

**EMERGING BUSINESS IN
INDIAN ECONOMY
(Revised as " Business Trends
in Indian Economy")**

(MCM4C16)



STUDY MATERIAL

IV SEMESTER

**MASTER OF COMMERCE
(2019 Admission)**

**UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION
CALICUT UNIVERSITY P.O.
MALAPPURAM - 673 635, KERALA**

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School of Distance Education University of Calicut

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**MCM4C16 : EMERGING BUSINESS IN
INDIAN ECONOMY(Revised as "
Business Trends in Indian Economy")**

Prepared by:

**Dr. RIJILA P.T.
Assistant Professor, Dept. of Commerce
School of Distance Education
University of Calicut.**

Scrutinized by:

**JASEELA THANIKKAD
Assistant Professor
Department of Commerce
Government College, Mananthavady.**

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UNIVERSITY OF CALICUT

Master of Commerce (CBCSS) Semester IV MCM4C16 : EMERGING BUSINESS IN INDIAN ECONOMY (Course for SDE/Private registration only) Credit : 2.4

Course Objective: To make an awareness and understanding about the emerging business in the contemporary Indian economic scenario to get an effective knowledge about the changing business scenario in accordance with the changes in the economic environment of the country.

Module I : Indian Economy - a business perspective : Economic environment of India - Indian Economy as a Developing Economy - Business and Economic environment - Basic Characteristics of Indian Economy - Indian Industrial sector - Changing role of MSME sector - Public sector and Indian economy- Role of Service sector in Indian Economy - Liberalization, Privatization and Globalization (LPG) Models and Indian economy - Business in India during LPG. (20 Hours)

Module II : Foreign Trade and Economic Development: Importance of Foreign Trade for a Developing Economy, Composition of India's Foreign Trade, Direction of India's Foreign Trade and Balance of Payments ; impact of LPG on foreign trade of India; Special Economic Zones (SEZs) - Export and Import scenario in India - FDI policy -growth and impact of FDI in Indian economy. (15 Hours)

Module III : Business Sustainability in India: Social Responsibility and Ethics in Indian business - importance and trends - MDG (Millennium development goals) - Circular Economy - Initiatives and impacts - SDG (Sustainable development goals) - Financial Inclusion - Need and challenges of Inclusive growth. (15 Hours)

Module IV : Business in 21st Century : Need of infrastructural development - GIG Economy and impact Technological business advancements in the economy - Demonetisation and its impact in Indian economy – Angel investors and Start Ups – Make in India - Skill India – Digital Economy and Artificial Intelligence – Initiatives for Women entrepreneurs and its impact in Indian economy - New initiatives in service sectors and its impacts. (15 Hours)

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MODULE I

INDIAN ECONOMY - A BUSINESS PERSPECTIVE

1.1 Introduction

The term environment refers to the totality of all the factors which are external to and beyond the control of individual business enterprises and their management. The environmental factors are essentially the 'givens' within which the firms and their management must operate. For example, the value system of the society, the rules and regulations laid down by the government, the monetary policies of the central bank, the institutional set-up of the country, the ideological beliefs of the leaders, the attitude towards foreign capital and enterprises, etc., all constitute the environment system within which a business firm operates.

The environmental factors generally vary from country to country. The environment that is typical of India, may not be found in other countries like the USA, the USSR, the UK and Japan. Similarly, the American/Soviet/ British/ Japanese environment may not be found in India. There may be some factors in common, but the order and intensity of the environment factors do differ between nations.

The environment may be classified into market environment and non-market environment depending upon whether a business firm's environment is influenced by market forces like demand, supply, number of other firms and the resulting price competition or non-price competition, etc., or by non-market forces like government laws, social traditions, etc.

We may also classify the environment into economic and non-economic. Non-economic environment refers to social, political, legal, educational and cultural factors that

affect business operations. Economic environment, on the other hand is given shape and form by factors like the fiscal policy, the monetary policy, the industrial policy resolutions, trade policy, physical limits on output, the price and income trends, the tempo of economic development, the national economic plan etc. The non-economic environment has economic implications just as the economic environment may have non-economic implications. Since the environment is the sum total of history, geography, culture, sociology, politics and economics of a nation, the interaction between economic forces and non-economic forces is bound to take place.

1.2 Economic Environment

The economic environment relates to all the factors that contribute to a country's attractiveness for foreign businesses. The economic environment can be different from one nation to another.

While analysing the economic environment, the organization intending to enter a particular business sector may consider the following aspects:

- An Economic system to enter the business sector
- Stage of economic growth & the pace of growth.
- Level of national & per capita income.
- Incidents of taxes, both direct & indirect tax.
- Infrastructure facilities available & the difficulties thereof.
- Availability of raw materials & components & the cost thereof.
- Sources of financial resources & their costs.

Nature and Features of Economic Environment:

- Economic environment of a country is macro-level. The

macro-level factors relate to the means of production and distribution of wealth. They have an influence over business of any enterprise. These macro-level factors are uncontrollable by any one individual business unit.

- Business unit obtains all the needed-inputs from the economic environment. The economy absorbs the output of the business unit.
- The economic policies of the government especially the industrial trade, fiscal and monetary policies shape the opportunities for business.
- Business environment is volatile. It is not the same as it used to be prior to July 1991. Major changes are marked by the reforms-regime in our country. Economic reforms in various sectors of the economy have shaped the Indian economy to become global.
- Economic system of the country determines the parameters of the business activity. In a recessionary situation, the economic environment is marked by slow-down activities.
- Global economic environment is as much important as the national economic environment. The notable features of present-day global environment are globalization, deep economic crisis in east and south east Asia, underdevelopment of Russia and east Europe, global recession and dominance of MNC's.

1.3 Economic Environment of India

The term economic environment refers to all the external economic factors that influence buying habits of consumers and businesses and therefore affect the performance of a company. These factors are often beyond a company's control, and may be either large-scale (macro) or small-scale (micro).

(a) Macro economic factors

The macroeconomic climate, are things that influence the whole economy. Macroeconomics factors include,

- Employment/unemployment
- Income
- Inflation
- Interest rates
- Tax rates
- Currency exchange rate
- Saving rates
- Consumer confidence levels
- Recessions

(b) Micro economic factors

The micro economic climate is things that occur at the individual organization or purchaser level. Micro economic variables don't influence the entire economy. The following are some microeconomic components that may impact a business:

- The size of the available market
- Demand for the company's products or services
- Competition
- Availability and quality of suppliers
- The reliability of the company's distribution chain (i.e., how it gets products to customers)

Factors/ Components/Elements/Constituents of the Economic Environment:

- i) **Growth strategy:** Growth strategy of our country was

based on soviet model. It gave central role to the government in the control and direction of economic activity. Savings rate and growth rate could be increased if India invested heavily in capital goods sector at the expense of consumer goods sector. State emerged as mobiliser of savings and an investor and owner capital. This strategy resulted in the neglect of agricultural sector.

- ii) **Basic economic systems:** Capitalism, socialism and communism are the basic economic systems. Capitalism stresses the philosophy of individualism and private property. Socialism proposes the government should own and manage the tools of production. Communism also abolishes private property and property rights to income. It denies individual freedom.
- iii) **Industry:** During mid-60's, India was ahead of Asian tigers in respect of industrial base. But the administrative controls held the country behind these Asian tigers. India has potential to become a global player in industrial sector. India has large low-cost and skilled work force. If India were to attain 8% GDP growth rate, industrial sector should overtake services sector.
- iv) **National income and per capita income:** Every sector of the economy employs the natural, human and material resources. It contributes to the aggregate flow of goods and services during a year. This represents the total income generated from different factors of production employed. this is called national income. High growth rate in N.I. indicates the economy is a developed one. Low growth rate in N.I. indicates the economy is a developing one.
- v) **Human resources:** Human resources constitute an important constituent of the total economic environment. People provide ready market for goods produced and services rendered by business units. India has 16% of

world's population, but occupies only 2.4% of the total land area.

- vi) **Economic policies:** Economic policies of the government are an important component of economic environment. Industrial policy, trade policy, monetary policy and fiscal policy are the major economic policies of the government.
- vii) **Financial system:** Money market and the capital market are the two segments of the financial system. Money market refers to the demand for and supply of short-term financial transactions. Unorganized and organised components are found in money market. Capital market is concerned with demand for and supply of long-term funds.
- viii) **Savings and investment:** Investment can be undertaken in directly productive activities/ infrastructure. The investment is sustained by an equally high domestic savings rate.
- ix) **Inflationary trends:** Persistent and appreciable rise in general level of prices is inflation. A business is adversely affected under inflation. There is a drastic redistribution of income, which reduces the aggregate demand.
- x) **Balance of payments:** Excessive current account deficit in a country is BOP is not desirable for business activity. Such a situation leads to a shortage of foreign exchange.
- xi) **Price and distribution controls:** The dual-pricing mechanism is adopted and public distribution system followed by the government for many years .
- xii) **Globalization:** The world economy has steadily moved towards an international economic integration since 1950. Since early 1970's, there has been a marked acceleration in the process of international integration. Globalization implies the expansion of economic activities across political boundaries of the nation.

1.4 Indian Economy as a Developing Economy

The nature of Indian economy is underdeveloped before the advent of economic planning. The pace of development has quickened since 1951. The following facts will prove that Indian economy is passing through a crucial phase of economic development.

A) National income trends: Over the four and half decades of economic planning, the economy registered significant advance. In 1950-51 India's net national product at factor cost (national income) at 1980-81 prices was Rs. 40,454 crores. Since then, it had increased to Rs. 2,71,052 crores in 1997-98. The growth rate of national income is higher than the rate of population. This fact admitted some capital accumulation.

B) Rise in per capita income: A rise in per capita income is considered to be a better index of growth than the growth of net national product. In 1950-51 India's per capita net national product at 1980-81 prices was Rs. 1,127. Since then, it has raised by 145.0 percent and stood at Rs. 2,487 in 1997-98. Economic growth in India during plan period has been both inadequate and erratic.

C) Changing sectoral distribution of domestic product: An important index of development is a steady decline in the contribution of agriculture and allied activities to gross domestic product. In 1950-51 the share of agriculture and allied activities in the Gross Domestic Product was 56.5 percent. It was 27.9 percent in 1996-97. The output in the secondary sector accounted roughly 15 percent of the gross domestic product in 1950-51. It stood at 29.3 percent in 1996-97. The share of tertiary sector in gross domestic product was 28.5 percent in 1950-51. It was 42.4 percent in 1996-97.

D) Occupational distribution of population: In many occupational distributions of population has not changed

significance during plan period. In India where agriculture and allied activities accounted for 68.8 percent of work-force in 1991 as against 72.1 percent in 1951. The census figures in 1981 and 1991 reveal the slight increase in work force participation in the secondary and tertiary sectors. It is 32.2 percent in 1981 and 33.2 percent in 1991.

E) Growth of basic capital goods industries: During British rule the share of basic and capital goods industries in the total industrial production was nearly one-fourth. From 1956, a large number of basic and heavy industries have been set up to make the country's industrial structure pretty strong.

F) Growth of production: The index of agricultural production increased by 100 percent. There is now in evidence much larger area under irrigation, greater use of fertilizers, mechanization and of improved agricultural practices. Indian agriculture has been greatly stabilized by the adoption of modern technology in farming. India stands out as a third world country which has now achieved self-sufficiency in food grains despite its rapidly galloping population.

G) Expansion in social overhead capital: Infrastructural facilities often referred to as economic and social overheads. Indian planners were fully aware of the link between infrastructural facilities and general economic development. Their development can also assure better human living. Tremendous amount of progress achieved in the transport, banking, irrigation, education and communications. There has been a spectacular progress in the field of education and public health. The rate of literacy increased to 52 percent of the population.

H) Science and technology: For rapid economic progress the application of science and technology to all economic and non-economic activities has become essential. In 1958 the science policy resolution was adopted to provide positive incentives

for the development and utilization of science and technology in nation building activities. In fact, India has at present the third largest pool of scientists, engineers and doctors. India today ranks second in the world as regards qualified science and technology man power. Our achievements in nuclear energy and in space technology have put India in the scientifically most developed countries. Thus, it may be concluded that the Indian economy is at once an underdeveloped but now a developing economy. Further, the Indian economy during past four and a half decades has progressed structurally. It is on the way to self-generating and self-reliant stage.

1.5 Business and Economic environment

Economic environment of business refers to the broad characteristics of the economic system in which a business firm operates. The present-day economic environment of business is a complex phenomenon. The economic environment relates to all the economic determinants that influence commercial and consumer compliance. The term economic environment indicates all the external economic circumstances that affect the purchasing practices of customers and markets. Hence, it influences the production of the business.

The business sector has economic relations with the government, the capital market, the household sector and the foreign sector. These different sectors together influence the trends and structure of the economy. The form and functioning of the economy vary from country to country. The design and structure of an economy system is conditioned by socio-political arrangements. Such arrangements are relevant from the standpoint of macro-economic decision making.

All modern economies, whether capitalist, socialist, communist or mixed, have certain fundamental economic

problems to deal with. In each and every economy, including the so-called 'Affluent Society', most of the resources are scarce. Consequently, choices concerning the resource use have to be made together by individuals, by business corporations, and by the society. It is the social choice and community preference which give substance to the question of macro-economic decisions. From the standpoint of resources, the basic economic problem of every economy is that of just allocation of resources and subsequent optimum production. There are many aspects to this problem. What to produce? How to produce? For whom to produce? When to produce? Every economy has to decide on the quality and quantity of the goods, and the services to be produced. It has to decide on the nature of technology and technique of production in view of factor endowment. It has to decide on the course and pattern of distribution of goods and services produced. It has to decide on the timing of production

Economic environment refers to all those economic factors which have a bearing on the functioning of a business unit. Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods. Naturally, the dependence of business on the economic environment is total and it is not surprising because, as it is rightly said, business is one unit of the total economy.

Impact/Influence/Interface/Effect of the Economic Environment on Business:

- The economic environmental factors are more influential. The GNP, savings, investment, size and scope of public sector, the economic policy of the government tax policy, fiscal deficit policy, interest rate policy, policy on foreign finance for development, trade policy, reservation of

industries for SSIs, incentives for selected industries etc., influence businesses vastly.

- The economic system, nature of the economy, composition of the economy, functioning of the economy, health of the economy, economic strategy, programmes, procedures adopted, economic controls and regulations economic trends, economic problems and prospects also influence business.
- In a capitalistic society, private enterprises develop. In an industrial economy, the economic health is better than in an agrarian economy. Structural pattern and interface among various sectors of the economy are important for business.
- The economic environment consists of macro level factors related to production and distribution of wealth. These factors have an impact on the business.
- In countries, where investment and income are steadily increasing, business prospects are generally high. There are possibilities for further investments.
- Economic policy of a government has a great impact on the business. Some categories of the business are favourable by the government policy and some are adversely affected.
- An industry within the priority sector recognised by the government may get a number of incentives. Other industries do not get incentives.
- Liberalized economic policy has a mixed effect on Indian industry. Some companies benefitted in terms of resulting freedom to alter product-mix and capabilities.
- Public savings in India have been traditionally invested in fixed assets and precious metals. Recent changes in

economic and fiscal policies have led to many developments.

- Business fortunes and strategies are influenced by the economic policy measures. The general level of development of the economy has a bearing on the nature and size of demand, government policies affecting business etc.

1.6 Basic Characteristics of Indian Economy

Indian economy is termed as the developing economy of the world. Some features like low per capita income, higher population below poverty line, poor infrastructure, agriculture based economy and lower rate of capital formation, tagged India as a developing economy in the world. Some features of Indian economy are given below:

- 1) **Low per capita income:** Per capita income is defined as the ratio of national income over population. It gives the idea about the average earning of an Indian citizen in a year, even though this may not reflect the actual earning of each individual. In India, the national income and per capita income is very low and it is considered as one of the basic features of underdevelopment. As per World Bank estimates, the per capita income of India stood at only \$ 720 in 2005. Keeping aside a very few countries, this per capita income figure of India is very low. In 2005, the per capita income figure in Switzerland was nearly 76 times, in U.S.A. about 61 times, in Germany about 48 times and in Japan about 54 times the per capita income figure in India. Thus, the standard of living of Indian people remained all along very low in comparison to that of developed countries of the world. This disparity in the per capita income of India and other developed countries has registered a manifold increase during the last four decades (1960-2005). Although the per capita income at official

exchange rates exaggerated this disparity but after making necessary correction through purchasing power parity figures, the per capita GNP of U.S.A. was 12.0 times that of India in 2005 as against 68.0 times that of India at official exchange rates.

- 2) **Excessive dependence of agriculture and primary producing:** Indian economy is characterised by too much dependence on agriculture and thus it is primary producing. Out of the total working population of our country, a very high proportion of it is engaged in agriculture and allied activities, which contributed a large share in the national income of our country. In 2004, nearly 58 per cent of the total working population of our country was engaged in agriculture and allied activities and was contributing about 21.0 per cent of the total national income.
- 3) **High rate of population growth:** India is maintaining a very high rate of growth of population since 1950. Thus, the pressure of population in our country is very heavy. This has resulted from a very high level of birth rates coupled with a falling level of death rates prevailing in our country. In India, the rate of growth of population has been gradually increasing from 1.31 per cent annually during 1941-50 to 2.5 per cent annually during 1971-81 to 2.11 per cent annually during 1981- 91 and then finally to 1.77 per cent during 2001-2011. The prime cause behind this rapid growth of population is the steep fall in its death rate from 49 per thousand during 1911-20 to 7.1 per thousand in 2011. On the other hand, compared to its death rate, the birth rate of our population has gradually declined from 49 per thousand during 1911-20 to 21.8 per thousand in 2011. Thus, whatever development that has been achieved in the country, it is being swallowed up by the increased population. Moreover, this high rate of growth of population necessitates a higher rate of economic growth

just for maintaining the same standard of living. This imposes a greater economic burden on the economy of our country as to maintain such a rapidly growing population we require food, clothing, housing, schooling, health facilities etc. in greater magnitude. Besides, this fast rate of growth of population is also responsible for rapid increase in the labour force in our country.

- 4) **Existence of chronic unemployment and underemployment:** Rapid growth of population coupled with inadequate growth of secondary and tertiary occupations are responsible for the occurrence of chronic unemployment and under-employment problem in our country. In India, unemployment is structural one, unlike in developed countries, which is of cyclical type. Unemployment in India is the result of deficiency of capital. Indian industries are not getting adequate amount of capital for its necessary expansion so as to absorb the entire surplus labour force into it. Moreover, larger number of labour force is engaged in the agricultural sector of the Indian economy than what is really needed. This has reduced the marginal product of agricultural labourer either to a negligible amount or to zero or even to a negative amount. There exists disguised unemployment in Indian agricultural sector which has resulted from too much dependence of population on land and absence of alternative occupations in the rural areas. Moreover, in the urban areas of our country, the problem of educated unemployment has also taken a serious turn. Thus, both the rural and urban area of our country has been suffering from the serious problem of unemployment and under-employment to a large extent. Thus, the Third Five Year Plan mentioned, “Urban and Rural unemployment in fact constitute an indivisible problem.” On the basis of NSS data, the planning commission has estimated that the total

backlog of unemployed at the end of Seventh Plan, i.e., in 1990 would be around 28 million. During the 5-year period of 1990-95, new entrants to the labour force are estimated to be around 37 million. To put it in another way we can guess that total burden of unemployment during this Eighth Plan would be around 65 million which is a matter of serious concern for the economy of our country. The incidence of unemployment on CDS basis increased from 7.31 per cent of labour force in 1999-2000 to 8.28 per cent of labour force in 2004-05.

- 5) **Poor rate of capital formation:** Capital deficiency is one of the characteristic features of the Indian economy. Both the amount of capital available per head and the present rate of capital formation in India is very low. Consumption of crude steel and energy are the two important indicators of low capital per head in the under-developed countries like India. Moreover, this low level of capital formation in India is also due to weakness of the inducement to invest and also due to low propensity and capacity to save. As per Colin Clark's estimate, in order to maintain the same standard of living, India requires at least 14 per cent rate of gross capital formation. To achieve a higher rate of economic growth and to improve the standard of living, a still higher rate of capital formation is very much required in India. In India the rate of saving as per cent of GDP has gradually increased from 14.2 per cent in 1965-66 to 30.6 per cent in 2013-14 which is moderately high in comparison to that of 30 per cent in Japan, 23 per cent in Germany, 15 per cent in U.K. and 17 per cent in USA. But considering the heavy population pressure and the need for self-sustained growth, the present rate of saving is inadequate and thus the enhancement of the rate of capital formation is badly needed.

- 6) Inequality in the distribution of wealth:** Another important characteristic of the Indian economy is the unequal distribution of wealth. The report of the Reserve Bank of India reveals that nearly 20 per cent of the households owing less than Rs 1000 worth of assets possess only 0.7 per cent of the total assets. Moreover, 51 per cent of the households owing less than Rs 5000 worth of assets possessed barely 8 per cent of the total assets. Lastly, the top four per cent households possessing assets worth more than Rs 50,000 held more than 31 per cent of the total assets. Unequal distribution in income is the result of inequality in the distribution of assets in the rural areas. On the other hand, in respect of industrial front there occurs a high degree of concentration of assets in the hands of very few big business houses. This shows high degree of assets concentration in the hands of very few powerful business houses of our country.
- 7) Low level of technology:** Prevalence of low level of technology is one of the important characteristics of a developing economy like India. The economy of our country is thus suffering from technological backwardness. Obsolete techniques of production are largely being applied in both the agricultural and industrial sectors of our country. Sophisticated modern technology is being applied in productive units at a very limited scale as it is very expensive. Moreover, it is difficult to adopt modern technology in Indian productive system with its untrained and unskilled labour. Thus, due to the application of obsolete technology and lower skills, the productivity- in both the agricultural and industrial sectors of our country is very low. This has resulted in inefficient and insufficient production leading towards general poverty in our economy.

