Dear Aspirants, We are launching “Economy – Pre cum Mains” for IAS 2020 & 2021

1) WHAT WILL BE THE DELIVERABLES ?
   - Weekly four to five Online recorded Video classes on your personal computer dashboard and Android and Iphone app
   - One to one doubt discussion with faculty over phone /whatsapp (Pre defined Regular Time slots will be given for one to one and conference calls). Separate doubt sessions will also be conducted live for all
   - Pre-defined topic wise lecture plan
   - Complete, relevant and effective printed & soft copy study material
   - Sufficient handwritten class notes making
   - Mindmaps
   - 5 practice section wise tests and 2 comprehensive tests at par with UPSC level – THROUGH ONLINE PRACTICE PLATFORM
   - Previous year question analysis and structure making
   - Additional sessions may be held, if needed
2) APPROACH DURING CLASSROOM
- Concepts evolution from basic to applied level for every topic
- Maximum discussion and negligible dictation
- Conceptual Interlinking of topics
- Answer to most probable MCQs for Prelims exam
- From conventional till recent updates on the topic
- No need to refer any other reference book
- You will remember lots of things from the lecture itself and will be able to deliver in the exam

3) SOURCES COVERED IN THE COURSE:
- NCERTs – 11th & 12th
- Ramesh Singh, Sanjeev Verma, Shankar Ganesh
- Kaushik Basu, NCERTs, Uma Kapila, Mishra & Puri
- Updated current affairs since the last 3 years (from the Hindu Indian Express, Business Standard and PIB)
- Coverage of 2 years economic survey and budget, Yojana & Kurukshetra
- Economic Survey 2020 and Budget will be covered as and when they are released
- The Hindu, Indian Express, PIB, Business Standard
- NITI Aayog Strategy Document @75

4) COURSE LOGISTICS:

<table>
<thead>
<tr>
<th>COURSE NAME</th>
<th>MASTER ECONOMY (PRE-SUM-MAINS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliverables</td>
<td>500+ Prelims Topics from entire syllabus</td>
</tr>
<tr>
<td></td>
<td>150+ Mains Topics Economy (incl. Agriculture Development)</td>
</tr>
<tr>
<td>No of lectures</td>
<td>120+ Sessions of 1 Hr each</td>
</tr>
<tr>
<td>Weekly lectures</td>
<td>4 to 6 sessions a week</td>
</tr>
<tr>
<td>Target Aspirants</td>
<td>Appearing in IAS 2020 and IAS 2021</td>
</tr>
<tr>
<td></td>
<td>(Updations till Mains 2021 will be provided for students even after completion of the course)</td>
</tr>
<tr>
<td>Relevant for</td>
<td>Who want to be 100% confident in Economy - Both fresher and Senior players</td>
</tr>
<tr>
<td>Fee</td>
<td>Rs 9,500 (GST @ 18% is included in above)</td>
</tr>
</tbody>
</table>

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5) ADMISSION PROCEDURE

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Once you pay, within 24 Hrs you will get your e-learning platform login password separately.

You will get recorded lectures and soft copy materials in your dashboard as per lecture plan.

Video lectures will also be available on android app/iphone app (Link of such apps we will send to your after admission).

For any problem Please drop an email at rkumar@writetobeias.com or Whatsapp/Call at 98115

6) About the faculty – CA RAHUL KUMAR

Mr Rahul Kumar is a Chartered Accountant. He appeared in UPSC Interviews thrice. He has been a faculty in Economy (Prelims-cum-Mains) and GS 3 Mains in famous Delhi civil Institutes for many years. Lecture discussion and study material will reflect his experience. He has experience of working in government organisations for more than 8 years.

He has deep interest & expertise in Indian economy, agriculture development and environmental & internal security issues.

You can connect with him over WhatsApp at 9045716803 or drop an email at rkumar@writetobeias.com for any query/clarification regarding the course.

7) 500+ PRELIMS TOPICS LIST – TO BE COVERD IN CLASS

LIST OF 500 PRELIMS EXCLUSIVE TOPICS TO BE COVERED

In addition to these topics, we will cover followings along with relevant chapters

1) Previous Year Questions
2) Practice Mock MCQs
3) Economic Survey of 3 latest Years
4) Current Affairs till Mains 2021

(Ch-1) Basic concepts in Economy

<table>
<thead>
<tr>
<th>STATIC/CONCEPTUEL</th>
<th>CURRENT AFFAIRS</th>
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</thead>
<tbody>
<tr>
<td>Meaning of economy</td>
<td>Middle Income Trap</td>
</tr>
<tr>
<td>Economy vs Economics</td>
<td>Circular Economy</td>
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</table>
### (Ch-2) ECONOMIC GROWTH & DEVELOPMENT

#### STATIC/CONCEPTUAL

- Economic Growth – Meaning, Aims, Calculation, Real vs Nominal
- Better measure of eco growth – GDP or per capita income
- Capital formation and ICOR
- Savings Rate – meaning, factors, calculation
- Investment Rate
- Savings vs Investment slowdown
- Economic Development
- Growth vs Development
- Business Cycles and trend growth
- Various indicators of growth
- Various indicators of development
- Human Development
- HDI Index
- Purchasing Power Parity
- Five Year Plans- Basic Objectives and Aims

#### CURRENT AFFAIRS

- Changes made in Indian GDP Series
- Economic Survey Chapter 1
- National Statistical Office (NSO), MoSPI
- National Statistical Commission (NSC)
- Economic Survey
### (Ch-4) MONEY & BANKING

#### STATIC/CONCEPTUAL

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<tr>
<th>Topic</th>
<th>Description</th>
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<tbody>
<tr>
<td>Economic Territory</td>
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<td>Depreciation</td>
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<td>Resident vs Citizen</td>
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<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
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<tbody>
<tr>
<td>History of Development of Banking System in India</td>
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<tr>
<td>Money - Functions, Demand, Supply, Types</td>
<td>Digital Money, Cryptocurrency</td>
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<tr>
<td>Types of Bank Accounts</td>
<td>Micro ATM</td>
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<td>Classification of Banking Sector</td>
<td>Types of ATM</td>
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<td>Small Finance Banks</td>
<td>UPI, NPCI</td>
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<td>Board for Regulation and Supervision of Payment and Settlement Systems</td>
<td>White Label ATMs, Brown label ATMs</td>
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<td>Shadow Banking System</td>
<td>Digital modes of payment settlement- NEFT, RTGS, IMPS</td>
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<td>Microcredit</td>
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<td>SIDBI</td>
<td>COMMITTEES - Nachiket Mor, Bimal Jalan, Urjit Patel etc</td>
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<td>National Housing Bank</td>
<td>Transition of Urban Co-Operative Banks into Small Finance Banks</td>
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<td>Payments Bank</td>
<td>Amalgamation vs Merger of Banks</td>
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<td>Small Finance Banks</td>
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<td>Regional Rural Banks (RRB)</td>
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<td>Ombudsman Scheme for Digital Transactions by RBI</td>
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<td>Capital Adequacy Ratio</td>
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<td>Basel III (Third Basel Accord)</td>
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<td>Base rate</td>
<td>Banning of Unregulated Deposit Schemes Act, 2019</td>
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<tr>
<td>Securitization</td>
<td>Chit Funds (Amendment) Bill, 2019</td>
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</table>

**Steps Taken to Tackle NPAs**

| DRT (SARFAESI) Act, 2002 |
| Asset Reconstruction Company |
| Bad Banks |
| Emphasis on Debt Restructuring |
| Mission Indradhanush for Public-Sector Banks |
| Banks Board Bureau |
| Bank Merger 237 |
| Insolvency and Bankruptcy Code, 2016 |

**LATEST CURRENT**

- Retail, SME loans to be linked to external benchmarks
- 2. Financial Benchmarks India Pvt Ltd
- 3. Urban Cooperative Banks to transition into Small Finance Banks
- 4. Issues related to RBI
  - (i) Transfer of funds from RBI to Central Government-
  - (ii) RBI’s Banking Ombudsman-
  - (iii) Section 7 of RBI Act, 1935
- 5. Steps taken by RBI for NPA Resolution
  - (i) Classification of stress into SMA (Special Mention Account)-
  - (ii) Insolvency And Bankruptcy Code (Amendment) Ordinance 2018
  - (iii) Cross-border Insolvency
  - (iv) Public Credit Registry (PCR)
  - (v) Prompt Corrective Action (PCA)
  - (vi) Project Sashakt
- 6. Previous Schemes for NPA Resolution
  - (i) Private Asset Reconstruction Companies (ARC)
  - (ii) Strategic Debt Restructuring
  - (iii) Asset Quality Review
- 7. Banking Regulation
  - (i) Bank Recapitalization Package
  - (ii) Indradhanush-
  - (iii) Merger Of Dena Bank, Vijaya Bank And Bank Of Baroda
8. Schemes for Financial Inclusion

(I) Pradhan Mantri Jan-dhan Yojana (Pmjd)

(ii) Pradhan Mantri Mudra Yojana

(iii) Unified Payments Interface (UPI)

(iv) National Payments Corporation Of India (NPCI)

(V) Jan Dhan Darshak App

(Vi) Reduction In Merchant Discount Rate

(Vii) Different Types Of Atms

(Viii) India Post Payments Bank (IPPB)

(Ix) QR Card In IPPB

(X) Business Correspondents (BC)

(Xi) Common Service Centres (CSC) As B.C.

