Class 10^{th}
Revision Notes
Economics 2019-20

Economics Chapter-0
DEVELOPMENT

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1. The idea of development or progress has always been with us.
2. We have aspirations or desires about what we would like to do and how we would like to live.
3. In this chapter, we shall make a beginning for understanding development.
4. It is only through a democratic political process that these hopes and possibilities can be achieved in real life.

WHAT DEVELOPMENT PROMISES – DIFFERENT PEOPLE, DIFFERENT GOALS:

1. People seek things that are most important for them, i.e., that which can fulfill their aspirations or desires.
2. In fact, at times, two persons or groups of persons may seek things which are conflicting.
3. So two things are quite clear:

(i) Different persons can have different developmental goals.
(ii) What may be developed for one may not be developed for the other. It may even be destructive for the other.

INCOME AND OTHER GOALS:

1. What people desire are regular work, better wages and decent price for their crops or other products that they produce. In other words, they want more income.
2. People also seek things like equal treatment, freedom, security, and respect for others.
3. In some cases, these may be more important than more income or more consumption because material goods are not all that you need to live.
4. Money, or material things that one can buy with it, is one of the factors on which our life depends on non-material things mentioned above.
5. There are many things that are not easily measured but they mean a lot to our lives. These are often ignored.
6. However, it would be wrong to conclude that what cannot be measured is not important.
7. Similarly, for development people look at a mix of goals.
8. The developmental goals that people have are not only about better income but also about better income but also about other important things in life.

NATIONAL DEVELOPMENT:

1. It is very important to keep in mind that different persons could have different as well as conflicting notions of a country's development.
2. National development means thinking about fair and just path for all, whether there is a better way of doing things.

HOW TO COMPARE DIFFERENT COUNTRIES OR STATES?

1. Usually, we take one or more important characteristics of persons and compare them based on these characteristics.
2. For comparing countries, their income is considered to be one of the most important attributes.
3. Countries with higher income are more developed than others with less income.
4. The income of the country is the income of all the residents of the country. This gives us the total income of the country.
5. For comparison between countries, total income is not such useful measure.
6. Hence, we compare the average income which is the country divided by its total population. The average income is also **called per capita income.**
7. In World Development Report brought out by the World Bank, this
8. Countries with per capita income of USD 12736 per annum and above in 2013, are called rich countries and those with per capita income of USD 1570 or less are **called low-income countries.**

9. India comes in the category of low middle-income countries because its per capita income in 2013 was just US$1570 per income.

INCOME AND OTHER CRITERIA:

1. Let us compare the per capita income of Maharashtra, Kerala, and Bihar.
2. Maharashtra has the highest per capita income and Bihar is at the bottom.
3. So, if per capita income were to be used as the measure of development, Maharashtra will be considered the most developed state of the three.

PUBLIC FACILITIES:

1. Money in your pocket cannot buy all the goods and services that you may need to live well.
2. Income by itself is not a completely adequate indicator of material goods and services that citizens are able to use.
3. Normally, your money cannot buy the pollution-free environment or ensure that you get unadulterated medicines unless you can afford to shift to a community that already has all these things.
4. Money may also not be able to protect you from infectious disease unless the whole of your community takes preventive steps.

HUMAN DEVELOPMENT – Development of an individual in such a way that he can able to earn and fulfill his materialistic desire.

SUSTAINABILITY OF DEVELOPMENTS:

1. Since the second half of the twentieth century, a number of scientists have been warning that the present type, and levels, of development are not sustainable.
2. Resources are replenished by nature as in the case of crops and plants.
3. In the case of groundwater, if we use more than what is being replenished by rain then we would be overusing this resources.
4. Consequences of environmental degradation do not respect national or state boundaries; this issue is no longer region or nation-specific.
5. Sustainability of developments comparatively a new area of knowledge in which scientists, economists, philosophers and other social scientists are working together.