- 8) Under-utilisation of natural resources:** In respect of natural endowments India is considered as a very rich country. Various types of natural resources, viz., land, water, minerals, forest and power resources are available in sufficient quantity in the various parts of the country. But due to its various inherent problems like inaccessible region, primitive techniques, shortage of capital and small extent of the market such huge resources remained largely under-utilised. A huge quantity of mineral and forest resources of India still remains largely unexplored. Until recently, India was not in position to develop even 5 per cent of total hydropower potential of the country.
- 9) Lack of infrastructure:** Lack of infrastructural facilities is one of the serious problems from which the Indian economy has been suffering till today. These infrastructural facilities include transportation and communication facilities, electricity generation and distribution, banking and credit facilities, economic organisation, health and educational institutes etc. The two most vital sectors, i.e. agriculture and industry could not make much headway in the absence of proper infrastructural facilities in the country. Moreover, due to the absence of proper infrastructural facilities, development potential of different regions of the country largely remains under-utilised.
- 10) Low standard of living:** The standard of living of Indian people in general is considered as very low. Nearly 25 to 40 per cent of the population in India suffers from malnutrition. The average protein content in the Indian diet is about 49 grams only per day in comparison to that of more than double the level in the developed countries of the world. Moreover, the low-calorie intake in Indian diet is another characteristic of low standard of living. In 1996 the daily average calorie intake of food in India was only

2,415 in comparison to that of 3,400 calories per day in various developed countries of the world. The present calorie level in India is just above the minimum caloric level required for sustaining life which is estimated at 2100 calories. Until a few years ago only a small percentage of the Indian population had access to safe drinking water and proper housing facilities. As per the estimate of National Building Organisation (NBO), in total there was a shortage of 31 million housing units at the end of March, 1991 and by the turn of the century, total backlog of housing shortage in the country was around 41 million units.

11) Poor quality of human capital: Indian economy is suffering from poor quality of human capital. Mass illiteracy is the root of this problem and illiteracy at the same time is retarding the process of economic growth of our country. As per 2001 census, 65.3 per cent of the total population of India is literate and the rest 34.7 per cent still remains illiterate. In most of the developed countries like U.S.A., U.K., Canada, Australia etc. the level of illiteracy is even below 3 per cent. Besides, low level of living is also responsible for poor health condition of the general masses. All this has resulted in the problem of poor quality of human capital in the country.

12) Inadequate development of economic organisation: Poor economic organisation is another important characteristic of the Indian economy. For attaining economic development at a satisfactory rate certain institutions are very much essential. As an example, for the mobilisation of savings and to meet other financial needs, more particularly in the rural areas, development of certain financial institutions is essential. In India the development of financial institutions is still inadequate in the rural areas. There is the urgent need to develop credit agencies for advancing loan to small farmers on easy terms as well as to

provide long term and medium-term loan to industries. For protecting poor tenants from the clutches of landlords, proper enforcement of tenancy legislation is very much necessary. All these require maintenance of honest and efficient administrative machinery which India is lacking.

1.7 Indian Industrial sector

The processing of natural resources into more useful items is called manufacturing. These manufactured goods are finished products derived from the raw materials. These raw materials used in manufacturing industry may be either in their natural form such as cotton, wool, iron ore etc. or may be in the semi processed form like cotton yarn, pig iron etc. which can further be used for making more useful goods. Thus, the finished product of one industry may serve as the raw material for another industry. Economic development cannot be achieved by a country without developing its industries. There is a direct relationship between the level of industrial development and the economic prosperity of a country. Developed countries like the USA, Japan, Russia owes due to their prosperity to highly developed industries. Industrially less developed countries export their natural resources and import finished goods at higher prices and continue to remain economically backward. In India manufacturing industries contributed about 30 per cent of the gross domestic product. These industries provide employment to about 28 million people. Thus, industries are a major source of national income and employment.

History of Modern Industry

The modern industrial development in India started with the establishment of the first cotton textile mill at Mumbai in 1854, predominantly with Indian capital and entrepreneurship. Jute industry made a beginning in 1855 with the establishment of a jute mill in the Hooghly Valley near

Kolkata with foreign capital and entrepreneurship. Coal mining was first started at Raniganj in 1772. Railways were introduced in 1854. Tata Iron and Steel Plant was set up at Jamshedpur in 1907. Several other medium and small size industries like cement, glass, soaps, chemicals, jute, sugar and paper followed. The industrial production in pre-independence period was neither adequate nor diversified. At the time of independence, the economy was under-developed with agriculture contributing to more than 60 per cent of the GDP and most of the country's export earnings. After 60 years of independence, India has now shown the signs of becoming a leading economic power. Industrial development in India can be divided into two phases. The Government successively increased its control over different economic sectors during the first phase (1947-1980). In the second phase (1980-97) it took measures to liberalise the economy between 1980 and 1992. These measures were somewhat adhoc. After 1992, the whole process of liberalization became more focused and radically different in nature. After independence, systematic industrial planning under different five-year plans helped in establishing a large number of heavy and medium industries. The main thrust of the industrial policy was to remove regional imbalances and to introduce diversification of industries. Indigenous capabilities were developed to achieve self-sufficiency. It is due to these efforts that India has been able to develop in the field of industry. Today, we export a large number of industrial goods to various countries.

Classification of Industries

Industries can be classified on different basis. Classification of industries are as follows

1. Classification based on source of material

Industries are grouped into agro based industries and mineral based industries.

a) Agro based industries

Textiles, sugar, paper and vegetable oil industry are some of the examples of agro based industries. These industries use agricultural products as their raw materials. Textile industry is the largest industry in the organized sector. It comprises of (i) cotton textiles, (ii) woolen textiles, (iii) silk textiles (iv) synthetic fibres and (v) jute textile industries. Textiles has been a major component of the industrial sector. It accounts for nearly a fifth of the industrial output and a third of the export earnings. In term of employment, it comes next only to agriculture sector.

b) Mineral based industry

Industries which use minerals as the raw material are called mineral based industries. Iron and steel industry is the most important among these industries. Engineering, cement, chemical and fertilizer industries are also important mineral based industries.

2. Classification based on ownership

Based on the ownership, industries are grouped in to four they are as follows

a) Public sector industry

Public sector industries are those which are owned and managed by the government. Examples are Bokaro iron and steel plant, Chittaranjan locomotive works.

b) Private sector industry

These are owned and managed by an individual or a group as a company. examples are Tata Iron and steel, J K Cement industry, Apollo tyres

c) Joint sector industries

These are owned jointly by public and private sectors. Examples are Maruthi udhyog

d) Cooperative sector

These are industries which are owned by cooperative society of raw material producers. Examples are AMUL(Gujarat), Sugar industry in Maharashtra etc.

3. Classification based on function or role

Based on the function or role performed by the industries, industries are grouped into two,

a) Basic industry

The main characteristics of this type of industry are, finished products of basic industry are used as raw material for other industries. Example are iron and steel and Petro-chemical industries.

b) Consumer goods industry

In the case of consumer goods industry finished products are directly used by the individuals. Examples are Tooth paste, soap, and sugar.

4. Classification based on Size of industry

a) Large scale industry

Huge investment, heavy machinery, large number of workers, large factory, 24 hours of operation are the major characteristics of this industry. Examples are Iron and steel, oil refineries etc.

b) Small scale Industries

These industries require small investment, small factory, few factory workers. Examples are cycles, electrical goods industry.

c) Rural and cottage industries

These are industries owned by family members, and they possess small machines at home. Examples are jewellery, handicrafts, handlooms, art work

5. Classification based on weight of raw materials and finished products

a) Heavy industries

These industries used both raw material and finished products are heavy and bulky, and requires high transportation cost. Examples are Iron and steel, BHEL, heavy electrical like generator.

b) Light industries

These industries used both raw material and finished products are light in weight, low transport cost. Examples are watches, readymade garments, toys, fountain pens.

1.8 MSME sector

Micro, Small, Medium Enterprises (MSME's) are entities that are involved in production, manufacturing and processing of goods and commodities. The concept of MSME was first introduced by the government of India through the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as below: (i) a micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees; (ii) a small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and (iii) a medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

The new classification has come into effect from 1st July, 2020. The earlier criterion of classification of MSMEs under MSMED Act, 2006 was based on investment in plant

and machinery / equipment. It was different for manufacturing and services units. It was also very low in terms of financial limits. Since then, the economy has undergone significant changes. a revision in MSME criteria of classification was announced in the Aatma Nirbhar Bharat package on 13th May, 2020. This has been done in order to be realistic with time and to establish an objective system of classification and to provide ease of doing business.

As a result, a new composite criterion of classification for manufacturing and service units has been notified on 26.06.2020, with guidelines regarding composite criteria to facilitate the present and prospective entrepreneurs. Now, there will be no difference between manufacturing and service sectors. Also, a new criterion of turnover has been added in the previous criteria of classification based only on investment in plant and machinery. The new criteria is expected to bring about many benefits that will aid MSMEs to grow in size.

Ministry of Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises, a branch of the Government of India, is the apex executive body for the formulation and administration of rules, regulations and laws relating to micro, small and medium enterprises in India.

Under the Micro, Small and Medium Enterprises Development Act, 2006, the Government of India established The National Board for Micro, Small and Medium Enterprises (NBMSME) to examine the factors affecting promotion and development of MSME. This board also reviews the existing policies and suggests recommendations to the Government for the growth of the MSME sector

The services provided by the Ministry of MSME are as follows:

- Facilities for testing, training for entrepreneurship development
- Preparation of project and product profiles
- Technical and managerial consultancy
- Assistance for exports
- Pollution and energy audits.

Characteristics of MSMEs

The important characteristics of MSMEs are summarized as follows:

- They are generally organized and run by individual entrepreneurs.
- They require less capital.
- They are fundamentally labour-intensive units facilitating greater utilization of man power.
- They involve the use of simple technology, intensive utilization of individual skill leading to professional specialization.
- They cater the individual tastes and fashions and render personalized service to consumers.
- They are highly localized industries. Using local resources MSMEs are decentralized and dispersed to rural areas.
- They are eligible for govt. assistance and patronage and for concessional finance by banks, financial institutions etc.
- They are flexible to a large extent. They are more susceptible to change and highly reactive and receptive to socio-economic conditions.
- They are free from red-tapism and bureaucratic handicaps.
- Compared to large units, a MSME has a lesser gestation period. i.e., the period after which the on investment starts.

Objectives of MSMEs

The primary objectives of MSME are to play a complementary role in the socio-economic set up of a country. The other objectives are as follows:

- To provide increased employment opportunities.
- To provide production of large variety of goods especially consumer goods through labour intensive methods.
- To bring backward areas too in the mainstream of national development.
- To improve the level of living of people in the country.
- To create a climate for the development of self-employed experts, professionals and small entrepreneurs.
- To ensure more equitable distribution of national income.
- To ensure balanced regional development as regards industries
- To encourage the adoption of modern techniques in the unorganised traditional sector or the industry

Advantage of MSMEs

- They are relatively more environmentally friendly.
- They are generally based on local resources.
- They provide ample opportunities for creativity and experimentation.
- They facilitate equitable distribution of income and wealth.
- MSME enjoys the government support and patronage.
- These helps in the balanced regional development.
- It is possible to make necessary changes as and when required.

- These help in reducing prices.
- There is a close and direct personal contact with the customer and employees.
- They create more employment opportunities. They are labour intensive. They offer ample scope for self-employment.
- They require only less capital. It is a boon to a country like India where capital is deficient.
- MSME alone can satisfy individual tastes and offer personalized service to the customers.

Disadvantages of MSMEs

- MSMEs suffer from lack of funds. They are financially weak.
- They suffer from lack of managerial and other skills. They cannot employ highly paid officials.
- MSMEs always face tough competition from large businesses.
- They are not well equipped to make advantage of the latest technology and modern methods.
- There is only a little scope for division of labour and specialization.
- MSMEs cannot afford to spend large sums of money on research and experiments
- They cannot survive in times of adversity.
- They cannot secure cheap credit.

Role/ Importance of MSMEs in Developing Countries

- I) **Large Employment Opportunities:** MSMEs are generally labour-intensive. For every Rs. 1 lakh of fixed

investment, MSME sector provides employment for 26 persons as against 4 persons in the large-scale sector. Thus, in a country like India where capital is scarce and labour is abundant, MSMEs are especially important.

- II) **Economical Use of Capital:** MSMEs need relatively small amount of capital. Hence it is suitable to a country like India where capital is deficient.
- III) **Balanced Regional Development:** Generally small enterprises are located in village and small towns. Therefore, it is possible to have a balanced regional growth of industries. India is a land of villages.
- IV) **Equitable Distribution of Income and Wealth:** It removes the drawbacks of capitalism, abnormal profiteering, concentration of wealth and economic power in the hands of few etc.
- V) **Higher Standard of Living:** MSMEs bring higher national income, higher purchasing power of people in rural and semi-urban areas.
- VI) **Mobilization of Local Resources:** The spreading of industries even in small towns and villages would encourage the habit of thrift and investment among the people of rural areas.
- VII) **Simple Technology:** New but simple techniques of production can be adopted more easily by MSMEs without much investment.
- VIII) **Less Dependence on Foreign Capital:** MSMEs use relatively low proportion of imported equipment and materials. The machinery needed for these industries can be manufactured within the country.
- IX) **Promotion of Self Employment:** MSMEs foster individual skill and initiative and promote self-

employment particularly among the educated and professional class.

- X) **Promotion of Exports:** With the establishment of a large number of modern MSMEs in the post-independence period, the contribution of the small scale sector in the export earnings has increased much.
- XI) **Protection of Environment:** MSMEs help to protect the environment by reducing the problem of pollution.
- XII) **Shorter Gestation Period:** In these enterprises the time-lag between the execution of the investment project and the start of flow of consumable goods is relatively short.
- XIII) **Facilitate Development of Large-Scale Enterprises:** MSMEs support the development of large enterprises by meeting their requirements of inputs of raw materials, intermediate goods, spare parts etc. and by utilizing their output for further production.

Problems of MSMEs

Some of the more important problems faced by MSMEs are as follows:

- I) **Lack of managerial experience:** They may not be having specialised knowledge in the different fields of management. At the time of initiating the project, they are not in a position to anticipate correctly their financial requirements and the size of market for their products.
- II) **Inadequate finance:** Generally, MSMEs are not in a position to arrange full finance from their own sources. They obtain finance from unorganized finance sector at higher rate of interest.
- III) **Lack of Proper Machinery and Equipment:** Many MSMEs use inefficient and outdated machinery and equipment. This affects the quality of production.

- IV) **Lack of Technical Know-How:** Do not have the knowledge about different alternative technologies and processes available for manufacturing their products to improve the quality of products and reduce costs.
- V) **Run on Traditional Lines:** They have not yet adopted modern methods and techniques of production. They have not taken adequate interest in research and development efforts. Hence, they cannot be run efficiently.
- VI) **Irregular Supply of Raw Materials:** The majority of MSMEs depends on local sources for their raw material requirements. Small entrepreneurs are forced to pay high prices for materials because they purchase materials in small quantity.
- VII) **Problem of Marketing:** The brand name of the products of MSMEs is acute due to tough competition from large industries. It cannot afford to costly advertisement and network of distribution system. There are delays in the payment of bills by large purchasers resulting in inadequate working capital.
- VIII) **Personnel Problems:** It is difficult for them to get qualified persons to run the business. They cannot provide much training facilities to employees.
- IX) **Lack of Clear-Cut Policy of The Govt:** The Govt. may take decisions relating to MSMEs on the basis of political consideration rather than on economic consideration.
- X) **Bogus Units:** The government should look into this aspect seriously, break the strong hold of such vested-interested and promote only genuine entrepreneurship in the country.
- XI) **Other Problems:** Like inefficient management, non-availability of cheap power, burden of local taxes etc.

Role of MSMEs in Indian Economy

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

MSMEs contribute to approximately 8% of India's GDP, employ over 60 million people, have an enormous share of 40% in the exports market and 45% in the manufacturing sector. Hence, they are of paramount importance for overall economic development of India. In a developing country like India, MSME industries are the backbone of the economy. When these industries grow, the economy of the country grows as a whole and flourishes. These industries are also known as small-scale industries or SSI's. In India, MSMEs contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. MSMEs are an important sector for the Indian economy and have contributed immensely to the country's socio-economic development.

MSMEs produces and manufactures a wide variety of products for domestic, as well as international markets. MSMEs help in the promotion of growth and development of Khadi, Village and Coir industries, in co-operation with concerned ministries, state governments and stakeholders.

1.9 Public sector and Indian economy

In India, a public sector company is that company in which the Union Government or State Government or any Territorial Government owns a share of 51 % or more. Currently there are just three sectors left reserved only for the

government i.e., Railways, Atomic energy and explosive material. Private sectors/players are not allowed to operate in these sectors.

Before the independence of India, there were only a few public sector companies in the country this includes, Indian Railways, the Port Trusts, the Posts and Telegraphs, All India Radio and the Ordinance Factory are some of the major examples of the country's public sector enterprises. However, post Indian independence, some policies for the development of the socio-economic status of the country were planned out by the then visionary leaders, where the public sector were used as a tool for the self-reliant growth of the nation's economy.

Classification of Public Sector

The public sector can be classified into: -

1. Departmental Undertaking – Directly managed by concerned ministry or department. (e.g., Railways, Posts, etc.)
2. Non-Departmental Undertaking – PSU (e.g., HPCL, IOCL, etc.)
3. Financial Institution (e.g., SBI, UTI, LIC, etc.)

The rationale behind the establishment of PSU's was Industrialisation and the establishment of Capital Goods Industries and Basic Industries. The organizations that are not a part of the public sector are termed as private sector that works to raise profit for the organization.

Objectives of Setting up Public Sector Unit (PSU)

1. To create an industrial base in the country
2. To generate a better quality of employment
3. To develop basic infrastructure in the country

4. To provide resources to the government
5. To promote exports and reduce imports
6. To reduce inequalities and accelerate the economic growth and development of a country.

Role of Public sector in the upliftment of society

The public sector plays a major role in uplifting the economic condition of society in various ways. The major role of the public sector can be explained below:

1. **Public sector & capital formation** – This sector has been a major reason for the generation of capital in the Indian economy. A large amount of the capital comes from the public sector Units in India
2. **Creation of Employment opportunities** – Public sector has brought about a major change in the employment sector in the country. They provide a lot of opportunities under various domains and thus helps in uplifting the Indian economy and society.
3. **Development of Different Regions** – The establishment of major factories and plants has boosted the socio-economic development of different regions across the country. Inhabitants of the region are impacted positively concerning the availability of facilities like electricity, water supply, township, etc.
4. **Upliftment of Research and Development** – Public sector units have been investing a lot to introduce advanced technology, automated equipment, and instruments. This investment would result in the overall cost of production.

Problems faced by public sector undertakings

The major problems of PSUs can be stated below:

1. Inappropriate investment decisions

2. Improper Pricing Policy
3. Excessive overhead cost
4. Lack of Autonomy & Accountability
5. Overstaffing
6. Trade Unionism
7. Under Utilization of capacity

Role of Public Sector in the Economic Development of India

- a) Promoting economic development at a rapid pace by filling gaps in the industrial structure
- b) Promoting adequate infrastructural facilities for the growth of the economy
- c) Undertaking economic activity in those strategically significant development areas, where private sector may distort the spirit of national objective
- d) Checking monopolies and concentration of power in the hands of few
- e) Promoting balanced regional development and diversifying natural resources and other infrastructural facilities in those less developed areas of the country
- f) Reducing the disparities in the distribution of income and wealth by bridging the gap between the rich and the poor
- g) Creating and enhancing sufficient employment opportunities in different sectors by making heavy investments
- h) Attaining self-reliance in different technologies as per requirement
- i) Eliminating dependence on foreign aid and foreign technology

- j) Exercising social control and regulation through various public finance institutions
- k) Controlling the sensitive sectors such as distribution system, allocating the scarce imported goods rationally etc.; and
- l) Reducing the pressure of balance of payments by promoting export and reducing imports.

1.10 Role of Service Sector in Indian Economy

As civilization progresses human desires increase leading to the evolution of economic activities. Normally primary activities such as hunting, animal husbandry and agriculture emerged. Later on, as science and technological development took place which led to the evolution of industrial sector. The expansion of both these sectors made the advancement of service sector.

Fisher (1935) and Colin Clark (1940) have divided the economy into primary sector, secondary sector and tertiary sector. The primary sector which covers tangible goods in agriculture, forestry, fishing, and hunting. The secondary sector includes mining, manufacturing and such activities as gas, electricity and water supply involving activities with a tangible and product. The tertiary sector consists of trade and public services. But this is not a clear-cut division on economic activities as economist change the activity in the list and also there is overlapping of economic activities.

Later on, the economic activities have been shifted from one sector to another sector. At present the primary sector includes agriculture, forestry, animal and husbandry and fisheries etc., the secondary sector activities incorporate mining, manufacturing, electricity, gas, water supply, construction etc., the service sector activities include trade, commerce, transport, communications, hotel and restaurant,

banking and finance, health and education, tourism, share market, film industry, insurance, astrology industry, advertisement industry, sports, legal service, publishing industry, mass media etc.,

Service sector also known as the tertiary sector of the economy is expanding at a faster rate. It is one of the three sectors of the economy. “Soft” part of the economy in the service sector includes all activities which people offer their knowledge and time to improve productivity, performance, potential and sustainability and also known as advice, experience and discussion include the service sector. Service sector involves of activities beginning from the production of goods and service until it reaches to the consumer. For the last 30 years there has been a substantial shift from the primary and secondary sector to the service sector. Now it has become a largest sector of the economy. Further, the service sector activities can be grouped into:

1. Trade, hotel and restaurants.
2. Transport, storage and communication. Transport includes roads and railways, airways and inland and overseas, water transport.
3. Financial institutions, insurance, real estate and business services.
4. Community, social and personal services. Community services include government establishment and its departments and personal services such as health, and education, NGOs etc.

Role of Service Sector in Economic Development

In any country economic development depends on the growth and evolution of the three sectors of the economy. However, in recent years the service sector growing at a very faster rate in the developing countries and is contributing a

major share in terms of output, income and employment. Even the productivity per worker is becoming higher in-service sector when compared to agriculture and industrial sectors. Already the service sector is dominant in the developed countries. If agriculture sector is stagnant, new service activities are emerging and adding to the service sector making the economy to grow. Hence service sector is playing a major role in economic development of any country.