(CH-5) EXTERNAL SECTOR

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(CH-6) Financial Markets - Money & Capital Markets

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<td>International Financial Services Centres (IFSC) Authority Bill, 2019</td>
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<td>Systematically Important Non-Deposit Core Investment Company</td>
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<td>Development Impact Bond (DIB)</td>
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<td>Sovereign wealth fund</td>
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(Ch-7) PUBLIC FINANCE
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<td>FRBM Act, 2003</td>
<td>DTAA</td>
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<td>Budget &amp; its components</td>
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<td>Receipts and expenditure</td>
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<td>Capital vs Revenue</td>
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<td>Plan and Non-plan expenditure</td>
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<td>Deficits and its types</td>
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<td>Deficit financing</td>
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<table>
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<th>STATIC/CONCEPTUEL</th>
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<tr>
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<td>Base Erosion and Profit Shifting</td>
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<td>Methods of Taxation – Progressive, Regressive and Proportional</td>
<td>Goods and Services Tax Network (GSTN)</td>
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<td>Tax Types- Proportional Taxes, Progressive Taxes, Regressive Taxes</td>
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<td>Types- Direct and Indirect Taxes</td>
<td>E-way bill</td>
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<td>DTC – Direct Tax Code</td>
<td>Sabka Vishwas-Legacy Dispute Resolution Scheme, 2019</td>
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<td>Minimum Alternate Tax</td>
<td>Forest Villages and Revenue Villages</td>
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<tr>
<td><strong>Important Taxes in India</strong>- Income Tax Excise Duty Customs Duty Service Tax Sales Tax or VAT</td>
<td>Withholding Tax</td>
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</tbody>
</table>
### Goods and Services Tax (GST)
- Components of GST: SGST, CGST and IGST
- Composition of the GST Council
- GST Rate
- Commodities Outside GST
- Compensation to States
- Implications of Introducing GST
- Administration of GST
- Input Credit Under GST
- Conditions for Claiming Input Credit
- Challenges in Introduction of GST

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<tr>
<th>Tax-to-GDP Ratio</th>
<th>Long Term Capital Gains Tax</th>
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<td>FATF</td>
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<td>Tax Havens</td>
<td>Tax Information Exchange Agreement (TIEA)</td>
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</table>

#### General Anti-Avoidance Rules (GAAR)
- Shell Companies
- Economic Survey

### Static (Ch-9) Inflation
- Meaning & Types of Inflation
- Effects of Inflation
- Factors Affecting Inflation
- Role of RBI in Curtailing Inflation
- Measurement of Inflation
- Inflation Indices
- Measures to Control inflation
- Depression, Recovery, Boom, Recession, Growth recession, Double-Dip recession, Abenomics

### Static (Ch-10) INDUSTRY
- Industrial Policy prior to 1991
- Industrial Policy Since 1991

### Current
- Department for Promotion of Industry and Internal Trade (DPIIT)
- Udyam Abhilasha
- Pariwaran Scheme
<table>
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<tr>
<th>Static</th>
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<td>International Crops Research Institute for the Semi-Arid-Tropics (ICRISAT)</td>
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<td>APMCs</td>
<td>Asian Tea Alliance</td>
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<td>Tea Board</td>
<td>Krishi Kalyan Abhiyan</td>
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<td>Livestock Census</td>
<td>Coal Mine Surveillance &amp; Management System (CMSMS) and ‘Khan Prahari’ mobile application.</td>
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<td>Food Corporation of India (FCI)</td>
<td>Pradhan Mantri Annadata Aay SanraksHan Abhiyan (PM-AASHA)</td>
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<td>Sugarcane Pricing mechanism in India</td>
<td>Pradhan Mantri Fasal Bima Yojna (PMFBY)</td>
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<td>MSP</td>
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<td>Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)</td>
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Rashtriya Kamdhenu Aayog
Honey Mission' initiative
MEGHDOOT App

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<td>10th Agriculture Census 2015-16</td>
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<td>MSP for MFP</td>
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<td>United Nations’ Decade of Family Farming (2019-2028)</td>
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<td>Agriculture Export Policy, 2018</td>
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<td>Marine Fisheries Regulation and Management (MFRM) Bill 2019</td>
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</tbody>
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**Course Broucher for Economy (Prelims-Cum-Mains) 2019**

### (Ch-12) INFRASTRUCTURE & ENERGY

#### Static | Current
--- | ---
Transportation | Freight Village
Railways | Water aerodrome
Road Network | Draft National Logistics Policy
Indian Shipping | Train-18
Civil Aviation | National Rail and Transportation Institute (NRTI)

#### Power

Mission Satyanishtha

Public–Private Partnerships

Bidder Information Management System (BIMS) and Bhoomi Rashi

Coal Sector

Pradhan Mantri Surakshit Sadak Yojana

Renewable Energy

Pradhan Mantri Awaas Yojana

Multi-modal terminal

Smart Cities Mission

Jal Marg Vikas project

UDAN 3.0

#### ENERGY - Current Affairs

**Laws, Policy**

Petroleum and Explosives Safety Organisation (PESO)

Motor Vehicle (Amendment) Act, 2019

New Definition for Petroleum under Petroleum and Natural Gas Rules, 1959

Consumer Protection Act, 2019

Unconventional hydrocarbons

RERA, 2016

Petroleum and Natural Gas Regulatory Board (PNGRB)


Petroleum, Chemicals and Petrochemical Investment Regions (PCPIRs)

Draft Model Tenancy Act, 2019

Strategic Petroleum Reserve (SPR)

Schemes, Portals, Apps
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<th>Aapoorti App</th>
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<td>Deendayal Upadhyaya Gram Jyoti Yojana</td>
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<td>Power System Flexibility</td>
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<td>Smart Meters</td>
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<td>e-Dharti app and e-Dharti Geo Portal</td>
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### MAINS ECONOMY TOPICS LIST

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# NATIONAL INCOME ACCOUNTING

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<th>Three Methods for estimation of National Income</th>
<th>Any of these methods can be used in any of the sectors – the choice of the process depends on the choice of the purpose of measurement.</th>
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<td>Output or Value added or Production Method</td>
<td>Economy is divided into different sectors such as agriculture, fishing, mining, construction, manufacturing, trade and commerce, transport, communication and other services.</td>
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<tr>
<td>Process</td>
<td>Then, the gross product is found out by adding up the net values of all the production that has taken place in these sectors during a given year.</td>
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<tr>
<td>Measures/Indicators</td>
<td>(a) Gross Value Added (GVA)</td>
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<tr>
<td>Use</td>
<td>Will be discussed in detail later on…</td>
</tr>
<tr>
<td>Income Method</td>
<td>Where a census of production for the year is calculated</td>
</tr>
<tr>
<td>Process</td>
<td>Focuses on “Distribution side”</td>
</tr>
<tr>
<td>National income is obtained by summing up of the incomes (rent of land, wages and salaries of employees, interest on capital, profits of entrepreneurs and income of self-employed people) of all individuals in the country.</td>
<td></td>
</tr>
<tr>
<td>Measures/Indicators</td>
<td>(a) Gross &amp; Net National Income/Product</td>
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<td>Use</td>
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<td>Expenditure Method</td>
<td>(b) Gross &amp; Net Disposable Income</td>
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<td>Measures/Indicators</td>
<td>(c) Gross Capital Formation (GCF)</td>
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<tr>
<td>Use</td>
<td>Will be discussed in detail later on…</td>
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</table>
method depends on the **convenience of using** that method in a sector

| Indicators on N.I. in Output or Value added or Production Method | GROSS VALUE ADDED (GVA) | GVA at factor cost = value of output - value of intermediate consumption.