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Economics Chapter – 2
SECTORS OF THE INDIAN ECONOMY

SECTORS OF ECONOMIC ACTIVITIES:

1. There are many activities that are undertaken by directly using natural resources.
2. For example, the cultivation of cotton. It takes place within a crop season.
3. When we produce a good by exploiting the natural resources, it is an activity of primary sector.
4. This is because it forms the base for all other products that we subsequently make.
5. Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called agriculture and related sector.
6. The secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. It is the next step after the primary.
7. Secondary sector gradually becomes associated with the different kinds of industries that came up, it is called as industrial sector.
8. After primary and secondary, there is a third category of activities that fall under tertiary sector and is different from the above two. These are activities that help in the development of the primary and the secondary sector.
9. Transport, storage, communication, banking, trade are some examples of the tertiary sector. Since these activities generate services rather than goods, the tertiary sector is also called the service sector.

COMPARING THE THREE SECTORS:

1. The various production activities in the primary, secondary and tertiary sectors produce a very large number of goods and services.
2. Also, the three sectors have a large number of people working in them to produce these goods and services.
3. There is one precaution one has to take. Not every good that is produced and sold also needs to be counted.
4. It makes sense only to final goods and services.
5. For instance, a farmer who sells wheat to a flour mill for Rs. 8 per Kg. The mill grinds the wheat and sells the flour to a biscuit company for Rs. 10 per Kg.
6. Intermediate goods are used up in producing final goods and services. The value of final goods that are used in making the final goods.
7. The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year.
8. The sum of production in the three sectors gives what is called Gross Domestic Product (GDP) of the country.
9. It is the value of all final goods and services produced within a country during a particular year. GDP shows how big the economy is.

PRIMARY, SECONDARY AND TERTIARY SECTORS IN INDIA:

1. Over the forty years between 1971-72 and 2011-12, while production in all the three sectors has increased, it has increased the most in the tertiary sector.
2. As a result, in the year 2011-12 the tertiary sector has emerged as the largest producing sector has emerged as the largest producing sector in India replacing the primary sector.
3. There could be several reasons why tertiary sector becoming so important in India.

(i) First, in any country several services such as hospitals, educational institutions, post and telegraph services etc. are required. These can be considered as basic services. In a developing country, the government has to take responsibility for the provision of these services.

(ii) Second, the development of agriculture and industry leads to the development of services such as transport, trade, storage and the like, as we have already seen.

(iii) Third, as income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospital, private school.
(iv) Fourth, over the past decade or so, certain new services such as those based on information and communication technology have become important and essential.
4. A remarkable fact about India is that while there has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment.
5. The primary sector continues to be the largest employer even now.
6. More than half of the workers in the country are working in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP.
7. The secondary and tertiary sectors produce three-fourth of the produce whereas they employ less than half the people.
8. It means that there are more people in agriculture than is necessary. So, even if you move a few people out, production will not be affected. In other words, workers in the agricultural sector are under-employed.
9. The underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. Hence, it is also called disguised unemployment.
10. We see other people of the service sector on the street pushing a cart or selling something where they may spend the whole day but earn very little.
11. They are doing this work because they do not have better opportunities.

How to Create More Employment?

1. Away by which we can tackle this problem is to identify, promote and locate industries and a large number of people may be employed.
2. A study conducted by the Planning Commission estimates that nearly 20 lakh jobs can be created in the education sector alone.
3. Every state or region has the potential for increasing the income and employment for people in that area.
4. The same study by the Planning Commission says that if tourism as a sector is improved, every year we can give additional employment to more than 5 lakh people.
5. We must realize that some of the suggestions discussed above would take a long time to implement.
6. Recognizing this, the central government in India made a law implementing the Right to Work.
7. Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA 2005).
8. Under MGNERGA 2005, all those who are able to, and are in need of, work are guaranteed 100 days of employment in a year by the government.
9. If the government fails in its duty to provide employment, it will give unemployment allowances to the people.

DIVISION OF SECTORS AS ORGANISED AND UNORGANISED:

1. The organized sector covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work.
2. It is called organized because it has some formal processes and procedures.
3. The unorganized sector is characterized by small and scattered units which are largely outside the control of the government.
4. Jobs here are low-paid and often not regular. Employment is not secure.
5. This sector includes a large number of people who are employed on their own doing small jobs such as selling on the street or doing repair work.

How to Protect Workers in the Unorganized Sector?