The importance of the services sector can be gauged by its contributions to different aspects of the economy.

- **Business** includes both domestic trade as well as foreign trade. Trade as a service sector activity facilitates the exchange of the goods and services between producers and consumers. Domestic trade refers to the exchange of goods and services with in the country. Which provides income and employment to the people who have engaged in these activities. Foreign trade plays a major role in the development of the country. Imports of machinery and equipment which cannot be produced in the initial stages at home are essential. Such imports which either help to create new capacity in some lines of production or enlarge capacity in the other lines of production are called developmental imports. The imports which are made in order to make a full use of the productive capacity are called maintenance imports.
- **Finance** as a service sector activity plays an important role in undertaking any economic activities. Finance refers to funds of monetary resources required by individual, business houses and the government. People needs funds to meeting their current requirement or day to day of expenses for buying capital goods. A business house requires funds for paying wages and salaries, for buying raw materials, for purchasing new machinery or replacing

an old one etc. Government needs funds to provide various services to its subject. Finance institutions provides funds to various groups of people for variety of activities. In this process the service sector activities provide income and employment to the people of a country.

In the previous days this sector is responsible for distributing the output of the primary and secondary sectors for the intermediate and final consumption and also for the providing a variety of services to producers as well as consumers. Trade, transport and storage activities ensure distribution of goods and services where and when needed by consumers. Business and financial services facilitate mobilization of resources and their development in the activities of different sector of the economy.

Service Sector in India

Today, in India service sector accounts more than 50 percent of India's Gross Domestic Product (GDP). There is a significant change in sectoral contribution of each sector to India's GDP over a period of time. In 1950-51 the primary sector was contributing about 56.5 percent to the Indian GDP. It is followed by the secondary sector with 13.6 percent and tertiary sector with 29.9 percent. During 1990-91 the share of agriculture sector in India GDP was 34 percent. It was followed by secondary sector with 23.2 percent and tertiary sector with 42.8 percent. During 2007 the contribution of primary sector came down to 18 percent, and industrial sector increased to 29 percent sector to 53 percent (Misra and Puri, 2009). During 2008-09 the share of primary sector was 15.7 percent, the share of secondary sector was 28 percent and the share of service sector was 56.4 percent (GOI, 2010) which highlights the fact that the share of tertiary sector is raising constantly over a period of time.

India stands one of the leading economies because its

growth has been led by the service sector. It's a larger part of the Indian economy both in terms of employment potential and its contribution to national income. Demand and supply factors have led to this growth. In the demand side high growth of services is the economy was mostly due to the factors such as the increasing input usage of services by other sectors. In the supply side is the increased trade in services following trade in liberalization policies and other reforms of 1990s induced this growth.

The trade liberalization is responsible for the development of finance, transport communication and other service sector activity including in service hotel and restaurant. Along with this the increase in demand for health and education also led to expansion of these sector. The services sector in future providing about the 70 per cent of the new job opportunities in the economy as the share agriculture in total employment already falling, in the coming years, the share of services would increase.

The Indian economy has contributed to the services sector of about 55.2 per cent share in G.D. P its growing by 10 per cent annually, contributing to the total employment, a high share in foreign direct investment and one-third of total exports and recording very fast at 27.4 per cent in export growth of the first half of 2010-11. Some services, such as infrastructure include the roads, railways, civil aviation, financial services and social services. The social services including the health and education play a major role in enhancing the contribution of service sector to its Indian economy.

1.11 Liberalization, Privatization and Globalization (LPG) Models and Indian economy

Business in India during LPG.

The economy of India had undergone significant policy

shifts in the beginning of the 1990s. This new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation model. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world. The concepts of liberalization, globalization and privatization are actually closely related to one another. This LPG phenomenon was first initiated in the Indian Economy in 1990 when the Indian Economy experienced a severe crisis. At that time the government decided to introduce the New Industrial Policy (NIP) in 1991 to start liberalizing the Indian economy. The chain of reforms that took place with regards to business, manufacturing, and financial services industries targeted at lifting the economy of the country to a more proficient level. These economic reforms had influenced the overall economic growth of the country in a significant manner.

Liberalisation

Liberalisation refers to the slackening of government regulations. The economic liberalisation in India denotes the continuing financial reforms which began since July 24, 1991. Or in other words we can say that Liberalization means elimination of state control over economic activities. It implies greater autonomy to the business enterprises in decision-making and removal of government interference. It was believed that the market forces of demand and supply would automatically operate to bring about greater efficiency and the economy would recover. This was to be done internally by introducing reforms in the real and financial sectors of the economy and externally by relaxing state control on foreign investments and trade.

Objectives

- To boost competition between domestic businesses
- To promote foreign trade and regulate imports and exports
- Improvement of technology and foreign capital
- To develop a global market of a country
- To reduce the debt burden of a country
- To unlock the economic potential of the country by encouraging the private sector and multinational corporations to invest and expand.
- To encourage the private sector to take an active part in the development process.
- To reduce the role of the public sector in future industrial development.
- To introduce more competition into the economy with the aim of increasing efficiency.

Reforms under Liberalisation

- Deregulation of the Industrial Sector
- Financial Sector Reforms
- Tax Reforms
- Foreign Exchange Reforms
- Trade and Investment Policy Reforms
- External Sector Reforms
- Foreign Exchange Reforms
- Foreign Trade Policy Reforms

Impacts of Liberalisation in India

- **Positive impacts of liberalisation in India**

- 1) **Free flow of capital:** Liberalisation has improved flow of capital into the country which makes it inexpensive for the companies to access capital from investors. Lower cost of capital enables to undertake lucrative projects which they may not have been possible with a higher cost of capital pre-liberalisation, leading to higher growth rates.
- 2) **Stock Market Performance:** Generally, when a country relaxes its laws, taxes, the stock market values also rise. Stock Markets are platforms on which Corporate Securities can be traded in real time. Impact of FDI in Banking sector: Foreign direct investment allowed in the banking and insurance sectors resulted in decline of government's stake in banks and insurance firms.
- 3) **Political Risks Reduced:** Liberalisation policies in the country lessens political risks to investors. The government can attract more foreign investment through liberalisation of economic policies. These are the areas that support and foster a readiness to do business in the country such as a strong legal foundation to settle disputes, fair and enforceable laws.
- 4) **Diversification for Investors:** In a liberalised economy, Investors gets benefit by being able to invest a portion of their portfolio into a diversifying asset class.
- 5) **Impact on Agriculture:** In the area of agriculture, the cropping patterns has undergone a huge modification, but the impact of liberalisation cannot be properly measured. It is observed that there are still all-pervasive government controls and interventions starting from production to distribution for the produce

• **Negative impacts of liberalisation in India**

- 1) **Destabilization of the economy:** Tremendous redistribution of economic power and political power leads to Destabilizing effects on the entire Indian economy.
- 2) **Threat from Multinationals:** Prior to 1991 MNC's did not play much role in the Indian economy. In the pre-reform period, there was domination of public enterprises in the economy. On account of liberalisation, competition has increased for the Indian firms. Multinationals are quite big and operate in several countries which has turned out a threat to local Indian Firms.
- 3) **Technological Impact:** Rapid increase in technology forces many enterprises and small-scale industries in India to either adapt to changes or close their businesses.
- 4) **Mergers and Acquisitions:** Acquisitions and mergers are increasing day-by-day. In cases where small companies are being merged by big companies, the employees of the small companies may require exhaustive re-skilling. Re-skilling duration will lead to non-productivity and would cast a burden on the capital of the company.
- 5) **Impact of FDI in Banking sector:** Foreign direct investment allowed in the banking and insurance sectors resulted in decline of government's stake in banks and insurance firms.

Privatisation

Privatisation refers to the participation of private entities in businesses and services and transfer of ownership from the public sector (or government) to the private sector as well. Privatization is the transfer of control of ownership of economic resources from the public sector to the private sector. It means a decline in the role of the public sector as

there is a shift in the property rights from the state to private ownership. The public sector had been experiencing various problems, since planning, such as low efficiency and profitability, mounting losses, excessive political interference, lack of autonomy, labour problems and delays in completion of projects. Hence to remedy this situation with Introduction of NIP'1991. Another term for Disinvestment. The objectives of disinvestment were to raise resources through sale of PSUs to be directed towards social welfare expenditures, raising efficiency of PSUs through increased competition, increasing consumer satisfaction with better quality goods and services, upgrading technology and most importantly removing political interference.

Objectives of Privatisation

- Privatisation aims at providing a strong base to the inflow of FDI.
- Increased inflow of FDI improves the financial strength of the economy

Impact of Privatisation

• Positive Aspect

1. **Improved efficiency:** - The main argument for privatisation is that private companies have a profit incentive to cut costs and be more efficient. If you work for a government run industry managers do not usually share in any profits. However, a private firm is interested in making a profit, and so it is more likely to cut costs and be efficient.
2. **Lack of political interference:** - It is argued governments make poor economic managers. They are motivated by political pressures rather than sound economic and business sense. For example, a state enterprise may employ

surplus workers which is inefficient. The government may be reluctant to get rid of the workers because of the negative publicity involved in job losses. Therefore, state-owned enterprises often employ too many workers increasing inefficiency.

3. **Short term view:** - A government many think only in terms of the next election. Therefore, they may be unwilling to invest in infrastructure improvements which will benefit the firm in the long term because they are more concerned about projects that give a benefit before the election. It is easier to cut public sector investment than frontline services like healthcare.
4. **Shareholders:** - It is argued that a private firm has pressure from shareholders to perform efficiently. If the firm is inefficient then the firm could be subject to a takeover. A state-owned firm doesn't have this pressure and so it is easier for them to be inefficient.
5. **Increased competition:** - Often privatisation of state-owned monopolies occurs alongside deregulation – i.e., policies to allow more firms to enter the industry and increase the competitiveness of the market. It is this increase in competition that can be the greatest spur to improvements in efficiency. For example, there is now more competition in telecoms and distribution of gas and electricity.
6. **Government will raise revenue from the sale:** - Selling state-owned assets to the private sector raised significant sums for the UK government in the 1980s. However, this is a one-off benefit. It also means we lose out on future dividends from the profits of public companies.

- **Negative Aspect**

1. **Natural monopoly:** - A natural monopoly occurs when the

most efficient number of firms in an industry is one. For example, tap water has very significant fixed costs. Therefore, there is no scope for having competition amongst several firms. Therefore, in this case, privatisation would just create a private monopoly which might seek to set higher prices which exploit consumers. Therefore, it is better to have a public monopoly rather than a private monopoly which can exploit the consumer.

2. **Public interest:** - There are many industries which perform an important public service, e.g., health care, education and public transport. In these industries, the profit motive shouldn't be the primary objective of firms and the industry. For example, in the case of health care, it is feared privatising health care would mean a greater priority is given to profit rather than patient care. Also, in an industry like health care, arguably we don't need a profit motive to improve standards. When doctors treat patients, they are unlikely to try harder if they get a bonus.
3. **Government loses out on potential dividends.:-** Many of the privatised companies in the UK are quite profitable. This means the government misses out on their dividends, instead going to wealthy shareholders.
4. **Problem of regulating private monopolies.:** - Privatisation creates private monopolies, such as the water companies and rail companies. This need regulating to prevent abuse of monopoly power. Therefore, there is still need for government regulation, similar to under state ownership.
5. **Fragmentation of industries:** - In the UK, rail privatisation led to breaking up the rail network into infrastructure and train operating companies. This led to areas where it was unclear who had responsibility. For example, the Hatfield rail crash was blamed on no one

taking responsibility for safety. Different rail companies have increased the complexity of rail tickets.

- 6. Short-termism of firms:** -As well as the government being motivated by short term pressures, this is something private firms may do as well. To please shareholders, they may seek to increase short term profits and avoid investing in long term projects. For example, the UK is suffering from a lack of investment in new energy sources; the privatised companies are trying to make use of existing plants rather than invest in new ones.

Globalisation

Globalization essentially means integration of the national economy with the world economy. It implies a free flow of information, ideas, technology, goods and services, capital and even people across different countries and societies. It increases connectivity between different markets in the form of trade, investments and cultural exchanges. The concept of globalization has been explained by the IMF (International Monetary Fund) as ‘the growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flows and also through the more rapid and widespread diffusion of technology.

Advantages of Globalisation in India

1) Increase in Employment: With the opportunity of Special Economic Zones (SEZ), there is an increase in the number of new jobs availability. Including Export Processing Zones (EPZ) Centre in India is very useful in employing thousands of people. Another additional factor in India is cheap labour. This feature motivates big companies in the west to outsource employees from other region and cause more employment.

2) Increase in Compensation: After Globalisation, the level

of compensation has increased as compared to domestic companies due to the skill and knowledge a foreign company offers. This opportunity also emerged as an alteration of the management structure.

3) High Standard of Living: With the outbreak of Globalisation, Indian economy and the standard of living of an individual has increased. This change is notified with the purchasing behaviour of a person, especially with those who are associated with foreign companies. Hence, many cities are undergoing a better standard of living along with business development.

4) Extension of Market- Due to globalisation any company can extend their limits the size of business. Now no nation can any longer hope to lead an existence of solitude and isolation in which only domestic industries can function.

5) Development of Infrastructure- Its help in the improvement and development of infrastructure. For example, growing financial facilities, faster communication, rapid technology changes, new sources of industrial energy etc.

6) Development of healthy competition. Integration of global markets reduces manufacturing costs, improves quality, reduces processing time, and business becomes dominant drivers.

7) Multiplicity of Manufacturing Plants- In globalisation, an MNC by operating in more than one country gains research and development production, marketing and financial advantages in its cost and reputation, that are not available to purely domestic marketers.

Disadvantages of Globalisation

1. Inequality: Globalisation has been linked to rising inequalities in income and wealth. Evidence for this is the growing rural–urban divide in countries such as China, India

and Brazil. This leads to political and social tensions and financial instability that will constrain growth. Many of the world's poorest people do not have access to basic technologies and public goods. They are excluded from the benefits.

2. Inflation: Strong demand for food and energy has caused a steep rise in commodity prices. Food price inflation has placed millions of the world's poorest people at great risk.

3. Vulnerability to external economic shocks – national economies are more connected and interdependent; this increases the risk of contagion i.e., an external event somewhere else in the world coming back to affect you has risen / making a country more vulnerable to macro-economic problems elsewhere

4. Threats to the Global Commons: Irreversible damage to ecosystems, land degradation, deforestation, loss of biodiversity and the fears of a permanent shortage of water afflict millions of the world's most vulnerable

5. Trade Imbalances: Global trade has grown but so too have trade imbalances. Some countries are running big trade surpluses and these imbalances are creating tensions and pressures to introduce protectionist policies such as new forms of import control. Many developing countries fall victim to export dumping by producers in advanced nations (dumping is selling excess output at a price below the unit cost of supply.)

6. Unemployment: Concern has been expressed by some that capital investment and jobs in advanced economies will drain away to developing countries as firms switch their production to countries with lower unit labour costs. This can lead to higher levels of structural unemployment.

7. Standardisation: Some critics of globalisation point to a loss of economic and cultural diversity as giant firms and

global multinational brands dominate domestic markets in many countries.

Impact of Globalisation on Indian Economy.

In the Economic welfare, globalisation refers to the unique economically interdependent international environment. Each country's prosperity is interlinked with the rest of the world. A further development will be the super national enterprise. It serves all nation without being specially attached to any of the. The Impacts of Globalisation are as follows:

1. Economic Impact: - The implications of globalisation for a national economy are many. Globalisation has intensified interdependence and competition between economies in the world market. This is reflected in interdependence in regard to trading in goods and services and in movement of capital. As the globalization attracted foreign investors to invest in the financial market (like stock market, share market), the commodity market also expanded. International trade leads to an increase in the world's prosperity and welfare of each trading nation and living standard of trading nation by way of foreign direct investment by one country in to other country. The economy will boost by the FDI, especially for the developing country. Globalisation also gives a chance to IT Sector, Pharma Sector, Agro Products etc. It has also some bad effects especially on small scale sectors and local markets.

2. Cultural Effects: - Due to globalization is multi dimensions, have been formed various outlooks about impact of it on culture. coexistence with different cultures isn't possible. Globalization is figure on broadcast and dominates a special culture on other cultures in the world. Spread of education has influenced the life style of people and standard of living has been improved. By going global, corporation has extended their products lines to other cultures. A company can

both improve product quality and achieve its goal by sharing technology and information. There are so many differences between cultures that it is impossible to cover them all. The global company is becoming the most viable force in the world trade and international relation.

3. Political Effects: - Globalization by removing geographical, political and cultural borders, and place has changed attitudes, behaviour and action of individuals, nations, states and even socio-political structure of societies. In politics scope, globalization has created several evolution the scientific and academic societies, especially political science, and some other matters like political systems, states, and democracy, has conceptual redefined by globalization.

4. Technological Changes: - Technology is understood to be the driving force of globalization. This technological development has helped globalise the world economy the tends of technological changes that have taken place since the industrialization revolution, relating from production, distribution and communication, that has filled the globalization. It has brought about innovation and interaction between nations that weren't possible before. That has led to some of the greatest invention that revolutionized trade, communication and interaction to a whole new level and increased globalisation

LPG Model of Development & LPG Reforms

- (a) This has a very narrow focus since it mostly concentrates on the corporate sector which accounts for only 10 percent of GDP.
- b) The model bypasses agriculture and agro-based industries which are a significant source of generation of employment for the masses. It did not delineate a concrete policy to

develop infrastructure. Financial and technological support, particularly the infrastructural needs of agro-exports.

- (c) By permitting free entry of the multinational corporations in the consumer goods sector. LPG model hit the interests of the small and medium sector engaged in the production of consumer goods. There is a danger of labour displacement in the small industry if the unbridled entry of MNCs is continued.
- (d) By facilitating imports, the Government has opened the import window too wide. Consequently, the benefits of rising exports are more than offset by the much higher rise in imports leading to a more significant trade gap.
- (e) Finally, the model emphasizes a capital-intensive pattern of development, and there are severe apprehensions about its employment-potential. It is being made out that it may cause unemployment in the short run but will take care

MODULE II

FOREIGN TRADE AND ECONOMIC DEVELOPMENT

2.1 Foreign Trade- Meaning and Definition

Foreign trade is the exchange of capital, goods, and services across international borders or territories. In most countries, it represents a significant share of Gross Domestic Product (GDP). Industrialization, advanced transportation, globalization, multinational corporations, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. International trade is a major source of economic revenue for any nation that is considered a world power. Without international trade, nations would be limited to the goods and services produced within their borders.

Foreign trade is the exchange of goods across national boundaries. Prof. J.L. Hanson said, “An exchange of various specialized commodities and services rendered among the corresponding countries is known as foreign trade.”

Foreign trade is all about imports and exports. The backbone of any foreign trade between nations is those products and services which are being traded to some other location outside a particular country’s borders.

Types of Foreign Trade

1. **Import:** Importing is the purchasing of goods or services made in another country. For example, importing edible oil from Chinese producers to sell in Africa.
2. **Export:** Exporting is selling domestic-made goods in another country. For example, Hameem Garments exports

Readymade Garments (RMG) products to Western Countries.

- 3. Re-export:** When goods are imported from a foreign country and are re-exported to buyers in some other foreign countries, it is called re-export. For example, Firm/Readymade Garments located at EPZs imports raw materials (cotton) from Korea and produces Readymade Garments products by Thai cotton and then those products to Canada.

Reasons/Need/ Importance/ Advantages of foreign Trade

The following points explain the need and importance of foreign trade to a nation.

1. Division of Labour and Specialisation

Foreign trade leads to the division of labour and specialization at the world level. Some countries have abundant natural resources. They should export raw materials and import finished goods from countries which are advanced in skilled manpower. This gives benefits to all the countries and thereby leading to the division of labour and specialization.

2. Optimum allocation and utilisation of resources

Due to specialization, unproductive lines can be eliminated, and wastage of resources avoided. In other words, resources are canalized for the production of only those goods, which would give the highest returns. Thus, there is rational allocation and utilization of resources at the international level due to foreign trade.

3. Equality of prices

Prices can be stabilized by foreign trade. It helps to keep the demand and supply position stable, which in turn

stabilizes the prices, making allowances for transport and other marketing expenses.

4. Availability of Multiple choices

Foreign trade helps in providing a better choice to the consumers. It helps in making available new varieties to consumers all over the world.

5. Ensures quality and standard goods

Foreign trade is highly competitive. To maintain and increase the demand for goods, the exporting countries have to keep up the quality of goods. Thus, quality and standardized goods are produced.

6. Raises standard of living of the people

Imports can facilitate the standard of living of the people. This is because people can have a choice of new and better varieties of goods and services. By consuming new and better varieties of goods, people can improve their standard of living.

7. Generate employment opportunities

Foreign trade helps in generating employment opportunities by increasing the mobility of labor and resources. It generates direct employment in the import sector and indirect employment in other sectors of the economy. Such as Industry, Service Sector (insurance, banking, transport, communication), etc.

8. Facilitate Economic development

Imports facilitate the economic development of a nation. This is because, with the import of capital goods and technology, a country can generate growth in all sectors of the economy, agriculture, industry, and service sector.

9. Assistance during natural calamities

During natural calamities such as earthquakes, floods, famines, etc., the affected countries face the problem of shortage of essential goods. Foreign trade enables a country to import food grains and medicines from other countries to help the affected people.

10. Maintains balance of payment position

Every country has to maintain its balance of payment position. Since every country has to import, which results in an outflow of foreign exchange, it also deals in export for the inflow of foreign exchange.

11. Brings reputation and helps earning goodwill

A country which is involved in exports earns goodwill in the international market. For example, Japan has earned a lot of goodwill in foreign markets due to its exports of quality electronic goods.

12. Promotes world peace

Foreign trade brings countries closer. It facilitates the transfer of technology and other assistance from developed countries to developing countries. It brings different countries closer due to economic relations arising out of trade agreements. Thus, foreign trade creates a friendly atmosphere for avoiding wars and conflicts. It promotes world peace as such countries try to maintain friendly relations among themselves.