GVA at factor cost includes no taxes and excludes no subsidies.

It represents the contribution of labour and capital to the production process.

Value added is a flow variable.

GVA at basic prices = GVA at factor cost + (Production taxes less production subsidies)

In the revision of the National Accounts Statistics in January 2015 by the CSO, it was decided that sector-wise estimates of GVA will now be given at basic prices along with the factor cost.

| Gross Domestic Product (GDP) | Gross Domestic Product is the total value of **all final goods and services** produced **within the boundary of the country** during a given period of time, generally one year.

GDP at market prices = GVA at basic prices + Product taxes − Product subsidies

Here the produce of **resident citizens** as well as **foreign nationals** who reside within that **geographical boundary** is considered.

| Why GVA is calculated | 1. GVA and GDP give a picture of economic activity from **producers’ (supply side)** and consumers’ (demand side) perspective, respectively, because GVA is the net receipt of the producers and GDP is the expenditure incurred by the consumers.

2. GVA provides a **better measure of economic activity** because GDP can record a sharp increase just on account of increased tax collections due to better compliance/coverage and not necessarily due to
increase in output.

3. GVA is a better reflection of the **productivity of the producers** as it excludes the indirect taxes, which could distort the production process.

4. A **sector-wise breakdown** provided by the GVA measure can better help policymakers to decide which sectors need incentives/stimulus or vice versa.

In India, GDP is estimated by the **Central Statistical Office (CSO)**.

Under the Fiscal Responsibility and Budget Management Act 2003 and Rules thereunder, **Ministry of Finance** uses the GDP numbers (**at current prices**) to peg the **fiscal targets**. For this purpose, Ministry of Finance makes their own projections about GDP for the **coming two years** while specifying **future fiscal targets**.

The **Reserve Bank** switched back to the gross domestic product (GDP)-based measure to offer its **growth estimates** from the **gross value added** (GVA) methodology, citing **global best practices**. While GVA gives a picture of the **state of economic activity** from the **producers' side** or **supply side**, the GDP model gives the picture from the **consumers' side** or **demand perspective**.

**Indicators on N.I. in Income Method**

<table>
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<th>GROSS NATIONAL PRODUCT (GNP)</th>
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<tr>
<td>It is the <strong>total value of the total output</strong> or production of final goods and services produced by the <strong>nationals</strong> of a country during a given period of time, generally one year.</td>
</tr>
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</table>

Income of all the resident and non-resident citizens of a country is included whereas the income of foreign nationals who reside within the geographical boundary of the country is excluded.

\[
GNP = GDP + (X-M)
\]

\[X \ (\text{export}) = \text{inward remittances of a country in}\]
respect of the goods produced and services rendered (exported) by nationals of a country abroad.

\[ M \text{ (import)} = \text{outward remittances of a country from the goods produced and services rendered by foreign nationals of the country in the domestic area.} \]

\[ X-M \text{ is called as Net Factor Income from Abroad (NFIA). So,} \]

\[ \text{GNP} = \text{GDP} + \text{Net Factor Income from Abroad} \]

<table>
<thead>
<tr>
<th><strong>NET NATIONAL PRODUCT (NNP) at Market Price</strong></th>
<th>Net National Product is arrived after deducting depreciation from gross national product.</th>
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<tr>
<td><strong>NNP AT FACTOR COST (NNP FC)</strong></td>
<td>For this, the indirect tax is deducted from NNP at market price. Then the subsidies given to produce goods and services are added.</td>
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<tr>
<td><strong>Gross National Disposable Income</strong></td>
<td>It measures the income available to the nation for final consumption and saving. It includes both earned income and transfer income (unearned income). Gross national disposable income may be derived from gross national income by adding all current transfers (e.g. Remittances, Social contributions, gifts, aids etc.) receivable by resident from non-resident and subtracting all current transfers payable by resident to non-resident. National Disposable Income = Net National Product at market prices + Other current transfers from the rest of the world</td>
</tr>
<tr>
<td><strong>PERSONAL INCOME (PI)</strong></td>
<td>Personal income is the sum of all the income received by the entire people of the country in one year. The whole national income is not available to individuals of a country. At the same time, some monetary payments made to them is not included in national income. So, to calculate Personal Income, parts of national income that are not available to...</td>
</tr>
</tbody>
</table>
Individuals of the country is deducted from the national income.

The monetary payments made to them but not included in national income are added to the national income.

**Personal Income** = National Income + [(Transfer payments) – (undistributed profits of corporate + Payments for social security)]

**Personal income** = NNPFC + Net transfer payment

Usually the corporates do not distribute the whole profit to shareholders. A portion of profit is kept with them to meet future expenditure and expansion. This is called undistributed profits of the corporates.

Payment for social security provisions are payments made by employees towards pension and provident fund.

Transfer payment means the payment that are made not against any productive activity on the part of the receiver. The examples are, old age pension, unemployment compensation, disaster relief payment, interest paid on public debt, etc.

<table>
<thead>
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<th>DISPOSABLE PERSONAL INCOME (DPI)</th>
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<tr>
<td>Disposable Personal Income means the income that is available to individuals that can be disposed (spent) at their will. All the personal income cannot be spent by individuals. They have to make direct tax payments like income tax. These have to be deducted to arrive at the Disposable Personal Income.</td>
</tr>
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</table>

Disposable Personal Income = Personal Income - Direct Taxes
EXTRENAL SECTOR - CONTEMPORARY TOPICS

1. Tax Haven

- A tax haven is generally an offshore country that offers foreign individuals and businesses little or no tax liability in a politically and economically static environment.
- Tax havens also share limited or no financial information with foreign tax authorities.
- Tax havens do not typically require residency or business presence for individuals and businesses to benefit from their tax policies.
- The list of tax haven countries include Andorra, the Bahamas, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, the Channel Islands, the Cook Islands, Hong Kong, The Isle of Man, Mauritius, Lichtenstein, Monaco, Panama, and St. Kitts and Nevis.

2. Protectionism

- Protectionism is the economic policy of restraining trade between nations through qualitative and quantitative methods such as tariffs on imported goods, restrictive quotas, and a variety of other restrictive Government regulations.
- Protectionist policies protect the producers, businesses and workers of the import-competing sector in a country from foreign competitors.
- They are designed to discourage imports, and prevent foreign take-over of local markets and companies.
- WTO rules allow countries to use methods of protectionism but in a limited manner and in specific cases.
- According to the proponents of protectionism, these policies can counteract unfair trade practices, to allow fair competition between imports and goods and services produced domestically.

Types of Protectionism

- Tariffs- It is a tax on imports to reduce supply and raise the price of imports.
- Quotas- They have the effect of restricting the maximum amount of imports allowed into an economy. The Government receives no revenue from a quota, unless it can set up a system of licences.
- Exchange controls- The Government could limit the amount of foreign currency available for paying for imports.
- Export subsidies- It allows exporters to supply the market with more products than the natural equilibrium would have allowed.
• **Exchange Rates**- Intervening in the foreign exchange market to lower a currency’s valuation can raise the cost of imports and lower the cost of exports.
• **Administrative obstacles**- Countries can set administrative hurdles.
• **Health and safety standards**- Countries may set ominously high health and safety standards for goods that are imported.
• **Environmental standards**- Countries can set high environmental standards that they know **only domestic firms** are likely to be able to achieve.

3. Safeguard duty

- A safeguard is a form of temporary relief.
- They are used when **imports of a particular product increases** unexpectedly to a point that they cause or threaten to cause **serious injury to domestic producers** of like or directly competitive products.
- Safeguards give domestic producers a **period of grace** to become more competitive vis-à-vis imports.
- Customs Tariff Act, 1975 **empowers the Central Government** to impose Safeguard duty on **goods** which enter in **increased quantities** and cause or threaten to cause serious **injury to domestic industry** producing like or directly competitive goods.

