NCERT Class 10 Economics GIST

Development – Chapter 1

Different notions of development:
Different people have different notions of development because life situations of persons are different and therefore their aspirations and desires and goals.

Importance of averages:
Since countries have different populations comparing total income does not tell us what an average person is likely to earn, hence we compare the average income which is the total income of the country divided by its total population. It is also called per capita income.

Criterion used by the World Bank as per World Development Report 2006, in classifying the countries. World Bank says that countries with the per capita income of Rs 4,53,000 per annum and above in 2004 are called rich countries and those with the per capita income of Rs 37,000 or less are called low-income countries. India comes in the category of low income countries because its per capita income in 2004 was just Rs 28000 per annum. Rich countries excluding the countries of Middle-East and certain other small countries are generally called developed countries.

Key terms:

- Development. Growth of economy along with the improvement in the quality of life of the people like health, education etc.
- Per capita income. Is the average income obtained as the ratio between National Income and Population of a country.
- National income. Is the money value of final goods and services produced by a country during an accounting year.

Human development Index:
It is a composite Index prepared by United Nations Development Programme (UNDP) through its Annual Human Development Report published every year. Major parameters such as longevity of life, levels of literacy and Per capita income are used to measure the development of countries. World countries are ranked accordingly in to Very High Developed countries, High Developed countries, Medium Developed countries and Low Developed countries.

- Infant Mortality Rate. The number of children that die before the age of one year as a proportion of 1,000 live birth in that particular year.
- Literacy Rate. It measures the proportion of literate population in the 7 and above age group.

- Net Attendance Ratio. It is the total number of children of age group 6-10 attending school as a percentage of total number of children in the same age group.
- Body Mass Index. (BMI) one way to find out if adults are undernourished is to calculate Body Mass Index. Divide the weight of a person (in kg) by the square of the height (in metres). If this figure is less than 18.5 then the person would be considered undernourished. If this BMI is more than 25, then a person is overweight.

Sustainable Development:
It means development without hampering the Environment. It is the process of development that satisfies the present needs without compromising the needs of the future generation.

Sectors of Indian Economy- Chapter 2

Primary sector:
When we produce goods by exploiting natural resources, it is an activity of the primary sector.

Secondary sector:
Covers activities in which natural products are changed into other forms through ways of manufacturing, it is also called as industrial sector.

Tertiary sector:
These are the activities that help in the development of the primary & secondary sector. These activities by themselves do not produce good but they are an aid and support to the production process. Example: Transportation-Goods that are produced in the primary sector need to be transported by trucks or trains and than sold in the wholesale and retail shops; Storage—at times it is necessary to store these products in godowns, which is also a service made available. Communication -talking to others on telephone); Banking-borrowing money from the banks. Since these activities are generate services rather than goods it is also called Service sector.

Gross Domestic Product (GDP):
The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year. And sum of production in three sectors give Gross Domestic Product—GDP of the country. It is the value of all final goods and services produced within the country during a particular year.

Underemployment:
This is the situation of where people are apparently working but all of them are made to

work less than their potential. This kind of underemployment is hidden in contrast to someone who does not have a job. Hence, it is also called disguised unemployment.

Mahatma Gandhi National Rural Employment Guarantee Act 2005, (MNREGA 2005):
Under NREGA 2005, all those who are able to, and are in need of, work have been guaranteed 100 days of employment in a year by the government. If the government fails in its duty to provide employment, it will give unemployment allowances to the people.

Organised sector:
It covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work.

Unorganized sector:
It is characterized by small and scattered units which are largely outside the control of the government. There are rules and regulations but these are not followed.

Public sector:
In this sector government owns most of the assets and provides all the services.

Growing importance of Tertiary sector:

- In any country several services such as hospitals , educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defense, transport, banks, insurance companies etc. are required.
- The development of the agriculture and industrial leads to the development of services such as transport, trade, storage and the like. Greater the development of primary and secondary sectors more will be demand of such services.
- As the income level rise, certain sections of people start demanding many more services like
  eating out, tourism, shopping , private hospitals, professional training etc. This is found especially in the big cities.
- Over the past decade or so certain new services such as those based on the information and communication technology have become important & essential.

Money and Credit - Chapter 3

- **Money:**
  Money acts as an intermediate in the exchange process & it is called medium of

exchange. In many of our day to day transactions, goods are being bought & sold with the use of money.

