

10th
Edition

INDIAN ECONOMY

Ramesh Singh



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10th
Edition

INDIAN ECONOMY

For Civil Services, Universities and Other Examinations

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Ramesh Singh, is an alumnus of *Delhi School of Economics* and an **education consultant** with over two decades of experience in guiding the aspirants of Civil Services and other examinations. He is a prolific writer and has authored several books both in English and Hindi for **McGraw Hill Education**, including *Indian Economy*, *Bhartiya Arthavyavastha*, *Contemporary Essays*, *Objective Indian Economy* and *Social Development, 1000 Plus Questions on General Science*. His forthcoming book with McGraw Hill Education is *Economics for One Day Exams*.

He is also a popular columnist of the Publication Division journals *Yojana* and *Kurukshetra*.

A teacher par excellence, he is endowed with an exceptional quality of simplifying the difficult concepts of economics in a cogent and crystal-clear way. His *expert lectures* on economics and essays are quite popular across the country. He lives in Delhi, busy in diverse academic and social pursuits.

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To my parents for whom
educated children are better
than hefty bank deposits—they really were
visionaries in human
resource management and
applied economics

PREFACE TO THE TENTH EDITION

It feels really great presenting the 10th edition of the book. This journey of a decade, taken by the book, seems not such a big period but going into the intensity and rigour of revision work year after year, it feels a comparatively bigger time to me. Becoming a *best-seller* was no doubt a recognisable achievement for the book but retaining this position has been really challenging and quite taxing for me.

Past few years have been quite eventful for the Indian economy. Several fundamental changes have been initiated by the Government in this period—‘transformative reforms’ being of the most radical kind. Other such major initiatives have been—demonetisation, insolvency and bankruptcy law, *benami* law and implementation of the GST. Government has been equally committed to the cause of welfare—the latest initiative Ayushman Bharat-National Health Protection Mission, the largest public intervention in healthcare, is one such initiative.

On the policy-making front, we find an eagerness in the Government to *transform* the very development agenda of the country by committing to a ‘holistic development’ model to be explored by the Niti Aayog. Though, performance in this regard will depend much on the quality of federal maturity forged by the governments. Today, world visualises in India a global growth engine having potential to pick high growth rate and realise a boom for it. For eradicating poverty and promoting human development, India needs synergy from the global economy which looks quite challenging once few major economies of the world have started showing protectionist tendencies. Given the challenges, the future of the Indian economy is supposed to be eventful in coming times also.

The new edition is earnestly careful of the changing contours of the Indian economy and global economic order. This is a fully *revamped*, *revised* and *streamlined* edition aimed at serving the needs of the aspirants in a much better way.

What is new in this edition?

- The new edition has been thoroughly ‘revised’ as per the changing times and needs of the upcoming examinations—carefully including the inputs from *India 2018*, *Economic Survey 2017-18*, *Union Budget 2018-19*, *Niti Aayog* and *India Development Report 2017*.
- Updated information on *National Income*; highlights of the latest *World Happiness Report 2018*; changing dimensions of ‘*Transformative*’ *Economic Reforms* have been carefully summarised from examination point of view.
- Priorities of *Planning* and related topics have been updated with the new inputs together with a discussion on Niyatam and the Action Agenda of the Niti Aayog.
- The chapters on *Industry*, *Infrastructure* and *Services* have been fully revised and added with new issues such as—Logistic Sector; Housing Policy; R&D Sector; Space Services and Recent Challenges.

- In the section on *Inflation* several new items have been added—Revised WPI; Current Trends in Inflation and Government steps to Check Inflation; etc.
- Other than general revision, the *Agriculture* section has been added with new issues like Feminisation of Indian Agriculture; discussion on Women Farmers; Climate Smart Agriculture and Future Policy Outlook.
- The section of *Financial Market* has been duly revised and updated and several new items have been added such as—recent upsurge in the NPAs; Standing Deposit Facility Scheme; Insolvency and Bankruptcy Law; Recapitalisation of the PSBs; FRDI Bill; Insurance Penetration and Insurance Density.
- The *External Sector* section has been revised and updated with the topics like—India’s External Performance; Trading Partners; Composition of Trade; Foreign Exchange Reserves; External Debt and its Composition; Buenos Aires Conference of the WTO and India.
- In the sections on *Taxation* and *Budgeting* several new topics have been added —Understanding the economy through GST; Impact of Demonetisation on the Tax Compliance; follow-up to the advices of the FRBM Review Committee; Debt Rule; Fiscal Glide Path; Fiscal Situation of the General Government.
- As climate change has emerged among the most challenging issues faced by policy makers, the section on *Sustainability and Climate Change* has been duly revised as per the changing challenges and priorities by incorporating the issues such as COP22; COP23; India and the SDGs; Climate Change Finance; Future Policy Outlook.
- One of the most vital areas, *Human Development in India*, has been added with several new issues such as—Burden of Diseases; India: Health of Nation’s States-2017 Report; The concept of DALY; performance of Swachh Bharat Mission; expenditure on Health; etc.
- The section *Economic Concepts and Terminologies* has been not only been revised and updated but added with several contemporary issues such as—Liquidity Coverage Ratio; Letter of Undertaking; Net Stable Funding Ratio; Standing Deposit Facility Scheme; SWIFT; etc.
- The chapter *Multiple Choice Questions* has been made current in perspective. Several questions have been replaced by new ones touching all relevant and burning issues such as— Standing Deposit Facility Scheme; Letter of Undertaking; SWIFT; Liquidity; Interest Rate; FRBM Act Review; Liquidity Coverage Ratio; Rupees Convertibility; Inverted Custom Duty; Net Stable Funding Ratio; Crypto-currency; New Method of National Income Accounting; Comprehensive Management of government investment in the Public Assets; Happiness Index; etc.
- The section on *Model Answers* has been fully revamped, keeping in mind the emerging dimensions of economic issues and challenges—several old questions have been dropped and new ones added which touch the areas such as—11th Ministerial Conference of the WTO; Climate Smart Agriculture; Rising NPAs of the public sector banks; Logistics sector; etc.
- Like previous editions, this edition also includes separate chapters on the latest *Economic Survey 2017-18* and *Union Budget 2018-19*.