4. Non-violation Complaint

- **In general**, disputes in the WTO involve allegations that a country has violated an **agreement or broken a commitment**.
- But in some situations a government can go to the **Dispute Settlement Body** even when an **agreement has not been violated**. This is called a non-violation complaint.
- It is allowed if one **Government can show** that it has been **deprived of an expected benefit** because of another government’s action, or because of any other situation that exists.

5. Sunset clause

- A sunset clause or provision is a **measure** within a law, regulation or statute that provides that the **law shall cease to have effect** after a specific date, unless the law is extended by legislative action.
- **Most laws do not have this clause** and hence, remain in force indefinitely.
- It is also called ‘**periodic review**’ of the law/statute.
- The chief reason behind having the sunset clause is to **prevent legislative inertia** from setting in. This way, unwanted laws will not accumulate.
● Sunset clause have been regularly used in India in tax and fiscal laws (like in tax holidays and regulations for exchange control).
● The Constitution provides for a ten-year sunset for reservations to the legislative assembly and Parliament seats through its Article 334.

6. Double Taxation Avoidance Agreement

● A DTAA is a tax treaty signed between two or more countries. Its key objective is that tax-payers in these countries can avoid being taxed twice for the same income.
● A DTAA applies in cases where a tax-payer resides in one country and earns income in another.
● DTAA can either be comprehensive to cover all sources of income or be limited to certain areas such as taxing of income from shipping, air transport, inheritance, etc.
● India has DTAA with more than eighty countries, of which comprehensive agreements include those with Australia, Canada, Germany, Mauritius, Singapore, UAE, the UK and US.

7. Shell company

● Theoretically, shell companies are companies without active business operations or significant assets.
● They can be set up by business people for both legitimate and illegitimate purposes.
● Illegitimate purposes for registering a shell company include hiding particulars of ownership from the law enforcement, laundering unaccounted money and avoiding tax.
● With the shell company as a front, all transactions are shown on paper as legitimate business transactions, thereby turning black money into white. In this process, the business person also avoids paying tax on the laundered money.
● India, however, does not have a concrete definition of shell companies. Shell companies are not defined in any law or act.

8. Delisting of Shares

● Delisting occurs when a stock is removed from a stock exchange.
● Delisting usually means that a stock has failed to meet the requirements of the exchange.
● The consequences of delisting are significant and some companies strenuously avoid being delisted.
● The delisting of a security can be voluntary or involuntary.
● It usually results when a company ceases operations, declares bankruptcy, merges, does not meet the listing requirements, or seeks to become private.

9. Inward Remittances, RDA and MTSS
● **Transfer of money** from a foreign worker to their family or other individuals in their home countries.

● **The top sources of inward remittances to India:**
  ○ UAE (26.9%)
  ○ United States (22.9%)
  ○ Saudi Arabia (11.6%) and Qatar (6.5%)

● According to the survey, 82% of the **total remittances received by India** originated from eight countries- UAE, the U.S., Saudi Arabia, Qatar, Kuwait, Oman, the United Kingdom and Malaysia.

● Kerala has the highest share with 19%, followed by Maharashtra (16.7%), Karnataka (15%), Tamil Nadu (8%) and Delhi (5.9%).

● **More than half of remittances** received by Indian residents were **used for family maintenance**.

● The **rupee drawing arrangement** (RDA) is the **most popular channel of remittances** which accounts for 75.2% of remittances, followed by SWIFT (19.5%), direct transfers (3.4%) and cheques and drafts (1.9%).

### Rupee Drawing Arrangements (RDA)

● Rupee Drawing Arrangements (RDA) is a channel to **receive cross-border remittances** from overseas jurisdictions.

● Under this arrangement, the **Authorised Category I banks** enter into tie-ups with the **non-resident Exchange Houses** in the FATF compliant countries to open and maintain their Vostro Account.

● The **money to be remitted** is sent to the bank account of the receiver, and no cash remittance is allowed under RDA.

● There is **no limit on the remittance amount** as well as on the **number of remittances**. However, there is an upper cap of Rs.15.00 lakh for trade related transactions.

### Money Transfer Service Scheme (MTSS)

● Money Transfer Service Scheme (MTSS) is a way of **transferring personal remittances from abroad to beneficiaries in India**.

● Only inward personal remittances into India **such as remittances** towards family maintenance and remittances favouring foreign tourists visiting India are permissible.

● Under the scheme there is a **tie-up between** reputed money transfer companies abroad known as **Overseas Principals** and agents in India known as **Indian Agents** who would disburse funds to beneficiaries in India at ongoing exchange rates.

● A **cap of USD 2,500** has been placed on **individual remittances** under the scheme.

● **Amounts up to INR 50,000/-** may be paid in cash to a beneficiary in India.

● Any **amount exceeding this limit** shall be **paid** by means of account payee cheque/demand draft/payment order, etc., or credited directly to the beneficiary’s bank account.
10. Export Import Bank of India (Exim Bank)

- It was established in 1982 under an Act of Parliament as the apex financial institution for financing, facilitating and promoting India's international trade. It is regulated by RBI.
- The Bank primarily lends for exports from India including supporting overseas buyers and Indian suppliers for export of developmental and infrastructure projects, equipment, goods and services from India.

Concessional Finance Scheme (CFS)

- Under it, EXIM bank supports Indian entities bidding for strategically important infrastructure projects abroad since 2015-16.
- EXIM Bank extends credit at a rate not exceeding LIBOR (avg. of six months) + 100 bps. The repayment of the loan is guaranteed by the foreign government.
- Under the scheme Ministry of External Affairs selects the project, keeping in view strategic interest of India.

GRID (Grass Roots Initiative and Development) Initiative

- EXIM Bank provides financial support to promote grassroots initiatives/ technologies, particularly the ones with export potential and help the artisans/ producer groups/ clusters/ small enterprises/ NGOs realize remunerative return on their produce and facilitate exports from these units.

11. Export Credit Guarantee Corporation (ECGC)

The ECGC Limited is a company wholly owned by the Government of India. It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce.

Functions

- Provides credit risk insurance covers to exporters against loss in export of goods & services.
- Offers guarantees to banks and financial institutions to enable exporters to obtain better facilities.
- Provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan and advances.

12. World Customs Organization
WCO was established in 1952 as the **Customs Co-operation Council (CCC)**, it’s an **independent intergovernmental body** whose mission is to enhance the effectiveness and efficiency of Customs administrations.

- It’s the only global organization which **defines global standards and procedures** for customs clearance at the border and their implementation.
- **Membership**: India is a member since 1971.
- In July 2018, India became the **Vice-Chair (Regional Head)** of the Asia Pacific Region of WCO for a period of two years.

**Money Market**

- The money market is where **financial instruments** with **high liquidity** and very **short maturities** are traded.
- Money market transactions are **generally used for funding the transactions in other markets** including Government securities market and meeting short term liquidity mismatches.
- By definition, money market is for a **maximum tenor of up to one year**. Depending upon the tenors, money market is classified into:
  - **Overnight market** - The tenor of transactions is one working day.
  - **Notice money market** - The tenor of the transactions is from 2 days to 14 days.
  - **Term money market** - The tenor of the transactions is from 15 days to one year.

**Money Market Instruments**

- Money market instruments include call money, repos, Treasury bills, Commercial Paper, Certificate of Deposit and Collateralized Borrowing and Lending Obligations (CBLO).
- The money market is **regulated by the Reserve Bank of India**.
- All the money market transactions should be **reported on the electronic platform** called the Negotiated Dealing System (NDS).

<table>
<thead>
<tr>
<th>Call Money Market</th>
<th>Repo Market</th>
<th>Collateralised</th>
</tr>
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</table>
| - Call money market is a market for **uncollateralized lending and borrowing of funds**.  
  - This market is **predominantly overnight** and is open for participation only to scheduled commercial banks and primary dealers. | - Repo is an **instrument for borrowing funds by selling securities** with an **agreement to repurchase** the said securities on a **mutually agreed future date** at an **agreed price** which **includes interest** for the funds borrowed.  
  - The reverse of the repo transaction is called ‘**reverse repo**’ which is **lending of funds against buying of securities** with an agreement to resell the said securities on a **mutually agreed future date** at an **agreed price** which **includes interest** for the funds lent. | - CBLO is **operated by the Clearing Corporation of India Ltd. (CCIL)**, |
Borrowing And Lending Obligation (CBLO)  
- for the benefit of the entities who have either no access to the interbank call money market or have restricted access in terms of ceiling on call borrowing and lending transactions.
- CCIL members can borrow or lend funds against the collateral of eligible securities.
- CCIL matches the borrowing and lending orders submitted by the members and notifies them.

