2 | 3 | 4 |
| B) 2 | 3 | 4 | 1 |
| C) 1 | 3 | 2 | 4 |
| D) 2 | 1 | 4 | 3 |

167. Choose the right match :

- | | |
|--|-----------|
| 1. Taxes levied and collected by union but assigned to the state | - Art 269 |
| 2. Duties levied by the union but collected and appropriated by the state | - Art 268 |
| 3. Tax levied and collected by the union but which may be distributed between union territory and states | - Art 267 |

Select the correct answer :

- A) 1 only B) 2 and 3 only
 C) 1 and 2 only D) 1 and 3 only

168. is not a part of the Tamilnadu's First Multi-Modal Logistics Park.

- A) Chennai Port Authority
 B) Tamilnadu Industrial Development Corporation
 C) National Highways Logistics Management Limited
 D) Chennai Metropolitan Development Authority

169. When was the first National Education Policy formed?

- A) 1964 B) 1946
 C) 1968 D) 1986

170. Assertion (A) : According to Health and Family Welfare policy note 2021-2022, the state government has effectively responded to the challenges of Covid-19 without losing focus on maternal and child care, health initiatives and services and other communicable diseases and non-communicable diseases.

Reason (R) : The doctor to patient ratio in Tamil Nadu is one of the highest in India.

Select the correct answer :

- A) A is true, R is false
 B) Both A and R are true, R is the correct explanation of A
 C) A is false R is true
 D) Both A and R are true, but R is not the correct explanation of A

171. In the year 1951, Population growth rate is called

- A) Year of Great Divide
 B) Year of Population Explosion
 C) Year of Population
 D) Year of Small Divide

172. The objective of Jan Dhan Yojana is

- A) Financial inclusion
 B) Reducing regional disparities
 C) Social exclusion
 D) Population control

173. GST came into effect on in India.

- A) 29th March 2017
 B) 1st July 2017
 C) 29th March 2016
 D) 1st July 2016

174. Which article of the Indian Constitution talks about "Taxes levied and collected by the Union but assigned to the States?"

- A) Art. 201
 B) Art. 269
 C) Art. 272
 D) Art. 268

175. Chennai becomes the Indian city with metro railway.

- A) first B) fifth
 C) sixth D) second

164. (A) 165. (D) 166. (B) 167. (C) 168. (D) 169. (C) 170. (D) 171. (D) 172. (A) 173. (B) 174. (B)
 175. (C)

176. When was Swachh Bharat Abhiyan was announced by the Prime Minister ?
 A) 2 Oct 2013
 B) 15 August 2014
 C) 2 Oct 2015
 D) 2 Oct 2016
177. Entrepreneurship Development Programme (EDP) is associated with
 A) Eradication of illiteracy
 B) To make and prove womens potential
 C) To bring out the talents of women
 D) Eradication of poverty
178. Who is the chairperson of Niti Aayog?
 A) President
 B) Prime Minister
 C) Vice-President
 D) Supreme Court Judge
179. Which year has a special significance in Indian Economy as far as Economic Reforms are concerned?
 A) 1952 B) 1981
 C) 1991 D) 2001
180. Where is the diamond cutting industry located in India?
 A) Lucknow
 B) Surat
 C) Ludiyana
 D) Chandigar
181. Net National Product is
 A) Gross Domestic Product – Depreciation
 B) Gross National Product – Depreciation
 C) Net National Product – Depreciation
 D) Net Domestic Product – Depreciation
182. When a person lives below the minimum subsistence level he is said to live in
 A) Absolute poverty
 B) Relative poverty
 C) Abstract poverty
 D) True poverty
183. In India the organisation which was responsible for self-sufficiency in food production was
 A) CSIR B) ICAR
 C) ISRO D) ICMR
184. Which plan was implemented after the Annual Plans of 1966-69?
 A) Second Five Year Plan
 B) Fifth Five Year Plan
 C) Third Five Year Plan
 D) Fourth Five Year Plan
185. Which party in Tamil Nadu first introduced "Free Noon-Meal" scheme?
 A) Congress
 B) Justice party
 C) Swarajya party
 D) Dravidian party
186. Primary Sector consists of
 A) trade
 B) construction
 C) tele communication
 D) agriculture
187. Consider the following statements :
 Assertion (A) : Tenth Five Year Plan period was 2002 - 2007
 Reason (R) : Priority was given to reduction of poverty and population growth
 Choose the correct answer :
 A) (A) true but (R) is false
 B) (A) false but (R) is true
 C) (A) and (R) both are true (R) is correct explanation of (A)
 D) (A) and (R) both are false (R) is not correct explanation of (A)
188. The New Science 'ECONOMETRICS' is a combination of
 A) Economics, History, Physics
 B) Economics, Maths, Statistics
 C) Economics, Maths, Computer Science
 D) Economics, History, Ethics
189. Central Government's Indradhanush Programme is related to
 A) Rivers Link Programme
 B) Immunization Programme
 C) Rivers Cleaning Project
 D) Clean India Project