- The reason as to why transactions are made in money is that, a person holding money can easily exchange it for any commodity or service that he or she wants.
- **Double coincidence of wants:**
  When in the exchange, both parties agree to sell and buy each others commodities it is called double coincidence of wants. In the barter system double coincidence of wants is an essential feature.
- **Demand Deposits in Bank:**
  Deposits in the bank account that can be withdrawn on demand. People need only some currency for their day to day needs. For instance workers who receive their salaries at the end of each month, have some extra cash. They deposit it with the banks by opening a bank account in their name. Bank accept the deposits and also pay an interest rate on the deposits.
- **Cheque:**
  Paper instructing the bank to pay a specific amount from a person's account to the person in whose name the cheque is drawn.
- **Reserve Bank of India:**
  It is the central bank of India which controls the monetary policy of the country. Reserve Bank of India supervises the activities of formal sector and keep the track of their activities but there is no one supervise the functioning of informal sector. Periodically banks have to submit information to the RBI on how much they are lending and to whom, at what interest rate, etc.
- **Credit:**
  The activity of borrowing and lending money between two parties.
- **Collateral:**
  Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid. Property such as land titles, deposits with banks, livestock are some common examples of collateral used for borrowing.
- **Terms of Credit:**
  Interest rate, collateral and documentation requirement, and the mode of repayment together comprise what is called the terms of credit. The terms of credit vary substantially from one credit arrangement to another. They may vary depending on the nature of the lender and the borrower.
- **Formal sector:**
  Includes banks & cooperatives; RBI supervises the functioning of formal sources of loans. To see that the bank maintains a minimum cash balance and monitors that these banks give loans not just to profit-making business and traders but also to small cultivators , small scale industries , to small borrowers etc. periodically banks have to submit information to RBI of their activities.
- **Informal sector:**
  Includes money lenders, traders, employers, relatives & friends etc. There is no one to supervise their credit activities. They can charge whatever rate of interest. There is no one to stop them from using unfair means to get their money back.

- **Self Help Groups (SHG):**
  A typical SHG has 15-20 members usually belonging to a neighborhood, who meet and save regularly. Saving per month varies from 25-100 rupees or more depending upon the ability of the people. Members take small loans from group itself to meet their needs.

Globalisation and the Indian Economy -Chapter 4

Globalisation refers to the integration of the domestic economy with the economies of the world.

An MNC is a company that owns and controls production in more than one nation.

Foreign Investment is investment made by MNCs.

Advantages of Foreign Trade—

1. 'Foreign Trade' has facilitated the travel of goods from one market to another.
2. It provides a choice of goods to the buyers.
3. Producers of different countries have to compete in different markets.
4. Prices of similar goods in two markets in two different countries become almost equal.

SEZs or Special Economic Zones are industrial zones being set up by the Central and State Governments in different parts of the country. SEZs are to have world class facilities such as electricity, water, roads, transport, storage, recreational and educational facilities. Companies who set up production units in SEZs are exempted from taxes for an initial period of five years. SEZs thus help to attract foreign companies to invest in India.

Reasons to put barriers to foreign trade:

1. The Indian government after independence had put barriers to foreign trade and investment. This was done to protect the producers within the country from foreign competition. Industries were just coming up in the 1950s and 1960s and competition from imports at that stage would not have allowed these industries to develop and grow. Imports of only essential items such as machinery, fertilizers, petroleum etc. was allowed.
2. To protect the Indian economy from foreign infiltration in industries affecting the economic growth of the country as planned. India wanted to move faster to catch

up with the main industries in the world market and therefore had to keep an extra watch on its progress in international trade and give incentives to the more rapidly growing industries through fiscal tariff and other means.

Around 1991, some changes were made in policy by the Indian government as it was decided that the time had come for the Indian producers to compete with foreign producers. This would not only help the Indian producers to improve their performance but also improve their quality.

Liberalization means the removal of barriers and restrictions set by the government on foreign trade. Governments use trade barriers to increase or decrease (regulate) foreign trade to protect the domestic industries from foreign competition. Example, Tax on imports. Around 1991, government India adopted the policy of liberalization.

World Trade Organization (WTO) was started at the initiative of the developed countries. Its main objective is to liberalize international trade.

Privatization means transfer of ownership of property from public sector to private sector.