Certificate Of Deposit (CD)  
- Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Promissory Note, for funds deposited at a bank or other eligible financial institution for a specified time period.
- Banks can issue CDs for maturities from 7 days to a year whereas eligible FIs can issue for maturities 1 year to 3 years.

Commercial Paper (CP)  
- Commercial paper can be defined as an “unsecured money market instrument issued in the form of a promissory note”.
- Since it is not backed by collateral, only firms with excellent credit ratings from a recognized rating agency will be able to sell their commercial paper at a reasonable price.
- It is usually sold at a discount from face value, and carries higher interest repayment rates than bonds.
SAMPLE MAINS NOTES

Topics covered below

1) India’s Leapfrog to Methanol Economy (Economic Development)

2) Indian vs Chinese economy (Economic Development)

3) Fertiliser Subsidy reforms (Agriculture)

4) Land reforms in India (Agriculture)

India’s Leapfrog to Methanol Economy

A) Methanol Economy: means the replacement of fossil fuels with methanol as means of energy storage, transportation fuels and feedstocks of chemical products

B) Need for Methanol Economy in India:
- Energy security: India is the 6th highest consumer of petrol and diesel in the world
- Environmental concern: India is third highest energy related CO2 emitter country in the world.
- Current Account Deficit: India’s crude import bill stands at almost 6 lakh crores
- Inflation: The price of fuel has multiplier effect

C) Applications of Methanol in various sectors of Indian Economy:

1) Transportation: Methanol blended with gasoline and diesel or complete substitution + railway engines can run on methanol/DME blends + methanol and DME powered ships ➔ cost cutting and efficiency increase

2) Energy: India ➔ Huge Coal reserves ; Biomass generated ; Stranded & Flared gases ➔ alternate feedstock and fuels ➔ India’s 10% reduction in import dependence of oil and gas by 2022.

3) Manufacturing: methanol compatible engines under Make in India ➔ FDI investments ➔ employment

4) Marine sector: liquid form ➔ no SOX or NOX ; cheaper and cleaner than LNG and Bunker / Heavy Oil ➔ meeting the stringent emission regulations by the IMO ➔ reduce the costs.

5) Electricity power generation: as a turbine fuel

Table 1 Prelims Booster

<table>
<thead>
<tr>
<th>Methanol (CH3OH)</th>
<th>it is a single carbon compound that can be produced from coal, natural gas, biomass</th>
</tr>
</thead>
<tbody>
<tr>
<td>DME and bioDME</td>
<td>Primarily produced by converting hydrocarbons via gasification to synthesis gas (syngas). Synthesis gas is then converted into methanol in the presence of a catalyst (usually copper-based), with subsequent methanol dehydration in the presence of a different catalyst (for example, silica-alumina) resulting in the production of DME</td>
</tr>
</tbody>
</table>

Alternative fuel due to the advantages

- Scalable and sustainable fuel as can be produced from a variety of feedstocks.
- Efficient and can be cent percent renewable.
- Less Infrastructure costs
- Emits lesser NOx and Particulate matter (PM) than gasoline and produces no SOX as there is no sulphur in methanol.
- Can be blended (or be completely substituted) with gasoline to use as a transport fuel

DME and bioDME
- commonly used as a replacement for propane in liquid petroleum gas (LPG)
- a viable and clean diesel alternative
- can also be blended with LPG
- a non-toxic compound and is safe to handle
6) **Agriculture:** Biomass like rice straw or Bamboo in North East → feedstock → additional income to the farmers

7) **Telecom Towers:** 2% of diesel consumption → can be replaced

8) Chemicals sector: Methanol → producing various chemicals like formaldehyde, acetic acid and olefins → can be exported

9) **Clean cooking fuels:** Ujjwala Yojana (PMUY) → LPG connections → Methanol or DME blending with LPG or the complete substitution of latter through former can gradually replace LPG imports

10) **Swachh Bharat:** opportunity for India to use its landfills to convert it into methanol and avoid problems such as toxins leaching into the soil and release of GHG emissions etc

### D) Global Developments

- Methanol is being actively pursued by China, Italy, Sweden, Israel, US, Australia, Japan and many other European countries.
- 10% of fuel in China in transport Sector is Methanol. China alone produces 65% of world Methanol and it uses its coal to produce Methanol.
- The Technology has acquired commercial maturity and countries like Iceland are producing in meaningful quantities already.
- The United States ran several methanol programs, especially in California from 1980 to 1990 for the conversion of gasoline run cars to methanol blended fuels
- Israel, Italy have adopted the Methanol 15% blending program with Petrol.
- Methanol is seen by the world as the “Enduring Energy Solution known to Mankind”

### D) Status of Methanol in India:

- Presently at a nascent stage in production and usage but huge potential in both
- Methanol imports is meeting 90% of India’s methanol requirement → because cheaper for India to import vs domestic production → considerable forex outgo
- India imports 99% of its methanol from Iran and Saudi Arabia who produce it from natural gas
- India does not have a commercial coal to methanol plant despite having large coal reserves
- India is producing all of its methanol from imported natural gas
- The Government is likely to go ahead with a target of 15% blending by methanol/DME in gasoline/diesel by 2022
- Recently, Coal India Limited (CIL) planned to set up a coal based methanol plant in West Bengal
- The Namrup-based Assam Petrochemicals Limited (APL) rolled out the country’s first methanol-based cooking fuel project-
  - ‘Green and Clean Fuel Pilot Project on Methanol Cooking Stove’. The project has been promoted by NITI Aayog.

### E) NITI Aayog’s Plan for Methanol Production in India:

- India is producing all of its methanol from imported natural gas since domestic production is not economically viable at present. → it must use abundant domestic high ash coal to make it economically viable → Commercial coal to methanol plants need to be set up wherever necessary.
- It is estimated that a 1600 tons per day of methanol plant will require a capital expenditure of ~INR 1200 Cr which would be able to produce methanol at INR 17- 19 per liter which is comparable with the cost of imported methanol. Whereas, presently, the per liter cost of methanol production in India is INR 25-27 or even more depending on the volatility in the price of imported natural gas.
- Biomass/municipal solid waste and flared natural gas can also be used for methanol production, but the continuous availability of latter would be a challenge.

**F) Challenges:**
- **Water Intensive** → 20 cubic meters freshwater for 1 ton coal-based methanol → wastewater.
- **leakage and explosion** → loss of life and property.
- **Vehicle’s damage** → rubber or plastic components + corroding metals such as aluminum, magnesium, zinc.
- During the process of making methanol from coal, a large amount of **CO2 is emitted**.
- **Technology** to co-generate power in methanol plants requires further refinement.
- For blending more than 15% of methanol, internal combustion engines **changes in the engine design** are required.

**G) Way Forward:**
1. Create an *innovation fund* → support the R&D activities → a demonstration coal to methanol production plant
2. Have **sufficient domestic methanol production capacity** so that user industries are assured of supply
3. Simultaneous programs for the development of
   - *flexi-fuel vehicles* to run on methanol/DME fuel blends
   - Methanol/DME *cookstoves*
   - Converting diesel powered railway locomotives to methanol/DME based engines.
4. Explore possibility of setting up a *manufacturing facility for methanol/DME in Iran or Qatar* as these countries can provide the natural gas at very low prices
5. **Import Methanol/DME for its direct application** or for further conversion to chemicals like olefins as it is likely to be economically advantageous rather than importing crude
6. Set up a mega coal based *complex for production of power, methanol and fertilizer* in an integrated manner
7. **Methanol Blending Program** with all possible fossil fuels can be implemented on an early basis

**MAINS QUESTION:**
With growing energy needs should India work on exploring methanol production and application? Discuss the facts and fears associated with Methanol economy in India(250 Words, 15 Marks)

**India vs China’s Economy**

**Past to Present**
- In **1985**, GDP per capital for India and China was around $293 per person.
- In **2017**, as a World Bank report, India’s per capita has managed to reach $1,942, while China’s GDP per capita has expanded to $8,827.
In 2017, India became the sixth largest economy with a GDP of USD 2.59 trillion while China was the second largest with a GDP of USD 12.23 trillion, as per World Bank data.

Presently, India and China on an average have:
- same population rates
- identical levels of unemployment
- current GDP rates (highest among the world).