1. The organized sector offers jobs that are the most sought-after.
2. It is also common to find many organized sector enterprises in the unorganized sector.
3. Since the 1990s, it is also common to see a large number of workers losing their jobs in the organized sector.

4. In the rural areas, the unorganized sector mostly comprises of landless agriculture labourers, small and marginal farmers, sharecroppers and artisans.
5. Nearly 80% of rural households in India are in small and marginal farmer category.
6. In the urban areas, unorganized sector comprises mainly of workers in the small-scale industry, casual workers in the construction, trade and transport etc., and those who work as street vendors, head load workers, garment makers, rag pickers etc.

SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTORS:

1. In the public sector, the government own most of the assets and provide all services.
2. In the private sector, ownership of assets and delivery of services is in the hands of private individuals or companies.
3. Activities in the private sector are guided by the motive to earn profits.
4. The purpose of the public sector is not just to earn profits.
5. Governments raise money through taxes and other ways to meet expenses on the services rendered by it.
6. There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost.
7. Collecting the money from thousands of people who use these facilities is not easy.
8. Even if they provide these things they would charge a high rate for their.
9. Thus, governments have to undertaken such heavy spending and ensure that these facilities are available for everyone.
10. There are some of the activities, which the government has to support.
11. The private sector may not continue their production or business unless government ensures it.
12. The government has to bear part of the cost.
13. There are a large number of activities which are the primary responsibility of the government. The government must spend on these. Providing health and education facilities for all is one example.
14. The government also needs to pay attention to aspects of human development.
15. It is also the duty of the government to take care of the poorest and most ignored regions of the country through increased spending in such areas.

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Economics Chapter-3
Money and Credit

MONEY AS A MEDIUM OF EXCHANGE:

1. A person holding money can exchange it for any commodity or service that he or she might want.
2. Thus everyone prefers to receive payments in money and then exchange the money for things that they want.
3. Both parties have to agree to sell and buy each other commodities. This is known as a Double coincidence of wants.
4. What a person desires to sell is exactly what the other wishes to buy.
5. In a barter system where goods are directly exchanged without the use of money, the double coincidence of wants is an essential feature.
6. In contrast, in an economy where money is in use, money by providing the crucial intermediate step eliminates the need for double coincidence of wants.
7. Money acts as an intermediate in the exchange process, it is called a medium of exchange. This is known as Barter System.

MODERN FORMS OF MONEY:

1. We have seen that money is something that can act as a medium of exchange in transactions.
2. Before the introduction of coins, a variety of objects was used as money.
3. For example, since the very early ages, Indians used grains and cattle as money.

Currency:

1. Modern forms of money include currency – paper notes and coins.
2. Money is accepted as a medium of exchange because the currency is authorized by the government of the country.
3. In India, the Reserve Bank of India issues currency notes on behalf of the central government.
4. As per Indian law, no other individual or organization is allowed to issue currency.
5. No individual in India can legally refuse a payment made in rupees.

Deposits with Bank:

1. The other form in which people hold money is as deposits with the bank.
2. People deposit money with the banks by the opening a bank account in their name.
3. Banks accept the deposits and also pay an amount as interest on the deposits.
4. People also have the provision to withdraw the money as and when they require.
5. Since the deposits in the accounts can be withdrawn on demand, these deposits are called demand deposits.
6. It is this facility which lends it the essential characteristics of money.
7. You would have heard of payments being made by cheques instead of cash.
8. For payment by cheque, the buyer who has an account with the bank, make out a cheque for a specific amount.
9. A cheque is a paper instructing the bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued.
10. The facility of cheque against demand deposits makes it possible to directly settle payments without the use of cash.
11. Since demand deposits are accepted widely as a means of payment, along with currency, they constitute money in the modern economy.
12. But for the banks, there would be no demand and no payments by cheques against these deposits. The modern forms of money – currency and deposits – are closely linked to the working of the modern banking system.