Features of Foreign Trade (Export/Import)

1. Import dependency (our country foreign trade depends on import because of high demand and low supply),
2. Import capital goods and industrial goods,
3. Export of readymade garments

4. Export of agricultural raw materials and products,
5. Unfavourable balance of payment (More import but less export),
6. Operate most business by sea/ocean,
7. More import from Asia (China, Singapore, India) and export in Western countries (USA, England),
8. Government initiation and control (By TCB and EPB govt control foreign trade and operate helpful initiative),
9. Export of jute and jute goods
10. Export of manpower
11. Private initiative
12. Diversity of import goods (necessary goods and unnecessary luxurious goods).
13. Effect of free trade economy (for open market economy unnecessary luxurious goods are imported in our country, and our country's money went to another country)
14. Business with all countries.

Contribution of Foreign Trade to Economic Growth

Foreign trade enlarges the market for a country's output. Exports may lead to increase in national output and may become an engine of growth. Expansion of a country's foreign trade may energise an otherwise stagnant economy and may lead it onto the path of economic growth and prosperity.

Increased foreign demand may lead to large production and economies of scale with lower unit costs. Increased exports may also lead to greater utilisation of existing capacities and thus reduce costs, which may lead to a further increase in exports. Expanding exports may provide greater employment opportunities. The possibilities of increasing exports may also reveal the underlying investment in a particular country and thus assist in its economic growth.

Some of the important ways in which foreign trade contributes to economic growth are as follows:

- i. The primary function of foreign trade is to explore means of procuring imports of capital goods, without which no process of development can start;
- ii. Trade provides for flow of technology, which allows for increases in productivity, and also result in short-term multiplier effect;
- iii. Foreign trade generates pressure for dynamic change through (a) competitive pressure from imports, (b) pressure of competing export markets, - and (c) a better allocation of resources;
- iv. Exports allow fuller utilisation of capacity resulting in achievement of economies of scale, separates production pattern from domestic demand, increases familiarity with absorption of new technologies;
- v. Foreign trade increases most workers' welfare. It does so at least in four ways: (a) Larger exports translate into higher wages; (b) because workers are also consumers, trade brings them immediate gains through products of imports; (c) it enables workers to become more productive as the goods they produce increase in value; and (d) trade increases technology transfers from industrial to developing countries resulting in demand for more skilled labour in the recipient countries.
- vi. Increased openness to trade has been strongly associated with reduction in poverty in most developing countries.

India's Foreign Trade Policy

The Indian government's Foreign Trade Policy (FTP) 2015-2020 announced on April 1, 2015 is primarily focused on increasing India's exports of goods and services to raise

India's share in world exports from 2 to 3.5 percent. The FTP consolidated most of India's existing export subsidies and other incentives into two main export incentive schemes

1. The Manufactured Goods Exports Incentive Scheme (MEIS)- for export of specified goods to specified markets.
2. The Service Exports Incentive Scheme (SEIS)- for increasing exports of notified services. FTP 2015-20 provides a framework for increasing exports in line with the 'Make in India' programme.

For grant of rewards under MEIS, the countries have been categorized into 3 Groups. Measures have been adopted to nudge procurement of capital goods from indigenous manufacturers under the EPCG scheme by reducing specific export obligation to 75 per cent of the normal export obligation. Measures have been taken to give a boost to exports of defence and hi-tech items. E- Commerce exports of handloom products, books/periodicals, leather footwear, toys and customised fashion garments through courier or foreign post office would also be able to get benefit of MEIS (for values up to INR 25,000).

Manufacturers, who are also status holders, will now be able to self-certify their manufactured goods in phases, as originating from India. 108 MSME clusters have been identified for focused interventions to boost exports. 'Niryat Bandhu Scheme' has been galvanised and repositioned to achieve the objectives of 'Skill India'.

Trade facilitation and enhancing the ease of doing business are the other major focus areas in this new FTP. One of the major objectives of new FTP is to move towards paperless working in 24x7 environments. The existing foreign trade policy 2015-20 which was valid up to 31 March 2020 is extended up to 31 March 2021 aimed the outbreak of coronavirus pandemic and the lockdown to contain its spread.

Foreign Trade Policy- Highlights India

Periods	Policy measures
1990-91	<ol style="list-style-type: none">1. New import export policy was formulated2. Services exports were encouraged3. Replenishment rates were modified to encourage higher value-added products
1992-93	<ol style="list-style-type: none">1. exim Policy for 5 years 1992-97 was implemented.2. Since 1992 imports were regulated through a limited negative list
1994-95	Under the duty exemption scheme and the export promotion of capital goods scheme third party exports were given benefits.
1995-96	<ol style="list-style-type: none">1. Quantitative restrictions were phased out in the form of licensing and other discretionary controls.2. Controls on imports were liberalized with only small list of items in the negative list.
1997-98	EXIM Policy 1997-2002 constituted
1998-99	<p>In the wake of Asian crisis on India's exports several measures were announced.</p> <ol style="list-style-type: none">1. Exports under all export promotion schemes were exempted from special additional duty.2. Simplification of bond furnishing procedures for exporters.3. Tax holidays foe EPZ to 10 years.
1999-2000	<ol style="list-style-type: none">1. Import of 894 items were made license free and another 414 items were allowed to be imported against special import license.

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	<ol style="list-style-type: none">2. Free trade zones replaced export processing zones.3. Green card for exporters exporting 50 % of their production.4. Golden status certificates for exports and trading houses
2001-02	<ol style="list-style-type: none">1. Quantitative restrictions removed from 714 tariff lines2. Setting up of special economic zones
2002-03	Agricultural exports promoted
2006-07	Efforts were made to make India hub of gems and jewellery by accelerating their exports.
2008-09	Continued emphasis on special economic zones Exports duty on iron ore fines was eliminated
2009-10	New Foreign trade policy introduced for 2009-14.
2010-11	<ol style="list-style-type: none">1. 27 new markets added under the focus market scheme with incentive of duty credit.2. The zero-duty export promotion capital goods scheme and status holder incentive scrip scheme introduced in 2009 is extended to other sectors
2015-16	New Foreign trade policy introduced for 2015-20
2020-21	Foreign trade policy 2015-20 extended by one year and made valid up to 31 March 2021

Direction of India's Foreign Trade and Balance of Payments

In more recent times, India's exports to Asia and Oceania markets, with whom ethnically, culturally and economically India is closer, have shown a sharp jump. In fact,

the current boom in exports is sustained largely by what officials see as an unexpected and healthy rise in exports to the Asia and Oceania countries, which include the ESCAP countries like Australia, Iran, Japan, Korea, Malaysia, Singapore, Thailand, Hongkong, Bangladesh and Nepal. The shift in favour of these countries implies that Indian exporters have at last concentrated in markets closer home to capitalise on the advantages from lower freight cost. It is also an evidence of the outward orientation being imparted to the economy by reforms.

Balance of Payment

Balance of Payment is a summary of international transactions of a country for a given period (i.e., financial year). It records inflow and outflow. It is constructed on double entry system of accounting. If receipts are larger than payments, there is surplus in BOP. Similarly, if payments are larger than receipts, there is deficit in BOP. It represents a summation of country's current demand and supply of the claims on foreign currencies and of foreign claims on its currency. There are two main accounts in the BOP – the current account and the capital account.

- BOP of a country reveals its financial and economic status.
- BOP statement can be used as an indicator to determine whether the country's currency value is appreciating or depreciating.
- BOP statement helps the Government to decide on fiscal and trade policies.
- It provides important information to analyse and understand the economic dealings of a country with other countries.

Current Account

The current account is used to monitor the inflow and

outflow of goods and services between countries. This account covers all the receipts and payments made with respect to raw materials and manufactured goods. It also includes receipts from engineering, tourism, transportation, business services, stocks, and royalties from patents and copyrights. When all the goods and services are combined, together they make up to a country's Balance of Trade. There are various categories of trade and transfers which happen across countries. It could be visible or invisible trading, unilateral transfers or other payments/receipts. Trading in goods between countries are referred to as visible items and import/export of services (banking, information technology etc) are referred to as invisible items. Unilateral transfers refer to money sent as gifts or donations to residents of foreign countries. This can also be personal transfers like – money sent by relatives to their family located in another country

Capital Account

All capital transactions between the countries are monitored through the capital account. Capital transactions include the purchase and sale of assets (non-financial) like land and properties. The capital account also includes the flow of taxes, purchase and sale of fixed assets etc by migrants moving out/in to a different country. The deficit or surplus in the current account is managed through the finance from capital account and vice versa.

There are 3 major elements of capital account:

- **Loans & borrowings** – It includes all types of loans from both the private and public sectors located in foreign countries.
- **Investments** – These are funds invested in the corporate stocks by non-residents.
- **Foreign exchange reserves** – Foreign exchange reserves

held by the central bank of a country to monitor and control the exchange rate does impact the capital account.

Balance of Trade

It refers to the difference between the monetary value of a country's imports and exports over a given time period. A positive trade balance indicates a trade surplus while a negative trade balance indicates a trade deficit. It is an important component in determining a country's current account.

Balance of Trade= Value of exports- Value of imports.

Value of exports is the value of goods and services that are sold to buyers in other countries. Value of imports is the value of goods and services that are bought from sellers in other countries. Whether a positive or negative balance of trade is beneficial for an economy depends on the countries involved, the trade policy decisions, the duration of the positive or negative balance of trade and the size of the trade imbalance among other things. Economists generally agree that neither surplus or deficits are inherently bad or good for the economy

Difference between Balance of Payment and Balance of Trade

- 1. Meaning:** Balance of Payment is the difference between the payments and total receipts of a specified economy during a certain period of time, balance of trade is the difference between imports and exports of a given economy during a certain period of time.
- 2. Scope:** Balance of payment captures all visible and non-visible economic transactions in the world. On the other hand, balance of trade captures the value of goods on all exports and imports.

3. **Economic View:** While balance of payment gives an overall view on the strength of a particular economy, the balance of trade gives a partial view, based on the imports and exports
4. **Capital Transfers:** Balance of payments includes capital transfers while balance of trade does not include capital transfers.
5. **Transactions:** While balance of payment records transactions that have taken place relating to goods and services transactions, balance of trade records transactions that have occurred in relation to only goods.
6. **Mode of Calculation:** Balance of payment is computed by summing up the reserve balance, current accounts balance, and capital accounts balance. On the other hand, balance of trade is derived by subtracting the value of imports from the value of exports.
7. **Net Effect:** In balance of payment, the net effect is always zero. However, in balance of trade, the net effect is either positive, negative or zero.

Disequilibrium in Balance of Payment

- (i) **Economic Factors:** Imbalance between exports and imports, large scale development expenditure which causes large imports, High domestic prices which lead to imports, Cyclical fluctuations (like recession or depression) in general business activity, new sources of supply and new substitutes.
- (ii) **Political Factors:** Experience shows that political instability and disturbances cause large capital outflows and hinder Inflows of foreign capital.
- (iii) **Social Factors:** Changes in fashions, tastes and preferences of the people bring disequilibrium in BOP by

influencing imports and exports; High population growth in poor countries adversely affects their BOP because it increases the needs of the countries for imports and decreases their capacity to export

Remedial measures

- (i) **Export promotion:** Exports should be encouraged by granting various bounties to manufacturers and exporters. At the same time, imports should be discouraged by undertaking import substitution and imposing reasonable tariffs.
- (ii) **Import:** Restrictions and Import Substitution are other measures of correcting disequilibrium.
- (iii) **Reducing inflation:** Inflation (continuous rise in prices) discourages exports and encourages imports. Therefore, government should check inflation and lower the prices in the country

3.2 Special Economic Zones (SEZs)

A Special Economic Zone or SEZ is a specially marked territory or enclave within the national borders of a country that has more liberal economic laws than the rest of the country. SEZ are geographical regions with liberal economic laws compared to the domestic economic laws of a country. In India, SEZ came to being after the government made a pronouncement announcing the policy in April 2000 with a view to attracting FDI, creating state of the art infrastructure for business purposes and allowing trouble free custom duties. The intention of the SEZ policy is to ensure and guarantee economic growth that would be supported by cutting edge infrastructures and technologies at all levels of government (state and centre) with an effective regulation.

The regulations governing the special economic zones in India is the SEZ Act 2005. The Act was promulgated in to

Law on February 2006 Before the enactment of the SEZ Act 2005, the operations of SEZs were regulated by the Foreign Trade Policy. The two mandates of the Act are to improve the inflow of FDI, as well as guarantee a globally competitive export environment.

Features of Indian SEZs

- The Indian SEZ were created by the contribution of the government, joint sectors, and the private sector, this provides equal opportunities to both international prospects and Indian players.
- Allocation of over 1000 hectares of greenfield land by the government
- Permission of 100% FDI, apart from those activities classified in line with an unconstructive record.
- Commodities that are taken in to an SEZ from a Domestic Tariff Area are regarded as exports.
- Commodities that are taken in to the Domestic Tariff Area from an SEZ is recognized as imports.

Benefits of SEZs

A special economic Zone not only offers state of the art infrastructure, but it also offers a viable opportunity to a pool of skilled workers, as well as an attractive ROI to both developers and companies. The following are the important benefits of SEZs.

- Tax exemption: A SEZ offers 100 % tax exemption for 5 years duration and another extra 2 Years tax relief of 50%.
- FDI in the manufacturing industry are allowed 100% influx through an automatic channel
- Establishment of off shore banking services

- Exemption of central sales tax and Service tax
- Foreign borrowing to the tune of US \$ 500 million is permitted within a year through an approved banking network.
- Players do not need the authorisation to carry out import.
- 100% FDI in the areas of customary telephone facilities
- No custom tariffs when buying raw products, merchandise, as well as spare parts
- Sales tax exemption
- No levy would be imposed by the state governments.

SEZ Background

An SEZ Policy was announced for the very first time in 2000 in order to overcome the obstacles businesses faced.

- There were multiple controls and many clearances to be obtained before starting a venture.
- Infrastructure facilities were shoddy and well below world standards in India.
- The fiscal regime was unstable as well.
- In order to attract huge foreign investments into the country, the government announced the Policy.
- The Parliament passed the Special Economic Zones Act in 2005 after many consultations and deliberations.
- The Act came into force along with the SEZ Rules in 2006.
- However, SEZs were operational in India from 2000 to 2006 (under the Foreign Trade Policy).

Special Economic Zones Act, 2005

“It is defined as an Act to provide for the establishment, development and management of the Special

Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto.”

The chief objectives of the SEZ Act are:

1. To create additional economic activity.
2. To boost the export of goods and services.
3. To generate employment.
4. To boost domestic and foreign investments.
5. To develop infrastructure facilities.

SEZ Rules

The Rules provide for:

1. Simplified procedures to develop, operate and maintain SEZs and also to set up units and conduct businesses in the SEZs.
2. Single-window clearance to set up a Special Economic Zone, and also to set up a unit in an SEZ.
3. Single-window clearance for matters connected to the Central and State governments.
4. Simplified compliance procedures and documentation with a focus on self-certification.
5. Different minimum land requirements for different classes of Special Economic Zones.

SEZ Facilities and Incentives

The government offers many incentives for companies and businesses established in SEZs. some of the important ones are:

- Duty-free import or domestic procurement of goods for developing, operating and maintaining SEZ units.
- 100% Income tax exemption on export income for SEZ units under the Income Tax Act for first 5 years, 50% for

next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.

- Units are exempted from Minimum Alternate Tax (MAT).
- They were exempted from Central Sales Tax, Service Tax and State sales tax. These have now subsumed into GST and supplies to SEZs are zero-rated under the IGST Act, 2017.
- Single window clearance for Central and State level approvals.
- There is no need for a license for import.
- In the manufacturing sector, barring a few segments, 100% FDI is allowed.
- Profits earned are permitted to be repatriated freely with no need for any dividend balancing.
- There is no need for separate documentation for customs and export-import policy.
- Many SEZs offer developed plots and ready-to-use space.

SEZ in India

As of 31st January 2021; 265 SEZs are operational in the country. About 64% of the SEZs are located in five states – Tamil Nadu, Telangana, Karnataka, Andhra Pradesh and Maharashtra.

The following table gives data about the SEZs as of 31st January 2021

SEZs approved	425
SEZs notified	378
SEZs approved in-principle	33
SEZs operational	265

A few important figures related to SEZs in India:

- As of 31st December 2020; 22.84 lakh persons have been employed in the SEZs, the division of which is given below:
 1. Number of persons employed in the Central Government SEZs – 186768
 2. Number of persons employed in the state/private SEZs set up before 2006 – 98309
 3. Number of persons employed in the SEZs notified under the act – 1999871
- In the financial year 2020-21 (As of 31st December 2020) the exports from SEZs have decreased by about 7.25% when compared to the previous financial year (2019-2020).

Examples of SEZs in India:

1. SEEPZ Special Economic Zone (Mumbai),
2. Kandla SEZ
3. Cochin SEZ
4. Madras SEZ
5. Visakhapatnam SEZ
6. Falta SEZ

Challenges

- Since SEZs offer a wide range of incentives and tax benefits, it is believed that many existing domestic firms may just shift base to SEZs.
- There is a fear that the promotion of SEZs may be at the cost of fertile agricultural land affecting food security, loss of revenue to the exchequer and cause uneven growth with adverse effects.

- Apart from food security, water security is also affected because of the diversion of water use for SEZs.
- SEZs also cause pollution, especially with the release of untreated effluents. There has been a huge destruction of mangroves in Gujarat affecting fisheries and dairy sectors.
- SEZs have to be promoted but not at the cost of the agricultural sector of the country. It should also not affect the environment adversely.

2.3 Export and Import Scenario in India

Export Import Policy or better known as Exim Policy is a set of guidelines and instructions related to the import and export of goods. The Government of India notifies the Exim Policy for a period of five years (1997- 2002) under Section 5 of the Foreign Trade (Development and Regulation Act), 1992. Exports up 48.34 pc to USD 32.5 billion; trade deficit at USD 9.37 billion in June. During April-June 2021, the exports increased by 85.88 per cent to USD 95.39 billion. Imports expanded to USD 126.15 billion during the first three months of the fiscal as against USD 60.44 billion in the same period last year, the data showed.

India's major exports included petroleum products, gems and jewellery, and drug formulations. Additionally, the value of the various types of machinery India exported was valued at over 29 billion U.S. dollars. Other major exports include spices, tea, coffee, tobacco in agriculture, along with iron and steel.

2.4 FDI policy

Foreign Direct Investment (FDI) is an investment made by a company or an individual in one country into business interests located in another country. FDI is an important driver of economic growth. The FDI policy is reviewed on an ongoing basis, with a view to making it more investor-friendly.

To attract higher levels of FDI, Government has put in place a liberal policy on FDI, under which FDI up to 100%, is permitted, under the automatic route, in most sectors/activities.

Benefits of FDI

FDI brings in many advantages to the country. Some of them are discussed below.

1. Brings in financial resources for economic development.
2. Brings in new technologies, skills, knowledge, etc.
3. Generates more employment opportunities for the people.
4. Brings in a more competitive business environment in the country.
5. Improves the quality of products and services in sectors.

Disadvantages of FDI

However, there are also some disadvantages associated with Foreign Direct Investment. Some of them are:

1. It can affect domestic investment, and domestic companies adversely.
2. Small companies in a country may not be able to withstand the attack of MNCs in their sector. There is the risk of many domestic firms shutting shop as a result of increased FDI.
3. FDI may also adversely affect the exchange rates of a country.

Government Measures to Increase FDI in India

1. Government schemes like Production-Linked Incentive (PLI) scheme in 2020 for electronics manufacturing, have been notified to attract foreign investments.
2. In 2019, the amendment of FDI Policy 2017 by the government, to permit 100% FDI under automatic route in

coal mining activities enhanced FDI inflow.

3. FDI in manufacturing was already under the 100% automatic route, however, in 2019, the government clarified those investments in Indian entities engaged in contract manufacturing is also permitted under the 100% automatic route provided it is undertaken through a legitimate contract.
4. Further, the government permitted 26% FDI in digital sectors. The sector has particularly high return capabilities in India as favourable demographics, substantial mobile and internet penetration, massive consumption along technology uptake provides great market opportunity for a foreign investor.
5. Foreign Investment Facilitation Portal (FIFP) is the online single point interface of the Government of India with investors to facilitate FDI. It is administered by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry.
6. FDI inflow is further expected to increase –
 - as foreign investors have shown interest in the government's moves to allow private train operations and bid out airports.
 - Valuable sectors such as defence manufacturing where the government enhanced the FDI limit under the automatic route from 49% to 74% in May 2020, is also expected to attract large investments going forward.

New FDI Policy

According to the new FDI policy, an entity of a country, which shares a land border with India or where the beneficial owner of investment into India is situated in or is a citizen of any such country, can invest only under the

Government route. A transfer of ownership in an FDI deal that benefits any country that shares a border with India will also need government approval. Investors from countries not covered by the new policy only have to inform the RBI after a transaction rather than asking for prior permission from the relevant government department. The earlier FDI policy was limited to allowing only Bangladesh and Pakistan via the government route in all sectors. The revised rule has now brought companies from China under the government route filter.

Types of FDI

Typically, there are two main types of FDI: horizontal and vertical FDI.

(A)Horizontal: A business expands its domestic operations to a foreign country. In this case, the business conducts the same activities but in a foreign country. For example, McDonald's opening restaurants in Japan would be considered horizontal FDI.

(B)Vertical: A business expands into a foreign country by moving to a different level of the supply chain. In other words, a firm conducts different activities abroad but these activities are still related to the main business. Using the same example, McDonald's could purchase a large-scale farm in Canada to produce meat for their restaurants.

However, two other forms of FDI have also been observed: conglomerate and platform FDI.

(c)Conglomerate: A business acquires an unrelated business in a foreign country. This is uncommon, as it requires overcoming two barriers to entry: entering a foreign country and entering a new industry or market. An example of this would be if Virgin Group, which is based in the United Kingdom, acquired a clothing line in France.

(D)Platform: A business expands into a foreign country but the output from the foreign operations is exported to a third country. This is also referred to as export-platform FDI. Platform FDI commonly happens in low-cost locations inside free-trade areas. For example, if Ford purchased manufacturing plants in Ireland with the primary purpose of exporting cars to other countries in the EU.