However, China’s economy is five times larger than India’s.

**Reason /factors for Difference in the Size of two Economies today**

China went through Cultural Revolution and the Great Leap Forward thus adopting an authoritarian and capitalistic model, while India followed a socialist economic model with state control. This model difference is one the key reasons China is in a better shape than India. In addition to this several other factors are listed below in detail -

<table>
<thead>
<tr>
<th>Factor</th>
<th>China</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politics</td>
<td>Authoritarian political system with The Chinese Communist Party (CCP) governs with minimum barriers → increases ease of policy implementation → rapid development on a large scale.</td>
<td>India is governed through a complex democracy. It has a federal parliament with regional assemblies, → slows down the rate of development due to the delay in decision making process → reducing the ease of implementation of polices</td>
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<tr>
<td></td>
<td>e.g. The Three Gorges Dam, which is the world’s largest hydropower project has been building for almost a decade. It has displaced more than 1.2 million population, and flooded 1,350 villages, 140 towns, and 13 cities in total. However, dam provides → Job opportunities → Clean energy</td>
<td>e.g. It took Indian parliament 16 years, to pass a GST bill in 2017</td>
</tr>
<tr>
<td>Industrial Focus</td>
<td>Backyard industrialization → MSME Focus → Labor intensive →Jobs → Balanced regional development</td>
<td>Mahalanobis &amp; Socialistic Model → Heavy Industries in Public Sector focused → Imbalanced regional dev. + Failed PSUs</td>
</tr>
<tr>
<td>Economic Reforms</td>
<td>Started in 1980s → Early mover advantage → Private investment from west</td>
<td>Started in 1991 as a result of crises</td>
</tr>
<tr>
<td>Political and Governance Reforms</td>
<td>Great Leap Forward 1958 → Capitalistic Model</td>
<td>1950 Constitution of India → Socialistic Pattern</td>
</tr>
<tr>
<td>Cultural Revolution 1966</td>
<td>Green and Industrial revolution impacts remain limited</td>
<td></td>
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<td>--------------------------</td>
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</tr>
<tr>
<td><strong>Openness of the economy</strong></td>
<td>SEZ Model → Export orientation → Foreign exchange earnings</td>
<td>Economic planning → Self-sufficiency objective → Inward looking strategy → No exports but high imports → 1991 Crises</td>
</tr>
<tr>
<td><strong>Geographical reasons</strong></td>
<td>Majority land is unproductive → Industrialization preferred over agriculture → high economic growth</td>
<td>Instability in focus over Agriculture &amp; Industry → Neither could develop properly → Finally in 1991 onwards Service sector dominates → Limited jobs</td>
</tr>
<tr>
<td><strong>Productivity</strong></td>
<td>• China has a better railways and roads system which increases speed of transportation. • China invested heavily in universities and skill development programs. The country also focused on creating jobs in labor-intensive sectors for its large population such as in garments, textiles, assembly and light engineering.</td>
<td>World Economic Forum’s Global Competitiveness Report → India lags behind China in almost all infrastructural category.</td>
</tr>
<tr>
<td><strong>Urbanization</strong></td>
<td>A high level of urbanization has occurred in China as opposed to India. 58 percent of China resides in the city. There is a strong evidence for the positive relationship between urbanization and growth of a nation.</td>
<td>Today only roughly 37 percent of Indian live in cities. Both the countries saw a shift of employment from agricultural sector to service and other non-farming sectors, as more people moved to cities in search for a higher wage. This transition happened faster in China than in India.</td>
</tr>
</tbody>
</table>
## Indian Economy strengths

- Exports and software exports have doubled in the last couple of years, even though export-to-GDP ratio is still low.
- India has seen a huge jump in foreign investment (over $21 billion)
- India’s young population is estimated to contribute to a high rate of personal savings.

## China’s strengths

- Today China is a $12.5 trillion economy, the second largest in the world.
- China’s trade is six times larger than India’s trade. In 2007 increase in China’s trade levels were around $433 billion where greater than India’s total trade.
- China’s trade is the second-third largest in the world, while India lags behind with only 1 percent of world trade.
- China’s Manufacturing Productivity is 1.6 times that of India
- Inflation in China is 1/6th times of Inflation in China

## Weaknesses of Chinese Economy

- Moving in the direction of a more reliable growth strategy which relies less on exports and majorly on domestic demand
- Regarding Entrepreneurship : China → communist country → State run enterprises are not efficient & not innovative. The Indian industry is based on innovative enterprises. Given the competitive nature of the world economy, the Indian industry stands a better chance at success in the future
- One Child Policy in China → a demographic time bomb → there are more people out of the workforce than in it. On an average, every Chinese worker is expected to pay for the costs of at least two Chinese retirees. (India, on the other hand, is facing a demographic dividend)
Brightful future for India

- **Today India is the fastest growing economy in G 20.** Based on OECD report of 2019, India’s GDP is said to be around 7.5 percent by 2020, versus being 7.25 percent in 2019.
- **China’s economy** is estimated to witness a cool down due to global trade tensions. China’s economy is estimated to be around 6 percent by the year 2020, according to a Paris based think tank.
- **India’s economy** clocked at a low of 6.6 percent in October-December period in 2018. While China according to Global Economics Prospects report 2019, is projected to witness a growth of 6.2 in the years 2019 and 2020, and a 6 percent growth in 2021.
- Based on the assumption that rapid growth eventually slows down, China’s time span of high growth may soon run its course, while India’s experience if more recent.
- **As per former RBI Governor, India will become bigger than China** eventually as China would slow down and India would continue to grow. So India will be in a better position to create the infrastructure in the region which China is promising today.

Growth lessons India can learn from China

- An increased investments and incentives in labor-intensive industries to create more job opportunities. In the past 25 years, labor-intensive industries have suffered in the form of excessive regulations and tax. → In order to increase job-creating, removal of restrictive labor regulations → India Brought Shramev Jayate Reforms
- **Increase investment in infrastructure** to account for 6.5 percent of the total GDP and release investment tools by divesting in infrastructure assets which are state owned.
- **Enhance productivity** of ports, improve conditions of railways and highways, and reduce power theft
- Allow private sector to investment in education in order to improve skills and human resources.
- Invest in new cities, to promote urbanization which will ease the delivery of civil services to raise the standard to living for the population.
- De-reserving goods for medium and small enterprises to make them grow bigger and faster

The Way Forward

India’s economy will continue to grow if economic reforms continue to grow and are stretched to large-scale structures. **Factors** that will help in India’s potential growth

- High domestic demand
- India’s demographic dividend is considerably larger than China’s
- India’s 60-year-old history of democracy provided it a solid foundation for adaptability and stability.
New income support measures for framers
- fiscal and quasi-fiscal stimulus
- Structural reforms like GST, Demo, IBC

India vs. China: Is There Even a Comparison?

China’s Economy is Four Times Larger Than India’s Economy: The GDP of India is close to $1.5 trillion. At the same time, the GDP of China is close to $7 trillion. The economy of China is at least 4 times as big as the economy of India. This means that even if China grows at the rate of a meagre 1.5% and India grows at a rate of 7%, the Chinese economy would have added the same amount in output as the Indian economy would have!

Comparing the GDP growth rates of India and China is therefore a pointless exercise. China’s growth rate has been consistently higher than India’s growth rate over the past three decades or so. India has barely overtaken the Chinese growth rate for a couple of quarters. Only if India can continue to beat the Chinese growth rate by a huge margin for the next two to three decades, does India stand a chance of overtaking the Chinese economy.

RECENT NEWS AND ITS ANALYSIS
In 2016, NITI Aayog Chairman Amitabh Kant projected that India would become a $10-trillion economy by 2032.

‘The World in 2030’ report by HSBC has stated India’s economy would grow to $5.9 trillion by 2030 from an estimated $2.8 trillion at present.

Firstly, Despite India clocking a higher economic growth rate than China, the gap between the size of the two economies will further increase by 2030. China will overtake the US as the world’s largest economy, and India will jump four notches to become the world’s third-largest.

Secondly, India will be outperformed by neighbor Bangladesh, which is expected to be the top-performing economy in terms of growth rate by 2030.