LOAN ACTIVITIES OF BANKS:

1. Banks keep only a small proportion of their deposits as cash with themselves.

2. This is kept as a provision to pay the depositors who might come to withdraw money from the bank on any given day.
3. Since, on any particular day, only some of its many depositors come to withdraw cash, the bank is able to manage with this cash.
4. Banks use the major portion of the deposits to extend loans.
5. There is a huge demand for loans for various economic activities.
6. Banks make use of the deposits to meet the loan requirements of the people.
7. In this way, banks mediate between those who have surplus funds and those who are in need of these funds.
8. Banks charge a higher interest rate on loans than what they offer on deposits.
9. The difference between what is charged from borrowers and what is paid to depositors is their main source of income.

TERMS OF CREDIT:

1. Every loan agreement specifies an interest rate which the borrower must pay to the lender along with the repayment of the principal addition, lenders may demand collateral against the loan.
2. Collateral is an asset that the borrower owns and uses this as a guarantee to a lender until the loan is repaid.
3. The interest rate, collateral and documentation requirement, and the mode of repayment together comprise what is called the terms of credit.

FORMAL SECTOR CREDIT IN INDIA:

1. We have seen that people obtain loans from various sources.
2. The various types of loans can be conveniently grouped as formal sector and informal sector loans.
3. Among the former are loans from banks and cooperatives.
4. The informal lenders include moneylenders, traders, employers, relatives and friends, etc.
5. The Reserve Bank of India supervises the functioning of formal sources of loans.
6. For instance, we have seen that the banks maintain a minimum cash balance out of the deposits they receive.
7. The RBI monitors the banks in actually maintaining a cash balance.
8. Periodically, banks have to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc.
9. There is no organization that supervises the credit activities of lenders in the informal sector.
10. They can lend at whatever interest rate they choose.
11. There is no one to stop them from using unfair means to get their money back.
12. Compared to the formal lenders, most of the informal lenders charge a much higher interest on loans.
13. Thus, the cost to the borrower of informal loans is much higher.
14. The Higher cost of borrowing means a large part of the earnings of the borrowers is used to repay the loans.
15. Cheap and affordable credit is crucial for the country's development.

Formal and Informal Credit: Who gets what?

1. 85% of the loans taken by poor households in the urban areas are from informal sources.
2. Urban households take only 10% of their loans are from informal sources, while 90% are from formal sources.
3. The rich households are availing cheap credit from informal lender whereas the poor households have to pay a large amount of borrowing.
4. The formal sector still meets only about half of the total credit needs of the rural people.
5. The remaining credit needs are met from informal sources.
6. Thus, it is necessary that banks and cooperatives increase their lending particularly in the rural areas so that the dependence on informal sources of credit reduces.
7. While formal sector loans need to expand, it is also necessary that everyone receives these loans.

8. It is important that the formal credit is distributed more equality so that the poor can benefit from the cheaper loans.

SELF-HELP GROUPS FOR THE POOR:

1. In the previous section, we have seen that poor households are still dependent on informal sources of credit.
2. Banks are not present everywhere in rural India.
3. Even when they are present, getting a loan from a bank is much more difficult than taking a loan from informal sources.
4. The absence of collateral is one of the major resources which prevent the poor from getting the bank loans.
5. Informal lenders such as moneylender, on the other hand. Known the borrowers personally and hence are often willing to give a loan without collateral.
6. However, the moneylenders charge very high rates of interest, keep no records of the transactions and harass the poor borrower.
7. In recent years, people had tried out some newer ways of providing loans to the poor.

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Economics Chapter-4
Globalisation and the Indian Economy

PRODUCTION ACROSS COUNTRIES:

1. Until the middle of the twentieth century, production was largely organized within countries.
2. Colonies such as India export the raw materials and food stuff and imported finished goods.
3. Trade was the main channel connecting distant countries. This was done before large companies called multinational corporation (MNCs) emerged on the scene.
4. An MNC is a company that owns or controls production in more than one nation.
5. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources.
6. MNCs are not only selling its finished products globally but more important, the goods and services are produced globally.
7. As a result, production is organized in increasingly complex ways.

INTERLINKING PRODUCTION ACROSS COUNTRIES:

1. In general, MNCs set up production where it is close to the markets; where there is skilled and unskilled labour available at low costs; and where the availability of other factories of production is assured.
2. The money that is spent to buy assets such as land, building, machines and other equipment is called investment. The investment made by the MNCs is called foreign investment.
3. The benefit to the local company of such joint production is two-fold.