Growth and Impact of FDI in Indian Economy.

Subject to the provisions of the FDI policy, foreign investment in 'manufacturing' sector is under automatic route. Further, a manufacturer is permitted to sell its products manufactured in India through wholesale and/or retail, including through e-commerce, without Government approval. FDI helps Indian economy in more ways than one, some of which are mentioned below:

1. FDI helps in balancing international payments.
2. It boosts development in various fields.
3. FDI helps to generate greater employment opportunities for the people of India.
4. FDI encourages export from the host country.

MODULE III

BUSINESS SUSTAINABILITY IN INDIA

3.1 Introduction:

A business should function to earn money in such a way that it fulfils the expectation of the society. Every person living in society has some obligation towards it. They have to follow social values and norms of behaviour. A business is permitted by society in order to carry on commercial or industrial activities with help of that earn profit. But it is obligatory on the side of business that not to do anything, that is undesirable from point of view of society. The manufacture and sale of adulterated goods, not paying due tax, doing deceptive, polluting environment works exploitation are some examples of undesirable practice in the point of view society. Which may increase the enterprise's profits but on other hand have adverse effect on society at large. Unlike to this, supplying good quality product, having healthy working condition paying taxes honestly, installing pollution controlling devises or prevention of pollution and sincerely solve customer complaints are some examples of socially desirable activities which improve of business as well as make them profitable. Business can get durable success though socially responsible ethically upright behaviour.

Concept of Social Responsibility

The evolution of the concept of social responsibility of business has passed through different stages of struggle. Business began merely as an institution for the purpose of making money.



- **Economic Responsibility**

The business itself is an economic activity. Its main function is to earn profits. To earn profits means to understand the needs and demands of consumers whether it is regarding the quality of the product or its price. While understanding the perspective of the consumer and meeting their needs and demand to earn a profit is the economic responsibility of a business. When a business earns a profit, it also means that the employees earn the profit in terms of incentives. The economic growth of a business is not restricted to it but affects the society as a whole.

- **Legal Responsibility**

Legal responsibilities are not only liable to the individuals in the society but also to the businesses in the society. As business is an entity itself, it must also follow laws and rules. Every business has a responsibility to operate within the boundaries set by the various commissions and agencies at every level of the government. These rules and regulations are set for maintaining balance and the greater good of the society.

A law-abiding enterprise is a socially responsible enterprise as well. The business is free to do business however it wants but only within the boundaries of regulations of various laws such as labour law, environmental law and criminal law. For example, it's a business's duty to pay taxes to the government and keep its account books clean as it helps the government to track the economic state of the company.

- **Ethical Responsibility**

Ethical responsibilities include the behaviour of the firm that is expected by the society but not codified in law. The factors of ethical responsibility include that the business must be environmentally friendly. The business should always be aware of its activities and how do they affect the environment. It is the moral and ethical responsibility of every human and every business.

- **Philanthropic Responsibility**

Business is one the most important pillar of the society. And therefore, it should support and improve the society whenever it can. If a business is making significant profits, it is the business responsibility that it should be philanthropic towards the society by donating funds or its goods and services.

It's the philanthropic responsibility of the business to help different groups of the society. It should also work towards providing free education by opening educational institutes and training institutes or helping the people affected by natural calamities such as floods and earthquakes. It is the responsibility of the company management to safeguard the capital investment by avoiding speculative activity and undertaking only healthy business ventures which give good returns on investment.

Business and Society

Business and Society are correlated with each other. As business fulfil the needs of society and society gives business the resources required to it. The different businesses operating in society play an important role in functioning of society in different ways like business provide employment to various people of society.

The basic objective of business enterprise is to develop, produce and supply goods and service to customer. This need to be done in such a way which allowed companies to make profit, that in turn demands far more than just skills in companies on fields and processes. The social skills of owners of companies, together with maintain relationship with customers, suppliers and business people, are always important if companies want be run well and developed with view to future.

Benefits to society

1. Supply goods and service which customer can't or do not want to produce themselves.
2. Creating jobs for suppliers, co-workers, customer and distributor. This people make money to support themselves as well as their families, use their wages to purchase goods and service and pay taxes.
3. Continually developing new process. Goods and service.
4. Investment in new technologies as well as in the skills of employees.
5. Building up as well as spreading international standards, for example environmental practice.
6. Developing good practice in different areas such as environment and workplace safety.

The role of business in societal development can be

measured in many ways. If company wants to progress and develop, it must nurture relation with its stakeholder, of which there may be plenty. Some have a strong influence and are of fundamental importance for the survival of the business; this includes customer, suppliers and employees. The authorities, media, local resident and trade union are others stakeholders with a vital influence. The role of business in society as well as accompanying responsibility that transpire from that role is highly contentious and debated topic.

The long-term survival of companies is partly dependent on maintaining the relationship of trust. The economist Milton Friedman famously contended that the “business of business is business” and because of which it has only one responsibility and that is to generate profit for shareholder. In the contrary of that argument is thinking that recognizes business as a system in society which affected by and affects other system in society, for example government body, natural environment, surrounding community other types of organization etc. Thus, business required to work with this system to attain its economic goals. In a way that will also benefit the society as whole.

Importance of Social Responsibility

Social responsibility of business is important from the following point of view.

1. **From employees’ point of view:** with the help of company’s employment and healthy working condition, social responsibility of business is important for employees.
2. **From Customer point of view:** under social responsibility, business follows ethical practice and manufacture the product which is as per expected quality and reasonable price.

3. **From investor point of view:** Business who understand value of social responsibility is provide protection to the investor fund with help of development and growth of its business as well as expected return to investors with profit earn by it.
4. **From Suppliers point of view:** The importance of social responsibility is also required to perform in case of suppliers as they are one to provide raw material to business as well as other required material. When they are paid on time as well as reasonable demands of them are satisfied company, suppliers are loyal to business.
5. **From government point of view:** when business pay regular taxes, follow the norms of government then it is considered as social responsibility of business which is duly fulfil by it.
6. **From Society point of view:** business need to work in society, some importance of social responsibility is also defined from society point of view. The business provides good product, try to maintain clean environment, provide opportunity to participate to business as well as work for the overall development of society, these are some examples of it.

3.2 MDG (Millennium Development Goals)

The Millennium Development Goals (MDGs) are eight goals with measurable targets and clear deadlines for improving the lives of the world's poorest people. To meet these goals and eradicate poverty, leaders of 189 countries signed the historic millennium declaration at the United Nations Millennium Summit in 2000.

The following are the Millennium Development Goals (MDGs)

1. Eradicate extreme poverty and hunger.

2. Achieve universal primary education.
3. Promote gender equality and empower women.
4. Reduce child mortality.
5. Improve maternal health.
6. Combat HIV/AIDS, malaria and other diseases.
7. Ensure environmental sustainability.
8. Global partnership for development.

The United Nations Millennium Declaration, signed in September 2000, commits world leaders to combat poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women. The MDGs are derived from this Declaration. Each MDG has targets set for 2015 and indicators to monitor progress from 1990 . Several of these relate directly to health.

Features

1. It synthesizes, in a single package, many of the most important commitments made separately at the international conferences and summits of the 1990s.
2. Recognize explicitly the interdependence between growth, poverty reduction and sustainable development;
3. Acknowledge that development rests on the foundations of democratic governance, the rule of law, respect for human rights and peace and security.
4. It is based on time-bound and measurable targets accompanied by indicators for monitoring progress; and
5. It brings together, in the eight Goal, the responsibilities of developing countries with those of developed countries, founded on a global partnership endorsed at the International Conference on Financing for Development in Monterrey, Mexico in 2002, and again at the Johannesburg

World Summit on Sustainable Development in August 2003.

3.3 Circular Economy - Initiatives and impacts

A circular economy is a systemic approach to economic development designed to benefit businesses, society, and the environment. In contrast to the 'take-make-waste' linear model, a circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources.

In a circular economy, manufacturers design products to be reusable. For example, electrical devices are designed in such a way that they are easier to repair. Products and raw materials are also reused as much as possible. For example, by recycling plastic into pellets for making new plastic products.

A circular economy is an economic model designed to minimize resource input, as well as waste and emission production. Circular economy aims to reach the maximum efficiency in the use of finite resources, the gradual transition to renewable resources, and recovery of the materials and products at the end of their useful life. Moreover, it targets to rebuild all available types of capital, including financial, human, social, and natural. Essentially, a circular economy describes a regenerative economic system.

Core Principles of the Circular Economy

- **Designing out waste and pollution.**

The concept suggests the minimization of waste and pollution by reducing damages from economic activities.

- **Keeping products and materials in use.**

A circular economy aims to extend the useful life of the products and materials by creating the loops of the materials and products circulating in the economy. The goal is achieved

through the active reuse, repair, and remanufacturing of the products and materials utilized in the economy.

- **Regenerating natural systems.**

The regeneration of natural systems is one of the fundamental concepts of a circular economy. It enhances natural capital and creates the necessary conditions for the regeneration of natural systems.

3.4 SDG (Sustainable Development Goals)

Sustainable Development Goals (SDGs) are a set of 17 Goals adopted by 193 member countries of the United Nations at the historic Summit held in New York on 25 September 2015. Came into force on 01 January 2016, the SDGs are expected to stimulate developmental actions in areas of critical importance such as ending poverty and hunger, providing healthy lives and quality education, achieving gender equality, providing modern energy, promoting sustainable economic growth, reducing inequality, etc. till the year 2030. Also known as the 2030 Agenda for Sustainable Development, the SDGs aim at transforming the lives and livelihood of the people across the globe.

The 17 goals under the Sustainable Development Goals are as mentioned below:

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all stages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls

6. Ensure availability and sustainable management of water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Built resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
10. Reduce inequalities within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production pattern
13. Take urgent actions to combat climate change and its impact
14. Conserve and sustainably use the oceans, seas and marine resources
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably managed forests, combat desertification and halt and reverse land degradation and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Sustainable Development Goals in India

India's record in implementing Sustainable Development Goals

- Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) is being implemented to provide jobs to unskilled labourers and improve their living standards.
- National Food Security Act is being enforced to provide subsidized food grains.
- The government of India aims to make India open defecation free under its flagship programme Swachh Bharat Abhiyan.
- Renewable energy generation targets have been set at 175 GW by 2022 to exploit solar energy, wind energy and other such renewable sources of energy efficiency and reduce the dependence on fossil fuels.
- Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Heritage City Development and Augmentation Yojana (HRIDAY) schemes have been launched for improving the infrastructure aspects.
- India has expressed its intent to combat climate change by ratifying the Paris Agreement.

Constituents of SDGs

- **Inter-connectedness:** SDGs have been formulated keeping in mind the growing realisation that problems relating to development are no more limited to national boundaries, but rather increasingly becoming global in nature. What happens in one country influences the other - whether it is poverty or environmental degradation. All these issues are becoming trans-boundary in nature. Thus, the essential philosophy of the SDGs is based on the interconnectedness of the global problems.
- **Multi-Dimensional Approach - 17 Goals and 169 Targets:** Spread over 169 targets, the 17 SDGs are evenly spread and balanced across the three dimensions of

sustainable development - with 6 predominantly social goals (Goals - 1 to 6), 5 economic goals (Goals - 7 to 11) and 4 environmental goals (Goals - 12 to 15). A separate goal (Goal - 16) on peaceful societies and effective institutions tackles the enablers of development. A stand-alone goal (Goal - 17) on global partnership has been included to provide financial, technological and systemic support to the developing countries.

- **Means of Implementation:** A core feature of the SDGs is, in fact, their strong focus on means of implementation - the mobilization of financial resources, capacity-building and transfer of environmentally sound technologies, as well as data and institutions. Thus, separate 'means of implementation' targets have been included under each of the Goals.
- **Monitoring and Review:** Review and monitoring have been accorded special priority in SDGs so as to track the progress of the developmental goals and targets. The UN Resolution underlines the importance of follow-up at the national, regional as well as global levels. A Global Indicator Framework of 243 indicators have been developed for evaluating the progress of SDGs. At the global level, the High-Level Political Forum (HLPF) on Sustainable Development has also been established. It has a central role in the follow-up and review of the SDGs at the global level and also provides further guidance.
- **Voluntary National Review:** As part of its follow-up and review mechanisms, countries are encouraged to conduct regular reviews of progress at the national and sub-national levels. These reviews are to be voluntary, state-led, undertaken by both developed and developing countries. Therefore, these are called Voluntary National Reviews (VNRs). The voluntary national reviews (VNRs) aim to

facilitate the sharing of experiences, including successes, challenges and lessons learned, with a view to accelerating the implementation of the 2030 Agenda. India submitted its VNR in 2017.

SDGs and India

- **SDGs Mirror India's Development Objectives:** The Prime Minister of India attended the UN Summit convened to adopt the 2030 Agenda for Sustainable Development held in New York in 2015. One of the highlights of the statement of our Prime Minister is that - much of India's development agenda is mirrored in the SDGs. This is reflective of the fact that even before the SDGs were formulated and adopted, India had initiated numerous developmental programmes.
- **India's Participation in the Formulation of Goals and Target:** As a member of the Open Working Group (OWG) constituted for preparing a proposal on the SDGs, India vociferously advocated the concerns of the developing countries. India emphasised on the priorities for lifting vast number of poor people out of poverty through rapid and inclusive economic growth. It has also maintained that while a lot of work has already been done for infrastructural development, taking development to all sections of society still remain a massive challenge. These challenges continue to be faced by all the developing countries across the world. India took the position that the SDGs has to be an agenda for development. While issues of poverty eradication and development through inclusive economic growth are the main development agenda, additional resources and capability building initiatives are required to undertake these mammoth tasks. India, therefore, has emphasized on international cooperation to facilitate development, and also insisted on adequate

means of implementation such as enhanced Official Development Assistance (ODA) and technology transfer on favourable terms for helping the developing countries.

- **NITI Aayog:** The NITI Aayog has been overseeing the implementation of SDGs at the national level. As part of this implementation process, the NITI Aayog has carried out a mapping of all SDGs, Central Ministries and the Centrally-sponsored Schemes. It is also undertaking national and regional level consultations with other stakeholders including States and Union Territories. Besides other documents, NITI Aayog has brought out the SDG India Index: Baseline Report 2018 (December 2018); and Localising SDGs: Early Lessons from India, 2019 (July 2019). On the basis of performance of the States/UTs, NITI Aayog has not only categorised them into Achievers, Front Runners, Performers and Aspirants, but also has identified more than 100 aspirational districts for focused interventions.
- **MoSPI:** The Ministry of Statistics and Programme Implementation (MoSPI) is also one of the key players in the implementation of SDGs. As indicators are key to measure the progress and the extent of achievement of the targets and Goals in India, MoSPI has developed 306 national indicators in line with the 169 SDG targets and the Global Indicators Framework. Out of the 306 indicators, 62 priority indicators have also been identified for tracking the most important developmental objectives for India.

Progress Profile of India

Based on 62 priority indicators identified by the NITI Aayog, and out of 306 national indicators developed by the Ministry of Statistics and Programme Implementation, the SDG India Index: Baseline Report 2018 was brought out reflecting the progress profile of India on different individual

Goals. It is, in fact, an attempt to measure Goal-wise progress primarily based on the outcomes of the interventions and schemes of the Government of India. However, evaluation of only 13 SDGs out of 17 (leaving Goals 12, 13, 14 and 17) have been undertaken. Progress on SDGs 12, 13 and 14 could not be measured since the relevant state level data could not be processed by the time the Report was prepared in December 2018. SDG 17 was left out as the focus of the Goal is on international partnerships.

A composite score has been computed based on the performance towards achieving the Goals and respective targets on a score ranging between 0 to 100, 0 being the lowest and 100 being the highest. As per the SDG Index score, with the target of 100 to be achieved, the national score (all India) is 57. The performance of the States ranges between 42 and 69, and that of the Union Territories (UTs) ranges between 57 and 68. Among the States, Kerala and Himachal Pradesh are the front runners with a score of 69. Among the UTs, Chandigarh is the front runner with a score of 68. Based on their performances, the States and the UTs have been categorised as performers, front runners and aspirants.

Impact of SDG & MDG

The Millennium Development Goals were the stepping stone for the United Nations members to look for a developed and brighter future for their countries and the people living there. In 2000, the MDG was accepted and the final report presented in 2015 clearly mentions the decrease in infant mortality rate, reduction of poverty, provision of safe drinking water, sanitation and drastically improving the mental health of people.

Following its footsteps, the Sustainable development goals are set to make the world a better place to live by 2030. The plan was accepted in 2015 and up till 2020, the reports

presented by the UNDP prove that various actions have been taken for the betterment of the Nation and improvement in the livelihood of people across the world has been seen.

The Sustainable Development Goals have resulted in the decline of the maternal mortality rate, reduced poverty, worked for the improved health of the people, spread awareness about the communicable and non-communicable diseases and also the vaccines required for children. Efforts are being taken for providing better medication to the world and mental illness is also being taken as a major concern.

Overall, the Sustainable Development goals tend to make the world a better place to live by fulfilling its targets within the stipulated time of 15 years and remove poverty, improve health, provide employment, empower women, reduce inequalities and follow all the seventeen targets that have been set by the UN.

Sustainable Development Goals Report 2020

On July 7, 2020, the Sustainable Development Goals Report 2020 was released. As per the report, the COVID-19 pandemic unleashed an unprecedented crisis which has led to further disruption to SDG progress. Given below are the key points based on the SDG report:

- Improvements have been noticed in areas such as improving maternal and child health, expanding access to electricity and increasing women's representation in government
- An estimated 71 million people are expected to be pushed back into extreme poverty in 2020, the first rise in global poverty since 1998. The main cause of this is said to be loss of employment and people who were earlier secure also could find themselves at risk of poverty

- Approximately 1.6 million vulnerable workers across the world were either left unemployed or underemployed, with incomes estimated to have fallen by 60 per cent during the crisis
- Women and children, and people living in slums were the worst affected sections during the pandemic
- School closures have kept 90 per cent of students worldwide (1.57 billion) out of school and caused over 370 million children to miss out on school meals they depend on
- The cases of poverty, unemployment and risk of lives has increased the risk of child labour and trafficking

Apart from the above-mentioned points, the report suggests that climate change is still occurring much faster than anticipated. The year 2019 was the second warmest on record and the end of the warmest decade of 2010 to 2019.

3.5 Financial Inclusion

Financial Inclusion is described as the method of offering banking and financial solutions and services to every individual in the society without any form of discrimination. It primarily aims to include everybody in the society by giving them basic financial services without looking at a person's income or savings. Financial inclusion chiefly focuses on providing reliable financial solutions to the economically underprivileged sections of the society without having any unfair treatment. It intends to provide financial solutions without any signs of inequality. It is also committed to being transparent while offering financial assistance without any hidden transactions or costs. Financial inclusion wants everybody in the society to be involved and participate in financial management judiciously.

Objectives

- Financial inclusion intends to help people secure financial services and products at economical prices such as deposits, fund transfer services, loans, insurance, payment services, etc.
- It aims to establish proper financial institutions to cater to the needs of the poor people. These institutions should have clear-cut regulations and should maintain high standards that are existent in the financial industry.
- Financial inclusion aims to build and maintain financial sustainability so that the less fortunate people have a certainty of funds which they struggle to have.
- Financial inclusion also intends to have numerous institutions that offer affordable financial assistance so that there is sufficient competition so that clients have a lot of options to choose from. There are traditional banking options in the market. However, the number of institutions that offer inexpensive financial products and services is very minimal.
- Financial inclusion intends to increase awareness about the benefits of financial services among the economically underprivileged sections of the society.
- The process of financial inclusion works towards creating financial products that are suitable for the less fortunate people of the society.
- Financial inclusion intends to improve financial literacy and financial awareness in the nation.
- Financial inclusion aims to bring in digital financial solutions for the economically underprivileged people of the nation.
- It also intends to bring in mobile banking or financial services in order to reach the poorest people living in extremely remote areas of the country.

- It aims to provide tailor-made and custom-made financial solutions to poor people as per their individual financial conditions, household needs, preferences, and income levels.

Need for Financial Inclusion

- Financial inclusion enhances the financial system of the country comprehensively. It strengthens the availability of economic resources. Most importantly, it toughens the concept of savings among poor people living in both urban and rural areas. This way, it contributes towards the progress of the economy in a consistent manner.
- Many poor people tend to get cheated and sometimes even exploited by rich landlords as well as unlicensed moneylenders due to the vulnerable condition of the poor people. With the help of financial inclusion, this serious and hazardous situation can be changed.
- Financial inclusion engages in including poor people in the formal banking industry with the intention of securing their minimal finances for future purposes. There are many households with people who are farmers or artisans who do not have proper facilities to save the money that they earn after putting in so much effort.

Financial Inclusion Schemes in India

The Government of India has been introducing several exclusive schemes for the purpose of financial inclusion. These schemes intend to provide social security to the less fortunate sections of the society. After a lot of planning and research by several financial experts and policymakers, the government launched schemes keeping financial inclusion in mind. These schemes have been launched over different years. Let us take a list of the financial inclusion schemes in the country:

- Pradhan Mantri Jan Dhan Yojana (PMJDY)

- Atal Pension Yojana (APY)
- Pradhan Mantri Vaya Vandana Yojana (PMVVY)
- Stand Up India Scheme
- Pradhan Mantri Mudra Yojana (PMMY)
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Sukanya Samriddhi Yojana
- Jeevan Suraksha Bandhan Yojana
- Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs)
- Venture Capital Fund for Scheduled Castes under the Social Sector Initiatives
- Varishtha Pension Bima Yojana (VPBY)

Financial Inclusion Programmes Organised by The Reserve Bank of India (RBI)

The Reserve Bank of India works on exclusive programmes and plans in order to have financial inclusion in the nation effectively. It applies a bank-led strategy in order to attain financial inclusion smoothly. The central bank of India also has firm regulations in place that need to be followed by every bank. The RBI also is offering qualified assistance to every bank in the nation in order to attain its financial inclusion objectives.