Thirdly, despite decent economic growth, India’s citizens will not get rich at the same pace as those of some neighbouring and other lower-middle-income countries. (At present, an average Chinese citizen earns almost $7,900 more than an Indian. But by 2030, the per-capita income gap between the two nations could widen to $13,000)

Fertilizer Subsidy – Issues & Reforms

Introduction
Fertiliser use has seen rapid expansion and intensification in India and in other parts of the world with the spread of the Green Revolution technology. With the scope for raising production through the expansion of cultivable land exhausted, fertiliser will continue to play a key role in meeting the future requirement of food, feed and fibre. Therefore it is important that fertiliser is used judiciously and optimally

What is fertiliser subsidy?
www.writetobeias.com Email: contact@writetobeias.com 011-41561002 Page 39
Course Broucher for Economy (Prelims-Cum-Mains) 2019
• Fertilizer subsidy is the **difference** between the **holding price** of fertilizers and the **price** at which fertilizers are made available to **consumers**.

• For **sustained agricultural growth and to promote balanced nutrient application**, the fertilizers are made available to farmers at affordable prices.

• Financial support is also given on both indigenous and imported urea.

**Need**

• In India per hectare Consumption around (around 146 Kg) is far lower than developed countries.

• Indian Soils are deficient in Nitrogen and Phosphorus

• Fertilizer can most effectively be used with ample water. So rainfed areas (deprived of irrigation) constitute 70% of agricultural land and still they use only 20% of national Fertilizers consumption. On other hand Rabi crops are dominantly produced in Irrigated areas, so they consume about 66% of fertilizers while their share of total agri output is 33%

• India meets its 80% requirement of Urea (N), while it is heavily dependent on Imports for its potassium (K) and phosphorus (P) fertilizer requirements.

• **As per Eco Survey 2019** → For the small and marginal farmers, the **costs of fertilisers** are key **determinants** of **profitability** of farming.

**Present status**

• Fertiliser accounts for **large fiscal subsidies** (about 0.73 lakh crore or 0.5% of GDP), the **second-highest** after food, according to Budget 2019-20.

• There are **3 basic types of fertiliser used**- Urea, Diammonium Phosphate (DAP), and Muriate of Potash (MOP).

• Of all the fertilisers, **urea** is the most **produced** (86%), the most **consumed** (74%), and the most **imported** (52%).

• Urea is the **most physically controlled** fertiliser, with 50% under the Fertiliser Ministry’s movement control order compared with 20% for DAP and MOP.

• Urea also receives the **largest** subsidies, in outlay terms (accounting for nearly 70% of total fertilisers subsidy)

• **Per kg subsidies** on DAP and MOP fertiliser are **fixed**- they do not vary with market prices.

• **Imports** of DAP and MOP are also **not controlled**.

**How fertiliser subsidy is followed in India**

• A PoS machine is installed in every fertiliser godowns. It capture the buyer’s identity based on Aadhaar biometric authentication, with the quantities purchased.

**TWO PROPOSED MODELS** Two models of DBT are being considered to make fertiliser subsidy disbursal more targeted.

• Under the **first**, a ‘wallet’ will be created for each farmer where the subsidy amount will be deposited for release to the manufacturer or trader (in case of imported fertilisers) at the time of actual purchase.
• The other option is the farmer will pay the market price upfront and promptly receive the subsidy amount in his/her Aadhaar-linked bank account.

Govt policies
• Nutrient Based Subsidy scheme 2010: applicable to 22 fertilisers (other than Urea) for which MRP will be decided taking into account the international and domestic prices of P&K fertilisers, exchange rate, and inventory level in the country. It aims to
  ◦ ensure that adequate quantity of P&K is made available to the farmers at statutory controlled price.
  ◦ ensure balanced use of fertilisers, improve agriculture productivity, promote growth of indigenous fertiliser industry and to reduce the burden of subsidy.
• New Urea Policy 2015: focusses on making the domestic urea energy efficient and reducing the subsidy burden.
• Neem Coated Urea (NCU): mandatory 100% production of NCU. Benefit includes-
  ◦ Slow down the dissolution of Urea into soil, resulting into less urea requirement.
  ◦ Stop the illegal diversion of urea for non-agricultural usages such as ingredients in chemical industry, explosives, etc.
• Gas Pooling: pooling of Domestic Gas with Re-Gasified LNG which is imported. This would help provide natural gas at uniform delivered price to all natural gas grid connected Urea manufacturing plants.
• Removal of minimum production criteria for manufacturers of Single Super Phosphate (SSP) making them eligible for subsidy irrespective of quantity of SSP produced and selling for agriculture purposes.
• Soil Health Card: Farmers can get their own customised requirement of fertiliser in order to avoid irrational use of it.

RECENT REFORM - Cabinet Committee on Economic Affairs has raised the subsidised prices of sulphur-based fertilizers. The move is aimed at discouraging rampant use of NPK fertilisers, which impacts soil quality

Issues and challenges
• Subsidy is paid to the companies only after the purchase of fertiliser by the farmer. In other words, the subsidy is still getting credited to the company and not the farmer. In that sense, it isn’t direct benefit transfer (DBT)
• Fertiliser subsidy has become a game of only three chemicals- NPK (nitrogen, phosphorus and potassium).
• There are huge discrepancies in the usage of fertiliser. In states like Punjab, the ratio of NPK usage is 61:19:1 against ideal 4:2:1
• In 1950, with the use of less NPK, the yield was more. Now, with the use of more NPK, lesser yield is being produced.
• Government is selling compost at a particular price and same is the rate for urea so this would not push the farmers towards organic farming.
• These subsidies will only help fertiliser companies to sustain their business but in the long run farmer input costs will continuously increase with inversely proportional output rates.
• Different inputs – urea, phosphatic and potassic fertilisers – have different rates of subsidies.
• It would be premature to accept that all the farmers would be able to buy their requirements of fertilisers at market rate and wait for 15 days or a month to get the subsidies.
• Fertilisers encourage urea overuse, which damages the soil, undermining rural incomes, agricultural productivity, and thereby economic growth.
• Fertiliser subsidies are generally criticised because they are perceived to be far from universally distributed and concentrated on relatively few producers, mainly large farmers.
• As per Economic Survey 2015-16: Distortions in urea are the result of multiple regulations. These distortions feed upon each other, and together create an environment that leads to a series of adverse outcomes.
  ◦ Firstly, urea is only subsidised for agricultural uses. Subsidies like this violate the One Product- One Price principle. Black market effects are aggravated by further regulation-canalisation.
  ◦ Secondly, the black market hurts small and marginal farmers more than large farmers since a higher percentage of them are forced to buy urea from the black market.
  ◦ Thirdly, some of the urea subsidy goes to sustaining inefficient domestic production instead of going to the small farmer.

As per Economic Survey 2018-19 Fertiliser response ratio is showing a declining trend.
• This is an indicator of declining responsiveness of soil fertility to fertiliser application.
• Declining Response Ratio is due to,
  ◦ Inadequacy and imbalance in fertiliser use
  ◦ Increasing multi-nutrient deficiency
  ◦ Lack of farmers awareness
  ◦ Balanced plant nutrition and poor crop management

Way Forward & Suggestions
• Subsidy should be linked to productivity which will remove fertilizer companies from the game.
• The momentum for these changes has to be created through robust policies.
• State Governments and Central Government need to work in tandem to encourage farmers for ecological farming.
  Particularly in western UP and Punjab, the farmers need to move away from wheat and rice because the ground water has depleted.
• Farmers have to be educated and taught to change their cropping pattern and move to multiple cropping.
To secure long term fertiliser supplies from locations where energy prices are cheap, it might be worth encouraging Indian firms to locate plants in countries such as Iran, following the example of the Fertiliser Ministry’s joint venture in Oman, which allowed India to import fertiliser at prices almost 50% cheaper than the world price.

Fertiliser is a good sector to pursue JAM because of a key similarity with the successful LPG experience: the centre controls the fertiliser supply chain.

In order to address the distortions in urea-
- Decanilising Urea imports which would increase the number of importers and allow greater freedom in import decision- would allow fertiliser supply to respond flexibly and quickly to changes in demand.
- Bringing urea under the Nutrient Based Subsidy program currently in place for DAP and MOP would allow domestic producers to continue receiving fixed subsidies based on the nutritional content of their fertiliser.