Business Process Outsourcing (BPO) is the contracting of non primary business activities and functions to a third party service provider.

Economic Reforms or New Economic Policy is policy adopted by the Government of India since July 1991. Its key features are Liberalization, Privatisation and Globalisation (LPG).

MNCs set up production in various countries based on the following factors:

- MNCs set up offices and factories for production in regions where they can get cheap labour and other resources; e.g., in countries like China, Bangladesh and India.
- At times, MNCs set up production jointly with some of the local companies of countries around the world. The benefit of such joint production to the local company is two-fold. First, the MNCs can provide money for additional investments for faster production. Secondly, the MNCs bring with them the latest technology for enhancing and improving production.
- Some MNCs are so big that their wealth exceeds the entire budgets of some developing countries. This is the reason why they buy up local companies to expand production. Example, Cargill Foods, An American MNC has bought over small Indian company such as Parakh Foods.

- MNCs control production by placing orders for production with small producers in developing nations; e.g., garments, footwear, sports items etc. The products are supplied to these MNCs which then sell these under their own brand name to customers.

Factors which have helped in globalization:

- Technology. Rapid improvement in technology has contributed greatly towards globalization.
- Development in information and communication technology has also helped a great deal. Telecommunication facilities — telegraph, telephone (including mobile phones), fax are now used to contact one another quickly around the world. Teleconferences help in saving frequent long trips across the globe.
- Information technology has also played an important role in spreading out production of services across countries. Orders are placed through internet, designing is done on computers, even payment for designing and printing can be arranged through internet.

Consumer Rights - Chapter 5

Consumer is a person who buys and uses a good or service from the market after making a payment.

Some common ways by which consumers may be exploited by manufacturers and traders:

- **Underweight and under-measurement:** Goods sold in the market are sometimes not measured or weighed correctly.
- **High prices:** Very often the traders charge a price higher than the prescribed retail price.
- **Sub-standard quality:** The goods sold are sometimes of sub-standard quality, e.g. selling medicines beyond their date of expiry, selling deficient or defective home appliances.
- **Duplicate articles:** In the name of genuine parts or goods, fake or duplicate items are sold.
- **Adulteration and impurity:** In costly edible items like oil, ghee and spices, adulteration is common in order to earn more profit. This causes heavy loss to the consumers.
- **Lack of safety devices:** Fake or inferior electronic goods, electrical devices or other appliances, produced locally lack the required in-built safety measures. This may cause accidents.

- **Artificial scarcity:** Some unscrupulous businessmen create artificial scarcity by hoarding. They sell their goods for a higher price by creating panic among consumers.
- **False and incomplete information** is provided by sellers which can easily mislead consumers.
- **Unsatisfactory after-sale service:** The suppliers do not provide the satisfactory after-sale service despite the necessary payments on items such as electronics, automobiles, etc.

Consumer International:
An international umbrella organization to over 240 member organizations from over 220 countries.

COPRA: This Act (COPRA) 1986 tries to ensure:

- information, safety, redressal, representation and consumer education.
- Under COPRA, a' three tier quasi-judicial machinery at the district, state and national level helps in solving consumer disputes.
- Consumer Movement with its different organisations helps in exerting pressure on business firms as well as the government to correct their conduct which may be against the interests of the consumers at large.

Right to Information Act, 2005:
This act gives rights to the citizen to have information about the government departments, their policies practices and procedures.

ISI Mark:
A certification mark for industrial products in India developed by the Bureau of Indian Standards.

AGMARK:
A certification mark employed on agricultural products in India by the directorate of Marketing and Inspection.

Hallmark:
An official mark struck on items made of precious metals like gold silver platinum etc.

Duties of consumers while shopping are
A consumer must check for a certification of quality such as ISI mark, Agmark or Hallmark; Consumers must ensure that they receive a valid bill or cash memo and warranty on purchase of items especially electronic goods such as TV, laptop, mobile phones etc.; The consumer should not allow a salesman to force him/her to buy a

particular brand; and a consumer should inform concerned authorities if a shopkeeper is selling defective goods.

Consumer Forum:

The consumer movement in India has led to the formation of various organizations locally known as consumer forums or consumer protection councils. They guide consumers on how to file cases in the consumer court. They represent consumers in the consumer courts. These voluntary organizations receive financial support from the government for creating awareness among the consumers.