(i) MNCs can provide money for additional investments, like buying new machines for faster production.
(ii) MNCs might bring with them the latest technology for production.

4. But the most common route for MNC investments is to buy up local companies and then to expand production.
5. Many of the top MNCs have wealth exceeding the entire budget of the developing country government.
6. We see that there are a variety of ways in which the MNCs are spreading their production and interacting with local producers in various countries across the globe.
7. MNCs are exerting a strong influence on production at these distant locations.
8. As a result, production in these widely dispersed locations is getting interlinked.

FOREIGN TRADE AND INTEGRATION OF MARKETS:

1. Foreign trade creates an opportunity for the producers to reach beyond the domestic markets i.e., markets of their own countries.
2. For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.
3. In general, with the opening of trade, goods travel from one market to another.
4. Foreign trade thus results in connecting the markets or integration of markets in different countries.

WHAT IS GLOBALISATION?

1. A large part of the foreign trade is also controlled by MNCs.
2. A result of greater foreign trade has been greater foreign trade has been greater integration of production and markets across countries.
3. Globalization is this process of rapid integration or interconnection between countries.
4. MNCs are playing a major role in the globalization process.
5. More and more goods and services, investments and technology are moving between countries.

FACTORIES THAT HAVE ENABLED GLOBALISATION:

1. Rapid improvement in technology has been on a major factor that has stimulated the globalization process.
2. For instances, the past 50 years have seen several improvements in transportation technology.

3. Even more remarkable have been the development of information and communication technology.
4. Technologies in the areas of telecommunications, computers, and internet have been changing rapidly.

Liberalization of foreign trade and foreign investment policy:

1. Tax on imports is an example of trade barrier. It is called a barrier because some restriction has been set up.
2. The government can use trade barriers to increase or decrease foreign trade and to decide what kind of goods and how much of each, should come into the country.
3. The Indian government, after Independence, had put barriers to foreign investment.
4. This was considered necessary to protect the producers within the country from foreign competition.
5. Barriers to foreign trade and foreign investment were removed to a large extent.
6. This meant that goods could be imported and exported easily and also foreign companies could set up factories and offices here.
7. Removing barriers or restriction set by the government is what is known as liberalization.
8. The government imposes much less restriction than before and is therefore said to be more liberal.

WORLD TRADE ORGANISATION:

1. We have seen that the liberalization of foreign trade and investment in India was supported by some very powerful international organization.
2. These organizations say that all barriers to foreign trade and investment that are harmful. There should be no barriers.
3. World Trade Organization (WTO) is one such organization whose aim is to liberalize international trade.
4. Though WTO is supposed to allow a free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers.
5. On the other hand, WTO rules have forced the developing countries to remove the trade barriers.

IMPACT OF GLOBALISATION IN INDIA:

1. In the last twenty years, globalization of the Indian economy has come a long way.
2. Globalization and greater competition among producers – both local and foreign producers – has been of advantage to consumers, particularly the well-off sections in the urban areas.
3. As a result, these people today, enjoy much higher standards of living than was possible earlier.
4. MNCs have increased their investments in India over the past 20 years, which means investing in India has been beneficial for them.
5. Several of the top Indian companies have been able to benefit from the increased competition.
6. Moreover, globalization has enabled some large Indian companies to emerge as multinationals themselves!
7. Globalization has also created new opportunities for companies providing services, particularly those involving IT.

THE STRUGGLE FOR A FAIR GLOBALISATION:

1. People with education skill and wealth have made the best use of new opportunities.
2. On the other hand, there are many people who have not shared the benefits.
3. Fair globalization would create opportunities for all and also ensure that the benefits of globalization are shared better.
4. The government can play a major role in making this possible.
5. Its policies must protect the interests, not only of rich and the powerful but all the people in the country.
6. It can support small producers to improve their performance till the time they become strong enough to compete.
7. If necessary, the government can use trade and barriers.
8. In the past few years, massive campaigns and representatives by people's organizations have influenced

important decisions relating to trade and investments at the WTO.

9. This has demonstrated that people also can play an important role in the struggle for fair globalization.