Let us take a look at some of the programmes introduced by the RBI in order to achieve its goals:

- The RBI instructed every bank to have Basic Saving Bank Deposits (BDS) accounts for the economically weaker sections of the society. These are no-frill accounts where account holders do not have to maintain any minimum balance or minimum deposit. These account holders can withdraw cash at any ATM or at the bank branch. They

should also be given the opportunity to make use of electronic payment channels for receiving and transferring money to others.

- The RBI also asked banks to have simple Know Your Client (KYC) regulations for the less fortunate people of the society. There are many people in rural areas who are unable to open bank accounts due to strict KYC norms. Hence, the RBI wants banks to have simplified KYC requirements particularly if a low-income individual is interested in opening a bank account with an amount not above Rs.50,000.
- Keeping in mind about the lack of bank branches in rural areas, the RBI has asked all banking institutions to open more and more branches in villages across the nation in order to provide good banking services to the villagers.
- The Reserve Bank of India is promoting the establishment of Financial Literacy Centres (FLCs). It has made many modifications and revisions regarding the functioning of Financial Literacy Centres (FLCs). The rural branches of various scheduled commercial banks and financial literacy centres are now required to improve financial awareness on a larger scale and enhance their financial literacy activities by organising catchy and simple financial literacy camps.
- With the objective of distributing the branches of Scheduled Commercial Banks (SCBs), the RBI has instructed banks to establish their branches in Tier 2 to Tier 6 centres that have less than 1 lakh people. These branches can be opened with a general permission from the RBI.
- The central bank of the nation also asked banks to discuss and create Financial Inclusion Plans (FIPs). These plans will include details about staff employed, branches opened, facilities offered in each of these branches, steps being

taken to convert the unbanked sections of the society to individuals with basic access to banking services, etc. The plan will also include information about no-frills accounts opened with each public or private bank. The RBI has been checking each bank's FIP with full dedication and providing them with constructive feedback.

- The RBI has also asked banks to set up intermediate brick and mortar structures between the base branch of a bank and the other branch locations. This should be done for the purpose of organising and administering cash, redressing customers' grievances, collecting and maintaining mandatory documents systematically, monitoring of branch activities, etc.
- The RBI also has invested huge amounts in technology for banking services so that innovative techniques can be incorporated to making banking processes simple, quick, and cost-effective. The scheduled commercial banks have been asked to utilise information and communications technology (ICT) to offer affordable digital banking services. Banks have also started to offer door-step delivery of bank accounts, loans, and other financial services with the help of technology. Moreover, with the introduction of technology in banking, it is okay if customers are illiterates. They can make use of technological devices and operate through biometrics. This also makes sure that customers have safe and secure transactions without any scope for scams or frauds. This will also make the unbanked sections of the society rely on the banking system.

Operations of Financial Inclusion

Under financial inclusion, the main aspect is access to financial sources. This can be broadly divided into credit, wealth creation, and contingency planning.

- According to the concept of financial inclusion, under the **credit aspect**, a low-income individual needs proper access to emergency loans, consumer loans, housing loans, and business livelihood loans at affordable rates.
- Under the **wealth creation** aspect, a poor individual should be able to make excellent savings and have access to reliable investment options that generate good returns. Every low-income household should also have basic financial literacy and understand the concept of risk in finance clearly.
- Under the **contingency planning** segment of the financial inclusion system, a poor person should have access to funds that can be utilised exclusively in the future. It is not enough if these people have only meant to improve their income and enhance their lifestyle. They should also have the right resources to be prepared for the future, especially when they get old. Many of the poor people may not be aware of retirement plans. They should be provided with affordable retirement plans that will give them good returns in the later stages of their lives.

Financial products offered for attaining financial inclusion

Keeping in mind that low-income people living in rural and urban areas have very limited access to financial products and services, scheduled commercial banks (SCBs) have been asked by the Reserve Bank of India to design and offer exclusive financial products to the economically weaker sections of the society. Many of them are only aware of basic financial services such as savings schemes, savings accounts, personal loans, crop loans, microfinance, etc. They do not know anything about credit cards or debit cards.

However, due to their lack of access to instant credit facilities, banks were instructed to issue cost-efficient credit

cards to the low-income groups of the society. Some of the special financial products provided to them include:

- **General Credit Cards (GCC):** Banks were asked by the RBI to launch and offer General Credit Card facilities with an amount of up to Rs.25,000 at their branches located in semi-urban and rural areas.
- **Kissan Credit Cards (KCC):** The Reserve Bank of India also instructed banks to provide Kissan Credit Cards exclusively to small farmers who earn very low incomes and who have very limited funds due to which they cannot invest in proper farming tools, fertilisers, pesticides, crop seeds, tractors, land for farming, storage warehouses, etc. They are forced to rely on other wealthy landlords for getting land to sow crops. These Kissan Credit Cards are intended to help farmers make instant purchases whenever required. Many a time, farmers give up on purchasing things required for their occupation due to lack of funds.
- **ICT-Based Accounts via BCs:** The Reserve Bank also devised a plan to help banks to reach out to the unbanked individuals of the society by offering Information and Communications Technology (ICT)-based bank accounts with the help of Business Correspondents (BCs). These accounts allow users to make withdrawals of cash, create deposits, and apply for loans and other forms of credit through electronic forms. This type of account makes banking inexpensive and simple.
- **Increase in ATMs:** The Reserve Bank of India also reported that many rural parts of the nation do not have enough automated teller machines (ATMs) and this is hampering many buying and selling operations of the people residing in those areas. In order to increase the availability of physical cash for these people, the number of ATMs increased massively.

MODULE IV
BUSINESS IN 21ST CENTURY

4.1 Need for infrastructural development

The importance of infrastructure for sustained economic development is well recognized. High transactions costs arising from inadequate and inefficient infrastructure can prevent the economy from realizing its full growth potential, regardless of the progress on other fronts. Physical infrastructure covering transportation, power, and communication, through its backward and forward linkages, facilitates growth; social infrastructure including water supply, sanitation, sewage disposal, education and health, which are in the nature of primary services, has a direct impact on the quality of life. The visible signs of shortfalls in capacity and inefficiencies include increasingly congested roads, power failures, long waiting lists for installation of telephones, and shortages of drinking water illustrate the widening gap between demand and supply of infrastructure, and raise questions concerning the sustainability of economic growth in future.

The efficacy of private sector participation in infrastructure development would be contingent upon the capability to commercialize these projects whereby recovery of investments would be through a system of user charges. There is a potential for Public Private Partnerships (PPPs) to contribute more and to help bridge the infrastructure gap in India. There has been considerable progress in the last ten years in attracting private investment into the infrastructure sectors; first in telecommunications, then in ports and roads, and in individual projects in other sectors.

With the current GDP growth of 8 per cent, in which

there is contribution of nearly 51 per cent from services, and 16 per cent from manufacturing sector, there is a need for proper alignment of resources. To sustain this growth, India needs to develop sound infrastructure so that the right input of

- a) skilled, qualified, and socially contented labour;
- b) visible and reliable supply chains;
- c) prompt and accurate information for decision making; and
- d) efficient process and updated technology can be given to the operations of manufacturing and services.

The demand for infrastructural services has increased rapidly after industrial liberalization of the Indian economy. Unfortunately, infrastructural bottlenecks remain the biggest stumbling block of industrial progress in the country. By their very nature, infrastructure projects involve huge initial investments, long gestation periods and high risk. The resulting bottlenecks are beginning to pose serious impediments to enhancing productivity. Urban infrastructure includes water supply and sanitation which are important basic needs for improvement in the quality of life and enhancement of the productive efficiency of citizens. There has been a steady increase in the urban population on account of rapid industrialization, natural growth, and migration from rural areas. This has prompted the working out of alternative ways of meeting the increasing demand for transport given the constraints of land and capital, and the need to control energy consumption, pollution, and accidents.

Infrastructural development in a country helps to run the operations of any company efficiently and effectively. The availability of adequate, efficient and affordable infrastructural facilities both economic and social constitutes the core of development strategy and efforts. In the absence of infrastructure services, enterprises are forced to seek higher

cost alternatives which impact profits and production levels adversely. In India, the demand for infrastructural services has increased rapidly since the industrial liberalization of the economy. Unfortunately, infrastructural bottlenecks remain the biggest stumbling block of industrial progress in the country. By their very nature, infrastructure projects involve huge initial investments, long gestation periods, and high risk.

4.2 GIG Economy and impact

21st century has been remarkable for so many things including social media, disruptive innovation, a period of recession, geopolitical surprises and above all the rise of the gig economy. The gig economy in a simple word represents the state of the modern market. It refers to the rising trends of part time employment where more and more people are using their skills to pick up and fulfil gigs rather than getting employed full time in traditional jobs.

Most often the gig economy is appreciated for the higher level of autonomy it brought for the workers and the cost advantage it generated for the employers. One important factor that supported the growth of the gig economy was the internet. It helped create new connections that could be exploited to generate employment for people who would otherwise find it difficult to get a traditional full-time job.

Advantages of GIG Economy

- **Higher Independence and Variety:** -Apart from money, independence is the most important factor that has drawn millennials towards the gig economy. They want more flexibility and higher independence in their jobs. As gig workers, they do not just enjoy more control over their jobs, but also have more freedom over choosing the kind of work they want to do. In traditional employment, they had to work for set hours whereas in the gig economy, they

have a relatively higher degree of flexibility where they can work as long as they wish. Moreover, the people who want to learn new skills and explore new avenues can find great new opportunities in the gig economy. Apart from independence, the gig economy provides variety where you find options to try new jobs and juggle between several roles. This is good for new as well as experienced workers. It is also a main reason that a very large number of people do it of their own choice and are satisfied with the results. To some people, it is just a method of earning extra money. They may have other regular resources of income but since they have skills they can earn extra income as freelancers.

- **Large Scale Employment:** The gig economy has generated employment on a very large scale. The recessionary period had changed the employment landscape and people were retrenched in large numbers. The economic hardships born of the recession were an important factor that gave rise to the need for paid gigs. Globally, it has created new options and helped people connect with new opportunities and exploit their skills which would otherwise remain unused. The digital platforms bridged a major gap bringing customers and workers closer and helping fill a large gap in employment.
- **Cost advantage for businesses:** A large number of businesses have also been able to utilize external talent since the arrival of the gig economy. There are many odd jobs inside companies hiring a full-time worker for which would be costly. In such cases, businesses can hire a freelancer online and get its tasks completed. This is a major cost advantage which is helping both the companies and workers. Workers can find jobs as per their preference with reasonable payments. Hiring a full-time worker with payment and benefits for the same jobs can raise the HR costs for a business.

Disadvantages or Complications related to the Gig Economy:

- **Compliance issues:** Gig economy has created jobs that do not fall in the traditional category and it is why it has also given rise to controversies and legal struggles. The rights of the gig workers are not as well defined as the traditional employees. The contractual agreements and legal definition of a gig worker may vary from country to country and market to market. In cases where the legal rights of the gig workers are not well defined, discrimination and discrepancy can occur. In October 2016, the Uber drivers in UK won a legal battle classifying them as workers rather than as independent contractors.
- **Lack of benefits and gig worker friendly policies:** The traditional benefit model is designed for the regular employee. Organizational policies also favour the employees and not the gig workers. It can have a negative impact on the career of the gig workers who are not entitled to the same benefits as the regular employees. While on the one hand, it benefits the employers, saving costs, on the other it can make gig workers feel like being discriminated against. The gig worker can feel a lack of friendly policies since he is not entitled to the same health or other benefits like employees.
- **Career management issues:** The gig workers are in short term relationships with the employers and therefore do not have a definite career. While the highly skilled workers may find better security because of high demand and low availability, the less skilled workers may often find it difficult to obtain suitable gigs and consistent employment. A gig worker does not always make a planned move or does not have a stable career as the traditional worker. Moreover, they do not have the same support available as

the traditional employees. They do not have any support related to career management or performance review. The entire burden remains on the gig worker who can grow frustrated in seasons he does not find suitable gigs. So, if you are not a very dedicated and highly motivated worker, you may sometimes have to struggle with finding jobs and inconsistency and lack of full-time work and fixed schedules can have a negative effect on your psychological health.

- **Over-expectations:** Sometimes the gig workers start expecting too much of themselves and from the gigs they are paid for. The flexibility offered by the gig economy may make them overwork themselves as happened in the case of several Uber riders who would fall asleep while on the wheels. In case of other gig workers too, during the peak season when the demand is high, the workers may end up doing more work than their physical and psychological health allows which may result in adverse effects in both short and the long term. Some psychologists call it a slow accident where job insecurity, low pay and isolation can result in moments of heightened stress. You can start missing the social settings when you are employed as gig worker and on one of those virtual platforms.
- **Lack of training and skill development opportunities:** Inside the organizations, training and skill development models are available only to the regular employees. The gig workers do not have such resources available to them. They can only find methods of self-training and managing their career is also their own burden. Organizations provide their employees the chances for training and skill development. However, these opportunities are not available to the gig workers. There are no HR or line managers to take care of their skill development or advise

them on career management. In such a case, many times the gig workers have to make do with their limited skills and chances of acquiring new skills remain low unless you are well paid and have access to great training and skill development resources. Moreover, communication and engagement are also difficult with the gig workers. The organizational values that apply to the regular employees do not apply to them even if some organizational rules apply. Communication is easier with the internal employees but not so easy in case of the gig workers. You can communicate face to face with your regular employees and engage them using new and better methods but when it comes to the gig workers a gap always remains because the relationship is very short lived.

Gig Economy Examples

The gig economy definition encompasses all sorts of contingent work arrangements, for example:

- Freelancers
- Consultants
- Independent contractors and professionals
- Temps (temporary contract workers)

And the list should also include:

- On-call workers
- Multiple job holders
- Contingent and part-time workers
- Highly skilled contractors
- Seasonal workers
- Consultants
- And many others

4.3 Technological Business Advancements in the Economy

Technology is one of the important determinants of the success of a firm. Technological / technical environment exerts considerable influence on business. G.K. Galbraith defines technology as a “systematic application of scientific or other organized knowledge to practical tasks.” Technological factors: Innovations, govt. policy, technological orientations, research and development, technology import and absorption are the factors constituting technological environment. Technology is one of the factors to evaluate the global competitiveness of the firms.

Features of Technological Environment

- The first featured is technology changes fast. Technology forces change on people whether they are prepared for it or not.
- The time gap between idea and implementation is falling rapidly. The time between introduction and peak production is shortening considerably.
- Business leaders must always watch for changes and development taking place. New developments must be adopted and new ideas explored, otherwise the business units would perish.
- The effects of technology are widespread. Technology ripples through society until every community is affected by it.
- Technology is reinforcing in its own. Technology feeds on itself. Technology makes technology possible.
- Technological environment is a complex set of knowledge, ideas, and methods. It is likely to be the result of a variety of internal and external activities.

- Technological environment is dynamic. Business means have to adopt the latest technology to survive and to have the competitive edge.

Technological Environment and Businesses:

- Technology is the invisible input in business. Science and technology make lot of differences in economic and social life.
- Industrial and agrarian development in the present era is technology driven
- Technology is all pervasive. Small and big industries, agricultural and secondary sectors, service and infrastructural sectors, rural and urban sectors all need technology.
- Availability of appropriate technology, technology development, technology absorption and technology upgradation influence businesses very much.
- Import of technology and development of indigenous technology are the two eyes for industrial and business development.
- Businesses must manage technology, instead of being dictated by technology. That is technology should be used for human and business development together.
- Modernization of businesses through planned obsolescence is one aspect of technology management.
- Development hinges on technology, hence the relevance of technological environment.
- Technology forecasting is needed so that businesses can plan for future in a firm way.
- If in a country technology is not given due importance, its businesses will stand no ground in the competitive world.

4.4 Demonetisation and Its Impact in Indian Economy

Demonetization refers to withdrawal of a particular form of currency from circulation. It is necessary whenever there is a change of national currency; the old currency must be removed and substituted with the new currency unit. The currency was demonetizing first time in 1946, and second time in 1978. On 8th Nov. 2016 the currency is demonetized third time by present Modi Government. The chaos was created in every stratum of the society whether upper, middle or lower. Where some welcomed the move as it was seen for curbing black money, many are suffering by this movement

India had an experience of demonetization of its currency twice before. The first was when Rs. 1000, Rs. 5000 and Rs 10000 notes were taken out of circulation on 12th January 1946. The highest denomination notes ever printed by RBI in India was Rs. 10000 notes introduced for the first time in the year 1938. However, all three of Rs. 1000, Rs 5000 and Rs. 10000 notes were again reintroduced in 1954.

The second phase of demonetization was done on 16th January 1978 when an ordinance was promulgated to phase out notes with denomination of Rs. 1000, Rs 5000 and Rs. 10000. On 12th January 1946 demonetization was resorted to but the Direct Tax Enquiry Committee in its interim report observed, Demonetization was not successful then, because only a very small proportion of total notes in circulation were demonetized in 1946 and its worth was Rs. 1,235.93 crores. On 16th January 1978, demonetization of high denomination notes was introduced. The high demonetization notes as on that day amounted to Rs. 146 crore and total notes tendered to RBI amounted to Rs. 125 crores as per data available till August 1981.

Positive & Negative Impact of Demonetization: -

1. **Impact on Black Money and Corruption:** 'Black Money' or 'Dirty Money' is the money on which not tax is paid to the Government and it goes unaccounted in the duration of country tax assessment period which causes revenue loss to the government. It is argued that steps taken by the government of demonetization can help curbing black money in the country. Corruption will also be automatically reduced by removing black money from economy.
2. **Impact on Counterfeit Currency:** The Biggest positive impact of the demonetization will be on the counterfeit/fake currency as it currently thrown out of the system fully.
3. **Impact on GDP:** GDP become down because circulation of currency is less because of cash crunch in the country. The GDP formation could be impacted by this measure, with reduction in the consumption demand. Moreover, this expected impact on GDP may not be significant as some of this demand will only be deferred and re-enter the stream once the cash situation becomes normal.
4. **Lower Inflation:** Inflation arises due to higher liquidity in the market. Because of demonetization there is less liquidity and less cash flow in the market that's why inflation becomes down. As the black money goes out of the system the money supply will shrink to some degree. This will reduce inflation rate in the Lower absence of any open market interventions by the Reserve Bank of India. Inflation is of four types.
 - Creeping Inflation (2% – 4%)
 - Walking Inflation (5% – 10%)
 - Galloping Inflation (10% – 20%)

Hyper Inflation (more than 20%)

5. **Impact on Purchasing Power:** The move of demonetization has affected the purchasing power. This is mainly affecting those assets that are used as long-term investments like Real Estate, Vehicles and core sectors of cement and steel. The stock prices of the companies of these sectors will have a negative impact. Purchasing power of consumer is also affected due to the shortage of cash because 90% transactions taking place in cash in the Indian economy.
6. **Impact on Real Estate Sector:** Demonetization smashed the real estate market and it will result in more than 50% drop down and it will remain for further 5 to 6 months. While the short-term impact is negative, Experts hoping that rate cuts in the coming months would boost home sales.
7. **Impact on Banks and Financial Institutions:** The demonetization effects on banks will be both on the positive side and the negative side. However, In the long run it will be more on the positive side. As per directions of Government people have to deposit their money with the banks which will increase the liquidity of the banks for short term. This liquidity can be used by banks for lending purpose for long run. As the liquidity of banks increases, they are expected to enhance the borrowing cycle by the lending money at lower rate of interest. However, the negative impact also as the earning of the banks will also take a hit for the next 2-3 quarters. We may not see loan book growing as the banks will be busy in facilitating the demonetization process.
8. **Impact on Lending Rate:** Lending rate become down because of banks getting money at Repo rate and banks' lending money at Base Rate. In this situation Repo Rate

become less and automatically Base Rate will become down and banks having sufficient money to lend so lending rate become down.

9. **Impact on Ecommerce:** Impact of demonetization on Ecommerce mostly bad, some good. For the online retail market, Gross Merchandise Value (GMV) of players fell by 40-50% in first few weeks after demonetization, in the middle of their biggest quarter for sales. Things may remain bleak till March. Even high-value items like expensive smart phones are selling less. Products returned are up by 50%. And experts feel consumer sentiment won't improve quickly. But the boost to digital payments (100% jump in transactions) has led industry to hope for a bright medium term. Also, grocery and food delivery set-ups are doing better since they sell essential items. Some saw new customer orders jump to 25%, from the usual 15-16%
10. **Impact on Tourism:** Cash Crisis badly hits the tourism sector. It is very difficult for people for getting the money from the banks and ATMs. The travel and hospitality industries are facing a tough time. Peak tourism period of November-December badly hit. For tourist destinations beyond metros, business may be down by as much as 40%. Tourism business in metros may go down by 10%. Cash shortage at airports and hotels are a big problem. And many national monuments entry points don't have card payments facilities.
11. **Online Transactions and others modes of payment:** The Government wants to go cashless; Demonetization will have positive impact on digital transactions and other mode of payment. With cash transactions facing a reduction, alternative forms of payment will see a surge in demand. Digital transaction systems, E wallets, online transactions using E banking, usage of Plastic money (Debit and Credit

Cards), UPI, EFTPOS, Net Banking Aadhar card, etc. will definitely see substantial increases in demand. This should eventually lead to strengthening of such systems and the infrastructures required.

4.5 Angel investors and Start Ups

Angel investors are high net worth individuals who invest their personal income in business start-ups or small and medium scale companies. An angel investor (also known as a business angel, informal investor, angel funder, private investor, or seed investor) is an individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. Angel investors usually give support to start-ups at the initial moments (where risks of the start-ups failing are relatively high) and when most investors are not prepared to back them. A small but increasing number of angel investors invest online through equity crowdfunding or organize themselves into angel groups or angel networks to share investment capital, as well as to provide advice to their portfolio companies. Over the last 50 years, the number of angel investors has greatly increased.

Features

- An angel investor is usually a high net worth individual who funds start-ups at the early stages, often with their own money.
- Angel investing is often the primary source of funding for many start-ups who find it more appealing than other, more predatory forms of funding
- The support that angel investors provide start ups fosters innovation which translates into economic growth.
- The angel investments are risky and usually do not represent more than 10 % of the angel investors portfolio.