**Suggestions-based on NITI Aayog Strategy**

- Strengthen the SHC scheme to ensure SHC based fertiliser distribution at the ground level.
- Seed SHCs with the integrated fertiliser management system.
- Ensure proper functioning of the SHC labs.
- Link SHCs with Kisan credit cards and make SHCs mandatory for subsidies.
- Reorient fertiliser subsidy policy to bring secondary and micronutrients on the same nutrient based subsidy (NBS) platform as phosphorus (P) and potash (K)
- Subsidies on liquid fertilisers to encourage fertigation with micro-irrigation
- Fertiliser sector should procure compost produced out of organic waste.
- Upfront subsidy per acre of land through Direct Benefit Transfer instead of providing separate subsidies for fertilisers, electricity, crop insurance etc.

As per Economic Survey 2019 Suggested Measures are,
- Use of optimal dose based on soil health status
- Promotion of neem-coated urea
- Promotion of micronutrients
- Promotion of organic fertilizers
- Promotion of water-soluble fertilizer
- Paramparagat Krishi Vikas Yojana (PKVY) and Rashtriya Krishi Vikas Yojana (RKVY) scheme
- Models like Natural Farming, Vedic Farming, Cow Farming, Homa Farming, Zero Budget Natural Farming (ZBNF)

**LAND REFORMS IN INDIA – Complete Analysis**

What is Land Reform?

- Land reform is a broad term. It refers to an institutional measure directed towards altering the existing pattern of ownership, tenancy and management of land.
- Land reforms in India usually refer to redistribution of land from the rich to the poor.
● Land reforms are often connected with re-distribution of agricultural land and hence it is related to agrarian reforms too.

Objectives of Land Reform

1. Distributive Justice
2. To create a system of peasantry proprietorship (land to the tiller)
3. Enhance land productivity
4. Transfer the income of few to many so that the demand for consumer goods is created

Tenancy Land Systems – BRITISH ERA

At the time of independence, four land tenures existed in India

| Ryotwari | ● Under this system, the responsibility of paying land revenue to the Government was of the cultivator himself and there was no intermediary between him and the state.  
● The Ryot had full right regarding sale, transfer and leasing of land and could not be evicted from the land as long as he pays the land revenue. |
| --- | --- |
| Mahalwari | ● Under this system, the village communities held the village lands commonly and it was joint responsibility of these communities to make payments of the land revenue.  
● The land ownership is held as joint ownership with the village body. The land can be cultivated by tenants who can pay cash/kind/share. |
| Zamindari | ● Under this system the whole village was under one landlord who was responsible for the payment of land revenue.  
● The persons interested can work in the Zamindar's land as tenant/labourer based on the agreement with the zamindar. |
| Jagirdari | ● It is similar to Zamindari system.  
● The jagirdar is powered to control the unproductive masses of village by engaging them in agricultural activities |

Need for Land Reforms

● Presence of multiplicity of intermediaries between the Government and cultivator
● Lack of adequate security of tenure,
● Fixation of high rent and lack of incentive
● Large scale sub-division and fragmentation of holdings
● Unequal distribution of land
Low productivity per hectare of land

4 phases of Land Reform Measures

1) 1950-72 : Land re-distribution
2) 1972-85 Bring uncultivated land under cultivation
3) 1985-19995 Water & Soil conservation
4) 1995-Till Now

LAND POLICY FORMULATION THROUGH PLANNING PERIOD had been determined to redistribute land and to bring equity in rural population. This land policy was set through a number of five-year plans by the Government after independence for proper land management.

Several Five-Year Plans:

Through the first five-year plan (1951-1956) the Government decided that The Community Development Network will be looking after the common peasants. More areas will be taken for cultivation.

The second plan focused on land productivity which was very low in the British period.

The third five-year plan focussed on the problem of food security. Many land had been abandoned at that time which was cultivable. Those lands were taken under the scope of cultivation again. This attention on food security had been continued in the fourth five-year plan as well.

In the fifth five-year plan more focus was given on the drought prone areas.

In the sixth five-year plan extra attention had been given on the utilization of the agricultural resources, mainly land. According to this plan more neglected lands were taken under cultivation.

Land degradation and soil erosion were the two main issues in the seventh five-year plan. So this plan attempted to stop this by the introduction of "Evergreen Green Revolution".

Eighth five-year plan focused on the rain affected areas whereas in the

Ninth five-year plan several watershed development program had been forecasted for proper water management.

Land Reform Measures in Phase 1:

### Abolition of intermediaries between the State and tenants

**Pros** - (i) eliminated the middlemen and bought the cultivator into direct relationship with the government.

(ii) improvement in the administrative machinery and social services.

**Cons** - (i) It led to large-scale ejectment of poor tenants from land.

(ii) Landlordism was abolished, absentee landlordism flourished.

### Tenancy reforms that provide

(a) security to tenants

(b) rationalisation and regulation of rent

(c) conferment of ownership rights on tenants

**Pros** - It gave security about the source of livelihood and tenure from eviction

**Cons** - (i) Large inter-state variations in the fixation of land rent rates

(ii) Tenancy reforms undertaken varied from state to state.

(iii) Escape clauses misused against the interest of tenants.

### Fixation of ceiling on landholdings

**Pros** - (i) helped remove inequalities in land ownership

(ii) redistribution of this surplus land

**Cons** - (i) Manipulation of land records to circumvent the law

### Consolidation of holdings

**Pros** - (i) Reduced fragemenation led to increase productivity

(ii) Helped during the period of Green Revolution

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### Critical Analysis

**Reasons of success**

1. Freedom struggle leaders- High political will
2. Demand from low levels also
3. Democratic structure
4. Constitutional obligation
5. Necessities of Green revolution
6. Planned development

Positive Impact of Land Reforms

- The **inverse relationship** between **land size and efficiency** – the smaller the land, the better will be the productivity and efficiency.
- **Owner-cultivation** more **efficient** than **share-cropping**.
- **Abolition** of the exploitative **land tenure** system
- **Land** was **redistributed** among the **landless** and the **weaker** sections of the society
- Provided **security of tenure** to the tenants
- **Investments in agriculture** became more common because tiller was now the owner
- Land reforms made a big **dent on poverty**
- **Lower castes and classes got greater rights** and were able to mobilise themselves

Negatives

- **Fragmentation of land increased** as a result of land ceilings and reforms.
- Evidence suggests that land reforms had a **negative effect on poverty**
- Many of the steps taken under **land reforms** such as land ceilings, tenancy reforms, land consolidation etc. were **not implemented** properly due to **legal loopholes**.

Reasons for failure

- State subject
- Advanced publicity and delayed implementation
- Loose definition of personal cultivation
- Ownership transfer was not automatic
- Lack of social consciousness among tenants and unorganized tenants
- Green revolution favored big farmers
- Lack of political will.
- **Apathetic** attitude of the **bureaucracy**.
- **Absence of up-to-date land records**.
- **Legal hurdles** in the way of **implementation** of land reforms.
- **Transfer of lands** to family members to avoid tenancy reforms.
- **Lack of uniformity** in Land Reform Laws.
- **Limits** for **retention** of land for **personal cultivation**.
SUGGESTIONS

- Wasteland revival
- Residential qualification for land holding
- Easier loans for buying lands
- Legal aid
- Peasant organisation
- Forest rights Act 2006
- Seriously implement RECENT REFORMS
  1) Farmer Producer organizations (FPOs)
  2) Computerization of land records
  3) Cooperative farming
  4) Land bank
  5) Land leasing law
  6) Land title reforms
  7) Land acquisition law

IMPORTANT FACTS FROM ECONOMIC SURVEY 2019

Pattern of Agricultural Land Holdings In India

- Agriculture Census 2015-16 show that the number of operational holdings, has increased to 14.6 crore in 2015-16 from 13.8 crore in 2010-11. (Increase of 5.3%).
- Share of marginal holdings (less than 1 ha) in total operational holdings increased.
- Share of small holdings (1 ha to 2 ha) decreased.
- Large holdings (above 4 ha) decreased from 6.5% to 4.3%.
- Area operated by the marginal and small holdings increased from 38.9% in 2000-01 to 47.4% in 2015-16 while areas that of the large holdings decreased from 37.2% to 20 %
- Operational Holdings- Land put to agricultural use

Previous Year Questions

Discuss the role of land reforms in agricultural development. Identify the factors that were responsible for the success of land reforms in India. (2016)

Establish the relationship between land reform, agriculture productivity and elimination of poverty in Indian Economy. Discussion the difficulty in designing and implementation of the agriculture friendly land reforms in India. (2013)