With a sense of responsibility, I hereby, present this new edition of the book to the readers with the hope that it will serve their needs in the forthcoming examinations to take place in the years 2018 and 2019. Constructive and insightful suggestions from the readers are always welcome.

Wishing all the very best to the readers in their endeavours!



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PREFACE TO THE FIRST EDITION

I felt my first serious inclination towards writing when my first article was published in the journal *Mainstream* way back in 1988 while pursuing my post graduation studies at the Delhi School of Economics. My interaction with students inside and outside the classroom in 1990–91, when India faced a serious financial crisis, made me realise that there was an immediate need of a book on Indian economy, which could educate the students about the various aspects and challenges of the Indian economy in a simple and lucid manner. It took nearly two decades to fulfil this dream of mine.

The book has been designed to cater to the requirements of the General Studies paper for various Civil Services Examinations (Union as well as the States), and the optional Economics. It would also be useful for graduate and postgraduate courses in Economics of various universities. Adequate and required notes and references have been given after consulting and referring to an array of sources. I have taken care of both the objective as well as the subjective aspects based on my classroom experience of interacting with the students.

I am grateful to Prof. Majid Husain for the inspiration and motivation I got from him to complete this work. I have especially learnt the art and importance of work, punctuality and honesty in a very practical way from him.

Thanks are also due to Mr. Rajesh Kumar Baghel, Mr. Rakesh Kumar, Md. Ishtiaq, and Mr Vikash. I am indebted to my wife, Mrs Ila Singh, for her full support and my two little daughters, Medha and Smiti, for providing the sparkle in an otherwise monotonous work.

Finally, my special thanks to the team from McGraw-Hill, who took great pains to finalise the project and complete it in a record time with all the possible expertise. I welcome from the readers constructive advice, and comments, which could guide me in further revision of this book.

RAMESH SINGH

ABOUT THE CIVIL SERVICES EXAMINATION

The Civil Services Examination comprises of two successive stages:

- (i) Civil Services (Preliminary) Examination (Objective Type) for the selection of candidates for Main Examination; and
- (ii) Civil Services (Main) Examination (Written and Interview) for the selection of candidates for the various services and posts.

Scheme and subjects for the Preliminary and Main Examination.

A. PRELIMINARY EXAMINATION

The Examination shall comprise of two compulsory Papers of 200 marks each.

Note :

- (i) Both the question papers will be of the objective type (multiple choice questions).
- (ii) The question papers will be set both in Hindi and English. However, questions relating to English Language Comprehension skills of Class X level will be tested through passages from English language only without providing Hindi translation thereof in the question paper.

B. MAIN EXAMINATION

The written examination will consist of the following papers:

Qualifying Papers:

Paper A: (One of the Indian Language to be selected by the candidate from the Languages included in the Eighth Schedule to the Constitution). **300 Marks**

Paper B : English **300 Marks**

The papers on Indian Languages and English (Paper A and Paper B) will be of Matriculation or equivalent standard and will be of qualifying nature. The marks obtained in these papers will not be counted for ranking.

Papers to be counted for merit

Paper I: Essay **250 Marks**

Paper II: General Studies–I **250Marks**
(Indian Heritage and Culture, History and Geography of the World and Society)

Paper III: General Studies –II **250 Marks**
(Governance, Constitution, Polity, Social Justice and International relations)

Paper IV: General Studies –III **250 Marks**
(Technology, Economic Development, Bio-diversity, Environment, Security and Disaster Management)

Paper V: General Studies –IV **250 Marks**
(Ethics, Integrity and Aptitude)

Paper VI: Optional Subject – Paper 1	250 Marks
Paper VII: Optional Subject – Paper 2	250 Marks
Sub Total (Written test)	1750 Marks
Personality Test	275 Marks
Grand Total	2025 Marks

Candidates may choose any one of the optional subjects from amongst the list of subjects given below:

List of Optional Subjects for Main Examination:

- (i) Agriculture
- (ii) Animal Husbandry and Veterinary Science
- (iii) Anthropology
- (iv) Botany
- (v) Chemistry
- (vi) Civil Engineering
- (vii) Commerce and Accountancy
- (viii) Economics
- (ix) Electrical Engineering
- (x) Geography
- (xi) Geology
- (xii) History
- (xiii) Law
- (xiv) Management
- (xv) Mathematics
- (xvi) Mechanical Engineering
- (xvii) Medical Science
- (xviii) Philosophy
- (xix) Physics
- (xx) Political Science and International Relations
- (xxi) Psychology
- (xxii) Public Administration
- (xxiii) Sociology
- (xxiv) Statistics
- (xxv) Zoology
- (xxvi) Literature of any one of the following

Assamese, Bengali, Bodo, Dogri, Gujarati, Hindi, Kannada, Kashmiri, Konkani, Maithili, Malayalam, Manipuri, Marathi, Nepali, Oriya, Punjabi, Sanskrit, Santhali, Sindhi, Tamil, Telugu, Urdu and English.

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