Importance

- An angel investor plays a vital role in the development of the economy by providing the risk capital which contributes to the economic growth and technological advances.
- Early financing of the start-ups to some extent has become more dependent on angel investors.
- They are more focused on the commitment and passion of the founders and the larger market opportunities that they have identified.
- Angel investors make a prominent difference with start-ups success as well as its failure. Most of the time they are the first and the foremost investors.

Advantages

The greatest advantage of receiving funding from an angel investor is that is less risky than if you take out a small business loan. Unlike loans, you do not have to pay back the funding from an angel investor because they receive equity in exchange for financing. Angel investors are typically experienced investors who take a long-term view and understand that they may not see a return on their investment for a long period of time.

Other benefits that a start-up gets by taking on an angel investors include,

- Credibility from being associated with the investor
- Contacts for potential customers or employees
- Contacts with investment bankers, accountants, lawyers and other professionals
- Marketplace knowledge and strategies used in similar companies

Disadvantages

- **Higher investor expectations:** With unlimited funds, there come higher expectations. Angel investors take a lot of risks while investing a boom in start-ups than in result, they even expect greater profits.
- **Steady funding process:** The funding process is quite slow and lengthy. The overall angel investment process takes approximately up to nine months. Foremost, finding an angel investor is one of the biggest tasks and takes up a huge amount of time.

Types of Angel investors

Angel investor is a somewhat general term, and you can find this type of investor in many different forms, including the following:

- **Friends and family:** This is the most common source of funding for start-ups and is usually where start-ups begin when looking for financing.
- **Wealthy individuals:** Depending on the business, people who have a high net worth, such as doctors, lawyers or successful business people, are often willing to invest a large sum of money in exchange for equity in a business.
- **Groups:** Many angel investors are increasingly starting to operate as part of a group. This raises the potential for the level of investment significantly.
- **Crowdfunding:** This type of funding is becoming increasingly common. It involves having large groups of people invest small amounts of money online to reach a specific financial goal.

Start ups

Start-up India was a campaign that was first addressed by the PM Narendra Modi on 15th August 2015 at Red Fort,

New Delhi. This campaign was introduced under the Government of India as an initiative to develop over 75 start up support hubs in the country.

Launched on 16th January 2016, the start-up India initiative has rolled out several programs with the objective of supporting entrepreneurs, building a robust start up ecosystem and transforming India into a country of job creators instead of job seekers. These programs are managed by a dedicated start up India team, which reports to the Department for Industrial Policy and Promotion (DIPP).

The major **objective of Start-up India** is to discard some of the restrictive States Government policies which include:

1. License Raj
2. Land Permissions
3. Foreign Investment Proposals
4. Environmental Clearances

The Start-up India scheme is based majorly on three pillars which are mentioned below:

1. Providing funding support and incentives to the various start-ups of the country.
2. To provide Industry-Academia Partnership and Incubation.
3. Simplification and Handholding.

Registration for Start-up India

A person must follow the below-mentioned steps that are important for the successful registration of their business under the Start-up India scheme:

1. A person should incorporate their business first either as a Private Limited Company or as a Limited Liability Partnership or as a Partnership Firm along with obtaining

the certificate of Incorporation, PAN, and other required compliances.

2. A person needs to log in to the official website of Start-up India where he/she has to fill all the essential details of the business in the registration form and upload the required documents.
3. A letter of recommendation, Incorporation/Registration Certificate, and a brief description of the business are some of the essential documents required for the registration purpose.
4. Since the start-ups are exempted from income tax benefits, therefore, they must be recognized by the Department of Industrial Policy and Promotion (DIPP) before availing these benefits. Also, they should be certified by the Inter-Ministerial Board (IMB) to be eligible for IPR related benefits.
5. After successful registration and verification of the documents, you will be immediately provided with a recognition number for your start up along with a certificate of recognition.

Eligibility to apply under Start up India scheme

An entity is eligible to apply when:

- It is incorporated as a private limited company or partnership firm or a limited liability partnership in India
- It has less than 10 years of history i.e., less than 10 years have elapsed from the date of its incorporation/registration
- The turnover for all of the financial years, since the incorporation/ registration has been less than INR 100 crores.

Benefits of Start-up India

After the launch of the Start-up India scheme, a new

program was launched by the government named the I-MADE program which focused on helping the Indian entrepreneurs in building 1 million mobile app start-ups. The government of India had also launched the Pradhan Mantri Mudra Yojana which aimed to provide financial supports to entrepreneurs from low socio-economic backgrounds through low-interest rate loans. Some of the key benefits of Start-up India are as follows:

1. To reduce the patent registration fees.
2. Improvement of the Bankruptcy Code ensuring a 90-day exit window.
3. To provide freedom from mystifying inspections and capital gain tax for the first 3 years of operation.
4. To create an innovation hub under the Atal Innovation Mission.
5. Targeting 5 lakh schools along with the involvement of 10 lakh children in innovation-related programs.
6. To develop new schemes that will provide IPR protection to start-up firms.
7. To encourage entrepreneurship throughout the country.
8. To promote India as a start-up hub across the world

Government Measures to promote Start Up in India

1. As part of the “Make in India” initiative, the government proposes to hold one Start-Up fest at the national level annually to enable all the stakeholders of the Start-up ecosystem to come together on one platform.
2. Launch of Atal Innovation Mission (AIM) – to promote Entrepreneurship through Self-Employment and Talent Utilization (SETU), wherein innovators would be supported and mentored to become successful

entrepreneurs. It also provides a platform where innovative ideas are generated.

- Incubator set up by PPP – To ensure professional management of Government-sponsored or funded incubators, the government will create a policy and framework for setting-up of incubators across the country in public-private partnerships. The incubator shall be managed and operated by the private sector. 35 new incubators in existing institutions. Funding support of 40% shall be provided by the Central Government, 40% funding by the respective State Government and 20% funding by the private sector for establishment of new incubators.
 - 35 new private sector incubators. A grant of 50% (subject to a maximum of INR 10 crore) shall be provided by Central Government for incubators established by the private sector in existing institutions.
3. A Start-up India Seed Fund Scheme has been implemented with effect from April 1, 2021. The scheme aims to provide financial assistance to start-ups for proof of concept, prototype development, product trials, market entry and commercialisation.

4.6 Make in India - Skill India

Make in India

Make in India is an international marketing campaigning slogan coined by the Prime Minister of India to encourage multinational companies and domestic companies to manufacture their products in India as an important investment destination and a global hub for manufacturing, design, and innovation. The campaign is aimed to attract foreign firms to set up their manufacturing units in India and to seek greater foreign investment. The objective of

the campaign is to get manufacturing sector to grow over 100 percent on a sustainable basis over a long run. The govt will look into all regulatory processes to ease the burden of investors. A dedicated cell has been created to answer queries from business entities through a fresh created web portal.

Through this campaign, the Union Government aims to clear the daunting image of complex rules and bureaucratic red tape of Indian administration. It will facilitate the world investors to foster their investment decisions. This will facilitate in realizing the aim of liberalized economy. Make in India will act as a primary reference point for guiding foreign investors on all aspects of regulatory and policy problems and assists them in getting regulatory clearances. Through Make in India initiative, government will focus on building physical infrastructure as well as creating a digital network to make India global hub for manufacturing of goods ranging from cars to satellites to submarines, pharmaceuticals to ports and paper to power.

Objectives of Make in India

- To make India a renowned manufacturing hub.
- Inviting various companies from around the world and encourages them to set up their factories and expand their facilities in India.
- To use the talents and skills of Indian manpower for creating zero defect products.

Purpose of Make in India

- Creating jobs, especially for the young generation.
- Development of the Indian Economy.
- Getting global recognition.

Advantages of Make in India:

Let's have a look on the biggest advantages of Make in India.

1) Boost India's Economic Growth: The make in India campaign will lead to an increase in exports and manufacturing. An increase in exports will improve the economy and India will be transformed into a global hub of manufacturing through global investment using the current technology. Manufacturing will also boost India's economic growth and GDP.

2) More Job Opportunities: It will lead to the creation of many job opportunities. Around ten million people are expected to get jobs. An increase in investment will bring employment opportunities for the skilled labour force and this will form a job market.

3) Attract More Foreign Direct Investment (FDI): It will welcome more FDI. Since the government had promised to improve the ease of running businesses in India, it is going to attract many FDI. At the moment it has already received an amount of INR 20 K million from a proposal that was made on October 2014.

4) Investment in India: Through Make in India Project more companies are looking to set up factories, a unit known as "Invest India" is in the process of being put to place. This unit will be under the department of commerce and will be available any time to make it easy to carry out regulatory clearance within the shortest time possible ensuring that businesses are run in India easily.

5) Improvement in Areas: When a factory or an industry is set up in an area, it attracts labour, markets, and other people. With this, the financial status of the families which are living nearby to these areas will also improve. The area, its

neighbouring places and the people living in these places will develop all together.

6) Increasing the Value of Rupees: Make in India will be attracting more Foreign Direct Investment and which will result in increasing the value of Indian Rupee against the American Dollar. This will also reduce the effect of the dominion of Dollar over Indian Rupee.

7) A Shift from International Brand to Native Brands: Indians are attracted to international brands and do not pay attention to the indigenous brands, and this brings loss to indigenous producers. With Make in India, the indigenous products will get its recognition in the country, and these producers will start making profits.

8) Technological Advancements: Make in India allows Indians to use the latest technology. This campaign encourages Indians to make new technology. Attention is also given to improving the skills of labour in the country.

9) Simplifying Business: Make in India is an open invitation to manufacturers present in every corner of the world. For inviting as many manufacturers as possible, the government has removed many restrictions.

10) Innovative Ideas from Young Generation: The young generation of India never gets an environment within the boundaries of the country to develop their skills and implement their innovative ideas in the country, and therefore they leave India for getting better opportunities. Make in India will provide the needed environment in the country itself and will take innovative ideas from the talented young generation of the country.

11) Development of Rural India: When a factory is set up, it not only attracts labour but also attract development in that particular region. When a factory is set up in rural areas, then

such areas are blessed with schools, healthcare facilities, markets, etc.

Disadvantage of Make Inn India:

Now let's have a look the biggest disadvantages of Make in India.

1. Exclusion of Agriculture: India is an agrarian country with 61 percent of the total land under cultivation. But, Make in India encourages industrial development and excludes agriculture from it.

2. Exploitation of Resources: Resources are limited in nature, while the demands of human beings have no end. Make in India focuses on developing manufacturing industries that consume many natural resources. This will endanger the survival of the population soon.

3. Loss to Small Entrepreneurs: Make in India welcomes other countries in India, and when these countries set up its manufacturing unit in India, they attract the local people toward them, and this brings loss to small entrepreneurs who are already struggling to set up their position.

4. Loss of Cultivable Land: The campaign focus on setting up of manufacturing unit in India. These manufacturing units can be set up at any place, and sometimes it also settles on those lands which are used for cultivation. Therefore, make in India will destroy the worth of cultivable land.

5. Loss to Other Sectors: The Indian economy has three sectors, named the Primary sector, Industrial or Secondary sector, and Service sector, but Make in India is emphasising on Secondary sector leaving all sectors behind. As the economy cannot develop by developing one sector only, complete attention on the manufacturing sector will not bring economic development to the country.

6. Pollution: According to the data available, the Pollution Index of India is 76.50, and this level will surely increase after Make in India Campaign.

7. Loss for Small Entrepreneurs: The make in India campaign, welcomes foreign countries to manufacture in India with open arms, this automatically eases up the various restrictions over trade with foreign countries, inviting attention of the international commercial companies. However, these companies will not only seduce the Indian population but also would dominate the small local entrepreneurs and force them out of business.

8. Manufacturing based Economy: Indian economy is one of the largest economies in the world. It constitutes of three sectors i.e., agriculture, industry and services. Now the Indian economy majors up from the service sector which contributed up to 57% of the GDP. But with the introduction of the make in India campaign the economy is likely to rely completely on the manufacturing and exporting while the import industry will remain static. This eventually will be a huge loss for the other economic sectors and would automatically reduce the advancement of make in India.

Make In India: Impact on Indian Economy

The main focus of Make in India Campaign is mainly on 25 sectors. The supreme objectives of Make in India are as follows: 1. Automobiles 2. Food processing 3. Renewable energy 4. Automobile components 5. IT and BPM 6. Roads and highways 7. Aviation 8. Leather 9. Space 10. Biotechnology 11. Media, Entertainment 12. Textiles and garments 13. Chemicals 14. Mining 15. Thermal power 16. Construction 17. Oil and gas 18. Tourism, Hospitality 19. Défense manufacturing 20. Pharmaceuticals 21. Wellness 22. Electrical machinery 23. Ports 24. Electronic system 25. Railways.

Almost every sector is capital-intensive and demands a lot of skill. So, with the more and more investment in these sectors, the main focus will be on increasing employment and the use of advanced technology. It's Creates a policy framework to ease foreign investment, ease of business and management of intellectual property. This helps industries to establish their manufacturing bases in India. Exports from such industries help in contributing to our foreign exchange reserve. Most importantly, such an initiative helps bring critical knowledge about manufacturing and production into the Indian population. This initiative, by Mr Modi is literally inviting the rich and semi-rich countries to step in India and invest their money for the future of India. It's like inviting the countries to set up their companies in India and manufacture in the territory of our country. Now, this initiative has a great impact on the economy of our country. Obviously, if the big companies will setup their branches here, it will directly affect the GDP of India. The main thing is that the focus is on the manufacturing sector, and the population of India is majorly middle-class or lower middle-class. So, the products manufactured by the foreign companies will be entirely for the upper section of the society. Hence, it is possible that the goals and aspirations of Make in India may not find much success. Make in India initiative is an honest attempt to revive the fortunes of Industry / Manufacturing sector. Revival of Industry sector is key role to revival of Indian economy. Digital India will help to maintain contribution of Service sector but manufacturing / industry sector has to grow at much faster pace to out-pace service sector. It is not an easy task. Government should target to increase contribution of Industry / manufacturing from existing 16% to 35% in next 5 years. Make in India will help to achieve this goal but it comes with its own set of challenges. Manufacturing is capital and resources intensive sector which will require conducive environment for business. Labour

issues will be major hurdle which the govt. is trying to handle through labour reforms. Besides this, a major push is required to upgrade infrastructure of country. Govt. has also set up 10,000 Cr start up fund to encourage entrepreneurship. Basically, objective is to create ecosystem of small industries in periphery of manufacturing hub similar to Maruti model. Government will provide all the approvals under Make in India initiate in a time bound manner through single online portal..

Challenges in Implementation of -Make in India:

No doubt Make in India concept will boost up our economic growth and the initiatives taken by the present government is being welcome by every corner of the world. It is very clear that countries and private sector players are showing their keen interest in this concept and are willing to invest in manufacturing sector, but following are certain grey area's which needs immediate attention of the government for smooth implementation and success of this concept.

- India's labour laws are still ancient by most standards which makes hiring and firing and shutting down of inefficient units next to impossible.
- India, in one sense has a federal structure which reduces the Central government's power in pulling off such schemes and ideas.
- Provision of utilities such as electricity, water, infrastructure development such as roads, law and order, land allotment, are all under state government's gambit. Thus, cooperation of state governments is an absolute necessity for "Make in India."

Skill India:

This new programme, called 'Skill India', is supposed to be a multi-skill programme. It will be launched in March 2015. Like all other programmes, 'Skill India' too is a dream

project of Narendra Modi and the work to launch this programme has already been initiated. The main goal is to create opportunities, space and scope for the development of the talents of the Indian youth and to develop more of those sectors which have already been put under skill development for the last so many years and also to identify new sectors for skill development. The new programme aims at providing training and skill development to 500 million youth of our country by 2020, covering each and every village. Various schemes are also proposed to achieve this objective.

Objectives

The chief objective of the Skill India Mission is to provide **market-relevant skills training** to more than 40 crore young people in the country by the year 2022.

- The mission intends to create opportunities and space for the development of talents in Indian youth.
- It aims to develop those sectors which have been put under skill development for the last many years, and also to recognize new sectors for skill development.

Other objectives are:

1. Closing the gap between skill required by the industry and skills people possess for employment generation.
2. Reducing poverty in the country.
3. Increasing the competitiveness of Indian businesses.
4. Ensuring that skill training imparted is relevant and of quality.
5. Preparing Indians to take on the world manpower/resources market.
6. Diversifying the existing skill development programmes to meet today's challenges.

7. Building actual competencies rather than giving people mere qualifications.
8. Offering opportunities for lifelong learning for developing skills.
9. Augmenting better and active engagement of social partners and building a strong public-private partnership in skill development.
10. Mobilising adequate investments for financing skills development sustainable.

Features of Skill India

- The emphasis is to skill the youths in such a way so that they get employment and also improve entrepreneurship.
- Provides training, support and guidance for all occupations that were of traditional type like carpenters, cobblers, welders, blacksmiths, masons, nurses, tailors, weavers etc.
- More emphasis will be given on new areas like real estate, construction, transportation, textile, gem industry, jewellery designing, banking, tourism and various other sectors, where skill development is inadequate or nil.
- The training programmes would be on the lines of international level so that the youths of our country can not only meet the domestic demands but also of other countries like the US, Japan, China, Germany, Russia and those in the West Asia.
- Another remarkable feature of the ‘Skill India’ programme would be to create a hallmark called ‘Rural India Skill’, so as to standardise and certify the training process.
- Tailor-made, need-based programmes would be initiated for specific age groups which can be like language and communication skills, life and positive thinking skills,

personality development skills, management skills, behavioural skills, including job and employability skills.

- The course methodology of ‘Skill India’ would be innovative, which would include games, group discussions, brainstorming sessions, practical experiences, case studies etc

Why does India need a skills development programme?

As of a 2014 report, India’s formally skilled workforce is just 2%. Additionally, there is a huge problem of employability among the educated workforce of the country. Lack of vocational or professional skills makes it difficult for the youth to adapt to changing demands and technologies of the marketplace. The high level of unemployment is due to the failure to get jobs and also due to a lack of competency and training.

- A study by the Skill Development Council (NSDC) indicates that there will be a need for around 12 crores of skilled manpower by 2022 across 24 key sectors.
- Casual workers, who constitute about 90% of the labour force, are poorly skilled as they do not get adequate training. Current vocational training programmes do not meet their demands.
- There is a problem of social acceptability when it comes to vocational education. Vocational courses are looked down upon and this needs to change.
- Another factor that acts as an obstacle to skill development in India is the myriad labour laws. However, the government has started simplifying and codifying the labour laws. With simpler laws, practising skill development should be easier.
- Changing technology is a big challenge and opportunity for

the labour force. Employees will have to constantly upgrade their skills if they are to remain relevant in the job market.

- There is a problem with the lack of infrastructure in the current training institutes.
- Another problem is the poor quality of trainers available. Students trained by such trainers are not employable in the industry.
- There is a big issue with the standardisation of skills in the country. New schemes are designed to resolve this issue by having nationwide standards that also stand up to international benchmark.

Sub Schemes under Skill India

Skill India is an umbrella mission under which there are multiple schemes and programmes with specialised focus areas. The sub-schemes are as follows.

- **National Skill Development Mission (NSDM)**

The NSDM was launched for creating convergence across various sectors and different states with respect to activities relating to skills training. The mission, apart from consolidating and coordinating skilling efforts, would also facilitate decision making across sectors to achieve quality skilling on a large scale.

- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**

PMKVY is a skill certification scheme that aims to encourage the young population of the country to take up training which is industry-relevant and builds them in skill development.

- **Indian Skill Development Service**

The Indian Skill Development Services (ISDS) is a

new central government service that has been created especially for the training directorate of the Ministry of Skill Development and Entrepreneurship. It is a Group 'A' service and is expected to give a big push to the government's skilling initiatives by drastically enhancing the effectiveness and efficiency of the various schemes in this domain. The qualifying exam for this service is the Indian Engineering Service Exam conducted by the UPSC. The idea behind the ISDS is to attract young and talented people into the skill development domain and make skilling initiatives successful in the country.

- **National Policy for Skill Development and Entrepreneurship 2015**

The chief objective of this policy is to match the challenge of skilling at scale with speed, standard (quality), and sustainability. It aims to offer an umbrella framework to all skilling activities carried out within India, to align them to common standards and connect skilling with demand centres. In addition to laying down the objectives and expected outcomes, the policy also identifies the overall institutional framework which will act as a means to achieve the expected results.

- **Skill Loan Scheme**

Under this scheme, loans ranging from Rs.5000 to Rs. 1.5 lakhs will be provided for those seeking to attend skill development programmes. The idea behind the scheme is to remove financial hurdles for people who want to upgrade their skills and learn new skills.

- **Other schemes:**

The Ministry is implementing many other schemes in the skill development domain along with the above major schemes. One such important scheme is the Pradhan Mantri Yuva Udyamita Vikas Abhiyan (PM-YUVA).

❖ **PM-YUVA:**

It is a centrally-sponsored scheme related to entrepreneurship education and training.

- Objectives:
 - The development and education of entrepreneurship to all citizens free of cost through Massive Open Online Courses (MOOCs) and eLearning systems.
 - The designing of assessment and certification mechanism for the same.
 - To equip institutes (schools and colleges) to help them deliver entrepreneurship educational programmes of global standards.
 - Also, to focus on social entrepreneurship promotion.
 - The creation of an online web-based platform that connects entrepreneurs, investors, financial institutions, and business services such as legal, accounting, HR, and technology services.
 - The setting up of a national mentor network for budding entrepreneurs.
 - Create a network of incubators, credit agencies, business service providers, and accelerators.
 - Establishment of a National Entrepreneurship Resource and Coordination Hub to coordinate and support entrepreneurship development programmes.
 - The creation of a culture of dynamic entrepreneurship by way of branding and the media.
 - Promote entrepreneurship research and advocacy.
 - Include social entrepreneurship awareness programmes for the marginal sections like SC/ST and minority.

❖ **Apprenticeship Protsahan Yojana:**

This scheme revamps the Apprenticeship Act, 1961 to make the legal framework conducive to both the industry as well as young people.

4.6 Digital Economy and Artificial Intelligence

The digital economy refers to a broad range of economic activities that use digitized information and knowledge as key factors of production. The digitization of the economy creates benefits and efficiencies as digital technologies drive innovation and fuel job opportunities and economic growth.

The digital economy, also known as the Internet economy, the Web economy, refers to the economy that is based in a large part on digital technologies, including digital communications networks (Internet, intranets, etc.), computers, software, and other related information technologies. In other words, the term digital economy refers to the convergence of computing and communication technologies through the Internet and the resulting flow of information and technology that is stimulating e-commerce and spurring vast organizational changes. Digital networking and communication infrastructures provide a global platform to interact, communicate, collaborate and search for information. This unique platform includes the following components:

- A wide area of products made of digital bits - databases, news and information, books, magazines, TV and radio programming, movies, electronic games, musical CDs, and software - that are delivered over the digital infrastructure anytime, anywhere in the world in the 24/7 mode.
- Consumers and firms conduct financial transactions digitally through digital currencies or financial tokens

downloaded and carried on smart cards via networked computers and mobile devices.

- Physical goods such as home appliances and automobiles are embedded with microprocessors and networking capabilities.

Key features of the digital economy

There are a number of features that are increasingly prominent in the digital economy and which are potentially relevant from a tax perspective. While these features may not all be present at the same time in any particular business, they increasingly characterise the modern economy. They include:

❖ Mobility

Mobility, with respect to (i) the intangibles on which the digital economy relies heavily, (ii) users, and (iii) business functions as a consequence of the decreased need for local personnel to perform certain functions as well as the flexibility in many cases to choose the location of servers and other resources.

❖ Reliance on data

It is common in the digital economy for businesses to collect data about their customers, suppliers, and operations. For example, the use of a product or service by a user may provide data about the user that has value to the business as an input either in improving existing products and services or in providing products and services to another group of customers.

❖ Network effects

These network effects are an important feature of many businesses in the digital economy. Network effects are seen whenever compatibility with other users is important, even where the primary purpose of a particular technology may not be to interact with others. For example, a widely-adopted

operating system will generally have a larger amount of software written for it, resulting in a better user experience. These effects are known as positive externalities, meaning situations in which the welfare of a person is improved by the actions of other persons, without explicit compensation. For example, when additional people join a social network, the welfare of the existing users is increased, even though there is no explicit agreement compensation among the users for this improvement.

❖ **Multi-sided business models**

A multi-sided business model is one that is based on a market in which multiple distinct groups of persons interact through an intermediary or platform, and the decisions of each group of persons affects the outcome for the other groups of persons through a positive or negative externality. In a multi-sided business model, the prices charged to the members of each group reflect the effects of these externalities. If the activities of one side create a positive externality for another side (for example more clicks by users on links sponsored by advertisers), then the prices to that other side can be increased.

❖ **Volatility**

Technological progress has led to progress in miniaturisation and a downward trend in the cost of computing power. In addition, neither an Internet end user nor in many cases the service provider is required to pay a marginal price for using the network. These factors, combined with increased performance and capital expenditure have markedly reduced barriers to entry for new Internet-based businesses. These factors have combined to foster innovation and the constant development of new business models. As a result, in short periods of time, companies that appeared to control a substantial part of the market and enjoyed a dominant position for a short period of time have found themselves rapidly losing

market share to challengers that built their businesses on more powerful technology, a more attractive value proposal, or a more sustainable business model. Due to the fast pace of innovation, the few companies that have managed long-term success typically have done so by investing substantial resources in research and development and in acquiring start-ups with innovative ideas, launching new features and new products, and continually evaluating and modifying business models in order to leverage their market position and maintain dominance in the markets

The Impact of Digital Economy on Business

According to Bloch and Segev (1996), the impact of digital economy on business can be divided into three major categories: -

- **Improving direct marketing:** There are numerous impacts of B2C direct marketing, and they include: product promotion, new sales channels, direct savings, customer service, brand or corporate image, customization, advertising, ordering systems, markets, reduced cycle time. As an example, the delivery of digitized products and services can be reduced to seconds. Even the administrative work related to physical delivery across international borders can be reduced significantly, cutting the cycle time by more than 90%.
- **Transforming organizations:** Transforming organizations is based on the premise that rapid progress in digital economy forces companies to adapt quickly to the new technologies and offers them an opportunity to experiment with new products, services and business models. People in organizations are forced to learn and adapt immediately, and this process of adaptation is followed by strategic and structural changes. At the same time, the nature of work itself has to be transformed. Digital economy workers have

to be very flexible and very few will have truly secure jobs in the traditional sense. Many will work from home.

- **Redefining organizations:** There are many potential changes that will redefine organizations. Completely new products are created and existing ones are customized. Such changes redefine organizations' missions and the manner they operate. Mass customization enables manufacturers to create specific products for each customer. Using the Web, customers can design or reconfigure products for themselves (T-shirts, furniture, jewelry, and even cars). Digital economy affects entire industries. This leads to the use of new business models that are based on the wide availability of information, for example, electronic intermediaries.

Other impacts include the influence on manufacturing, on finance and accounting, and on human resource management, training and education. An interesting concept is that of virtual manufacturing, which is the ability to run global plants as though they were one single plant. The widespread adoption of wireless and mobile networks, devices, and middle-ware creates an opportunity to use new applications online. The way of conducting e-commerce via wireless devices is referred to as mobile commerce, m-commerce, m-business, and pervasive computing.

Artificial Intelligence

The term artificial intelligence was coined in 1956, Artificial Intelligence (AI) is a branch of science which deals with helping machines find solutions to complex problems in a more human-like fashion. This generally involves borrowing characteristics from human intelligence, and applying them as algorithms in a computer friendly way. A more or less flexible or efficient approach can be taken depending on the requirements established, which influences how artificial the

intelligent behaviour appears. Artificial Intelligence is an emerging technology that facilitates intelligence and human capabilities of sense, comprehend, and act with the use of machines. Some of the technologies that can allow these systems in analysing and understanding all the information that is received are Natural Language Processing (NLP) and inference engines. Artificial Intelligence is a system that provides action through technologies such as expert systems and inference engines to undertake operations in the physical world.

Artificial intelligence can be viewed from a variety of perspectives. From the perspective of intelligence, artificial intelligence is making machines "intelligent" -- acting as we would expect people to act . From a business perspective AI is a set of very powerful tools, and methodologies for using those tools to solve business problems. From a programming perspective, AI includes the study of symbolic programming, problem solving, and search.

Advantages of Artificial Intelligence:

- Time-saving
- Easy execution of complex tasks
- It can be operated 24×7
- Reduces human error
- More accurate and precise

Importance of AI

- **Healthcare:** AI plays an important role in the field of healthcare by addressing issues of high barriers particularly in rural areas that lack poor communication and a professional healthcare system. Some of the emerging application includes AI-driven diagnostics, personalized treatment, early identification of potential pandemics, and imaging diagnostics.

- **Agriculture:** AI has a major role to play in driving a food revolution and meeting the increased demand for food. Applied AI addresses challenges such as lack of assured irrigation, inadequate demand prediction, excess use of pesticides, fertilizers, and fungicides. Some uses include improved crop production through advanced detection of pest attacks, prediction of crop prices, and real-time advisory.
- **Transports, Logistics, and Smart Mobility:** This domain mainly includes various autonomous and semi-autonomous features, for example, monitoring and maintaining a predictive engine along with driver-assist. Other applications of AI include improved traffic management, autonomous trucking, and delivery.
- **Retail:** Being one of the early adopters of AI solutions, it provides applications such as developing user experience by personalized suggestions, image-based product searches, and preference-based browsing. Other uses include customer demand anticipation, improved inventory management, and efficient delivery management.
- **Manufacturing:** It can enable 'Factory of the Future' through flexible and adaptable technical systems to facilitate various processes and machinery to respond to unfamiliar or unexpected situations by making smart decisions. Impact areas include engineering, supply chain management, production, maintenance, quality assurance, and in-plant logistics and warehousing.
- **Energy:** Potential use of Artificial Intelligence also includes modelling and forecasting of the energy system to reduce unpredictability. Artificial Intelligence also focuses on increasing the efficiency of power balancing and enabling the storage of energy in renewable energy systems. This process uses smart meters to enable

intelligent grids, thus, improving the affordability and reliability of solar energy. Apart from these, AI may also be deployed for predictive maintenance of grid infrastructure.

- **Smart Cities:** Incorporation of applied AI in developing cities could also help in meeting the demands of a rapidly growing population and providing them with enhanced quality of life. Traffic control for reducing congestion enhanced security by providing improved crowd management are some of the potential uses of AI systems.
- **Education and Skilling:** AI plays a major role in the Indian education sector by providing solutions for quality and access issues including augmentation and enhancement of the learning experience through personalized learning, automating and expediting administrative tasks, and predicting the need for student intervention to reduce dropouts or recommend vocational training.

Challenges of AI

- Absence of collaborative effort between various stakeholders
- Concerns on privacy and security of data, including a lack of formal regulation around anonymization of data.
- Lack of sufficient talent to build and deploy AI systems at scale. An estimate claims that only 4% of AI professionals in India have worked on emerging technologies such as deep learning and neural networks. There is also a significant gap in Ph.D. research scholars in the field.
- Difficulty in access to industry-specific data required to build customized platforms and solutions is now currently in the hands of a few major players. It is challenging for new beginners to provide customized services that can compete with the existing data that includes rich

incumbents such as Facebook or Google. This phenomenon results in the creation of a virtuous cycle which reinforces the hegemony of the big few, creating a huge entry barrier for start-ups.

- High cost and low availability of computing infrastructure required for development, training, and deployment of AI-based services. Cloud infrastructure, though growing rapidly, has limited capability.
- Lack of infrastructure is the major reason for many Indian AI start-ups that aims to incorporate their business outside the country, thus, making AI outside the reach of Indian researchers in government labs and many industries. Initiatives like GI Cloud (MeghRaj), are in the right direction.
- Lack of AI awareness in resolving business-related issues in most of the public enterprises and government agencies has led to the scarcity of AI professionals in obstructing adoption

4.7 Initiatives for Women Entrepreneurs and its Impact in Indian Economy

Women Entrepreneurs means the women or a group of women who initiate, organize and operate a business enterprise. A woman entrepreneur is therefore a confident, creative and innovative woman desiring economic independence individually and simultaneously creating employment opportunities for others.

The term “women entrepreneur” deals with that section of the female population who venture out into industrial activities i.e. manufacturing, assembling, job works, repairs/servicing and other businesses. The Government of India has treated women entrepreneurs of a different criteria-level of women participation in equity and employment

position of the enterprise. Women entrepreneurs have taken initiative in promoting and running an enterprise by having a controlling interest in that particular enterprise. “Women who innovate initiate or adopt business actively are called women entrepreneurs.” -J.Schumpeter

Features

- ❖ They should be educated and skilful.
- ❖ Must have professional education to become better entrepreneur.
- ❖ She should be capable enough to do innovations and be able to bear risks and uncertainties.
- ❖ Able to make utilisation of various schemes, and aids given by government.
- ❖ She should be capable enough to face male competitors and should possess guts to move ahead.
- ❖ She should be capable enough to make autonomous investment.
- ❖ She must possess some ethics and egoism and should be egotist as well.

Women Entrepreneur- Indian Perspectives:

Indian women are changing and they are fast emerging as potential entrepreneurs. Role modelling of women in non-traditional business sectors to break through traditional views on men’s and women’s sectors. Women companies are fast-growing economies in almost all countries. The latent entrepreneurial potential of women has changed little by little by the growing awareness of the role and status of economic society. Skills, knowledge and adaptability of the economy led to a major reason for women in business.

Women entrepreneurs are critical to the economic

growth of any country, which can be realized only by encouraging equality and enhancing opportunity for women in all walks of life. The inequalities and a huge gender gap persist in business in India, even though it has been well established through various research studies, worldwide, that female founded and cofounded enterprises perform better than those managed with all male(s). Women secure higher than the Men in key skills related to a business enterprise e.g., team work, problem solving and orientation. It was the realization of immense untapped women's potential that GOI has taken a large number of policy initiatives for mainstreaming women and to provide them a level playing field so that they could put their best in the country's economic growth. Women in India run around 8 million enterprises constituting about 14 per cent of the total entrepreneurs. The figure may not encourage, when we see that women constitute 48.95% of the population but the situation is in a way promising as 35.5% of start-ups have women as Directors and 58% of entrepreneurs started their business at the age of 20 to 30 years. As such, any success to increase the number of women led enterprises or for increase in their productivity has a direct bearing on the country's economy.

Realizing the above, the Ministry of Women and Child Welfare brought out the draft National Policy for Women (2016), which envisaged that all important micro level policies. A large number of programmes has been undertaken by different Ministries of GOI for encouraging entrepreneurship in the country wherein care has been taken to ensure adequate participation and share of Women, by way of special provisions and added incentives for them.

- ❖ **Start-up India Programme** was launched in February 2016 and over the period it had become the 3rd. largest start-up ecosystem in the world, providing handholding, funding support, incentives, industry –academic

partnership to provide conducive environment for start-ups in the Country. A corpus fund of 10,000 crores has been earmarked for the programme to build a strong ecosystem by nurturing innovation and start-ups. 10% of the corpus fund is reserved for women led start-ups. This would act as catalyst in creating an enabling environment for innovations start-ups to flourish, having a multiple effect on employment generation and social transformation leading to growth.

- ❖ **Prime Minister's Employment Generation Programme (PMEGP)** the scheme being implemented by Khadi and Village Industries Commission as the nodal agency through KVIC Directorates, State Khadi and Village industries Board (KVIBs), District Industries Centres and Banks. It is credit linked subsidy scheme to promote and set up MSME'S and to generate employment in rural and urban areas. For setting up new enterprises, subsidy level in the Programme to special categories ,including women, is 25% and 35% in urban areas and rural areas, as compared to 15% and 25% in respective areas for General Category.
- ❖ **Udhyam Shakti Portal for Women Entrepreneurs:** An initiative of Ministry of Micro, Small and Medium Enterprises, launched on the eve of International Women's Day 2018, for nurturing social entrepreneurship creating business model, revolving around low cost products and services. It caters to the need of around 8 million Indian women and others to start, built and grow business and provide assistance for preparing business plan, incubation facility, training programs, providing mentor, market survey facility etc. Project with maximum cost of Rs.25 lakhs are covered under the Scheme (Rs.10 lakhs cost is for service-based projects). The portal has been incessantly

involved in revolutionizing the role of women outside the four walls of their home.

- ❖ **Stand up India Scheme:** As part of MSME Policy, the Program was launched in 5th April 2016 for facilitating credit to women entrepreneurs with an objective of providing loans ranging from Rs.1 lakhs to Rs.1 Crore to at least one-woman entrepreneur by one Bank each. In case of non-individual enterprise covered under the Scheme, 51 per cent of the share capital and controlling stake should be that of the women. The scheme focusses on only SC/ST and women entrepreneurs.
- ❖ **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE):** Small Industries Development Bank of India (SIDBI) and Ministry of Micro, Small and Medium Enterprises launched the scheme to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. for which a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises has been established to provide credit facilities up to Rs 200 lakh per eligible borrower covered provided they are extended on the project viability without collateral security or third-party guarantee. The extent of guarantee cover is 80% for Micro and Small Enterprises being operated and/or owned by Women; for credit facilities up to Rs 50 lakh. In case of default, Trust settles the claim up to 75% of the amount in default of the credit facility extended by the lending institution for credit facilities up to Rs 200 lakh.
- ❖ **Micro & Small Enterprises - Cluster Development Programme:** The Ministry of Micro, Small and Medium

Enterprises (MSME), Government of India (GOI) has adopted the Cluster Development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country. A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area or a value chain that goes beyond a geographical area and producing same/similar products/complementary products/services, which can be linked together by common physical infrastructure facilities that help address their common challenges. The objective of the scheme is to support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills & quality, market access, etc, capacity building through formation of self help groups, consortia, set up Common Facility Centres (for testing, training, raw material depot, effluent treatment, complementing production processes, et) Women Owned enterprises are given special consideration in all the programmes.

- ❖ **Mudra Yojana Scheme for Women:** This scheme has been launched by the Govt. of India for individual women wanting to start small new enterprise and businesses like beauty parlours, tailoring units, tuition centres, etc as well as group of women wanting to start a venture together. The loan doesn't require any collateral security and can be availed for an amount up to 50,000 to 10 Lakhs.

Financing Schemes offered by Banks: A large number of banks have schemes to support entrepreneurship among women by providing certain concessions in the rate of interest, collateral security etc. Some of these schemes are listed below:

- ❖ **Shri Shakti Package for Women Entrepreneurs:** SBI run scheme offering concessions to women with majority

ownership over 50% in a business provides interest concession 0.05% on loans exceeding Rs 2 lakhs with no security for loan upto Rs 5 lakhs.

- ❖ **Cent Kalyan Scheme:** Central Bank of India scheme for new entrepreneurs and self-employed women for macro/small enterprises. Loan up to Rs 1 crore without any collateral security.
- ❖ **Mahila Udyam Nidhi Scheme:** Offered by Punjab National Bank and SIDBI to support women enterprises to set up new small scale ventures extending loan up to Rs 10 lakhs to be repaid in 10 years. Similar support to women enterprises is being offered and loan even up to Rs1 Crore, without any collateral security to women entrepreneur. To name a few, Oriental Mahila Vikas Yojana Scheme by Oriental Bank of Commerce, Bhartiya Mahila Bank Business Loan, Dena Shakti Scheme by Dena Bank, Udyogini Scheme by Punjab and Sindh Bank etc.

Realising the importance of these programmes and in order to motivate and encourage more and more women and girls to convert themselves into entrepreneurs the National Commission for Women celebrated its 26th Annual day with a Panel Discussion on “Empowering Women through Entrepreneurship” at India Habitat Centre New Delhi on 31st January 2019. Huge gathering of young women, students from different Colleges and Universities with 5 eminent panellist evoked considerable interest and active participation of audience.

Similarly, NCW held a Consultation on “Assisting Women Led Enterprises “in collaboration with Ministry of Micro Small and Medium Enterprises on 11th March 2020 at India International Centre New Delhi .The Consultation was attended by Women Entrepreneurs, NGOs and Senior Officers of Govt of India and was intended to prepare a road map for

reaching out to the clusters of women led MSMEs, with the objective of improving their skills, the Commission had also organised Regional Seminar on the subject at Shillong (Meghalaya) on 15th March, 2019 in collaboration with Meghalaya State Commission for Women, at Gangtok (Sikkim) on 26th March 2019 in collaboration with Sikkim State Commission for Women and at Tiruchirappalli Tamil Nadu on 2nd August, 2019 in collaboration with Tamil Nadu National Law University and at Jammu University, Jammu on 22nd Jan, 2020 .

4.8 New Initiatives in Service Sectors and its Impacts.

The service sector, also called tertiary sector, is the third of the three economic sectors. The other two are the primary sector, which covers areas such as farming, mining and fishing; and the secondary sector which covers manufacturing and making things. The service sector provides a service, not an actual product that could be held in your hand. Activities in the service sector include retail, banks, hotels, real estate, education, health, social work, computer services, recreation, media, communications, electricity, gas and water supply. The existence of a strong and competitive service sector is a pre-condition for economic development of a country. In fact, the transition from agriculture to services via manufacturing is a clear indicator of progress of a country.

Government Initiatives to Improve Service Sectors in India

The Government of India recognises the importance of promoting growth in services sector and provides several incentives across a wide variety of sectors like health care, tourism, education, engineering, communications, transportation, information technology, banking, finance and management among others.

The Government of India has adopted few initiatives in

the recent past, some of these are as follows:

- Under Union Budget 2021-22, the government allocated Rs. 7,000 crore (US\$ 963.97 million) to the Bharat Net programme to boost digital connectivity across India.
- FDI limit for insurance companies has been raised from 49% to 74% and 100% for insurance intermediates.
- In May 2021, the Ministry of Commerce and Industry announced that India received an FDI inflow of US\$ 81.72 billion, the highest FDI during FY 2020-21.
- In March 2021, the central government infused Rs. 14,500 crore (US\$ 1.99 billion) capital in Central Bank of India, Indian Overseas Bank, Bank of India and UCO Bank through non-interest-bearing bonds.
- On January 15, 2021, the third phase of Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was launched in 600 districts with 300+ skill courses. Spearheaded by the Ministry of Skill Development and Entrepreneurship, the third phase will focus on new-age and COVID-related skills. PMKVY 3.0 aims to train eight lakh candidates.
- In January 2021, the Department of Telecom, Government of India, signed an MoU with the Ministry of Communications, Government of Japan, to strengthen cooperation in the areas of 5G technologies, telecom security and submarine optical fibre cable system.
- On November 4, 2020, the Union Cabinet, chaired by the Prime Minister, Mr. Narendra Modi, approved to sign a memorandum of understanding (MoU) between the Ministry of Communication and Information Technology and the Department of Digital, Culture, Media and Sports (DCMS) of United Kingdom Government to cooperate in the field of telecommunications/information and communication technologies (ICTs).

- In October 2020, the government selected Hughes Communications India to connect 5,000 village panchayats in border and Naxal-affected states and island territories with satellite broadband under Bharat Net project by March 2021.
- In September 2020, the government announced that it may infuse Rs. 200 billion (US\$ 2.72 billion) in public sector banks through recapitalisation of bonds
- In the next five years, the Ministry of Electronics and Information Technology is working to increase the contribution of the digital economy to 20% of GDP. The government is working to build cloud-based infrastructure for collaborative networks that can be used for the creation of innovative solutions by AI entrepreneurs and start-ups.
- On Independence Day 2020, Prime Minister Mr. Narendra Modi announced the National Digital Health Mission (NDHM) to provide a unique health ID to every Indian and revolutionise the healthcare industry by making it easily accessible to everyone in the country. The policy draft is under ‘public consultation’ until September 21, 2020.
- In September 2020, the Government of Tamil Nadu announced a new electronics & hardware manufacturing policy aligned with the old policy to increase the state's electronics output to US\$ 100 billion by 2025. Under the policy, it aims to meet the requirement for incremental human resource by upskilling and training >100,000 people by 2024.
- Government of India has launched the National Broadband Mission with an aim to provide Broadband access to all villages by 2022.