



H.K.E. SOCIETY'S

**SMT. CHINNAMMA BASAPPA PATIL ARTS AND
COMMERCE DEGREE COLLEGE, CHINCHOLI**



DEPARTMENT OF ECONOMICS

LECTURE NOTE

Academic year -2023-24

DEPARTMENT OF ECONOMICS

NEP- B.A Ist semester

Lecture Notes

Paper – DSC -1.1 Basic Economics – I

✓UNIT – 1: BASIC CONCEPTS IN ECONOMICS

□ Chapter 1: Nature and Scope of Economics

1. Meaning of Economics

Economics is the social science that studies how individuals and societies allocate scarce resources among alternative uses.

□ **Adam Smith** (1776) – “Father of Economics”

Defined economics as “*An inquiry into the nature and causes of the wealth of nations.*”

□ **Alfred Marshall** – Defined economics as a study of mankind in the ordinary business of life.

□ **Lionel Robbins** – Scarcity definition:

“Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.”

2. Nature of Economics

Economics is:

1. **A Social Science** – Studies human behaviour.
2. **A Science** – Has laws and principles.
3. **Both Positive and Normative**
 - Positive: What is?
 - Normative: What ought to be?
4. **Micro and Macro**

- Microeconomics – Individual units
- Macroeconomics – Whole economy

3. Scope of Economics

The scope includes:

1. Consumption
2. Production
3. Exchange
4. Distribution
5. Public Finance

Two Branches:

- **Microeconomics** – Price theory
- **Macroeconomics** – National income, inflation, unemployment

4. Methods of Economics

1. Deductive Method
2. Inductive Method
3. Statistical Method
4. Mathematical Method

5. Why Study Economics?

- Helps understand inflation & unemployment
- Improves decision making
- Essential for policy formulation
- Useful in agriculture, business, governance

□ Chapter 2: Thinking Like an Economist

1. Thinking Like an Economist

Key Concepts:

- Scarcity
- Opportunity Cost
- Trade-offs
- Rational Behaviour
- Marginal Analysis

2. The Economist as Scientist

Economists:

- Develop theories
- Use models
- Test hypotheses
- Use data analysis

Example: Demand and supply model

3. The Economist as Policy Adviser

Economists advise governments on:

- Taxation
- Employment
- Inflation
- Budget

Example: Policy advice to the Government of India during Union Budget preparation.

4. Economic Policy

Economic policy includes:

- Fiscal Policy
- Monetary Policy
- Trade Policy

Objectives:

- Economic growth
- Stability
- Equity

□ Chapter 3: Economic System

1. Types of Economic Activities

1. Production
2. Consumption
3. Distribution
4. Exchange

2. Organisation of Economic Activities

Three basic questions:

1. What to produce?
2. How to produce?
3. For whom to produce?

3. Circular Flow of Economic Activities

Two-sector model:

- Households → Supply factors
- Firms → Produce goods

Money flows in opposite direction.

(Explain diagram on board)

4. Evolution of Present Economic Systems

1. Traditional Economy
2. Capitalist Economy
3. Socialist Economy
4. Mixed Economy

Example: India follows a **Mixed Economy**

✓ UNIT – 2: DEMAND, SUPPLY AND MARKETS

□ Chapter 4: Firms and Households

1. Meaning

- **Firms** – Units producing goods/services
- **Households** – Consumers of goods/services

2. Relationship Between Firms and Households

Households provide:

- Land
- Labour
- Capital
- Entrepreneurship

Firms provide:

- Wages
- Rent
- Interest
- Profit

3. Input Markets

Market for factors of production.

Example: Labour market.

4. Output Markets

Market for finished goods.

Example: FMCG market.

□ Chapter 5: Demand and Supply

1. Individual Demand

Demand = Quantity demanded at various prices.

Law of Demand:

Price $\uparrow$ $\rightarrow$ Demand $\downarrow$

Price $\downarrow$ $\rightarrow$ Demand $\uparrow$

2. Market Demand

Sum of individual demands.

3. Determinants of Demand

- Income
- Price of related goods
- Taste
- Expectations

- Population

4. Supply and Determinants

Law of Supply:

Price $\uparrow \rightarrow$ Supply $\uparrow$

Determinants:

- Cost of production
- Technology
- Government policy
- Number of sellers

5. Market Equilibrium

Equilibrium = Demand = Supply

At equilibrium:

- No excess demand
- No excess supply

Explain with demand-supply graph.

□ Chapter 6: Elasticity and its Measurement

1. Types of Elasticity

1. Price Elasticity
2. Income Elasticity
3. Cross Elasticity

2. Measurement of Price Elasticity

Formula:

Elasticity = % Change in Quantity / % Change in Price

Methods:

1. Percentage Method
2. Total Expenditure Method
3. Point Method

3. Determinants of Elasticity

- Availability of substitutes
- Nature of goods
- Income level
- Time period

✓UNIT – 3: COST AND MARKET STRUCTURES

□ Chapter 7: Production and Costs

1. Production Function

Relationship between input and output.

$$Q = f(L, K)$$

2. Total Production Cost

Total Cost = Fixed Cost + Variable Cost

3. Marginal Production Cost

MC = Change in Total Cost / Change in Output

4. Average Production Cost

AC = Total Cost / Output

5. Revenue Functions

- Total Revenue (TR) = Price × Quantity
- Average Revenue (AR) = TR / Q
- Marginal Revenue (MR) = Change in TR

□ Chapter 8: Accounting and Economic Costs

1. Accounting Cost

Actual expenses recorded in books.

2. Economic Cost

Includes opportunity cost.

3. Short Run Cost

- Fixed Cost
- Variable Cost

4. Long Run Costs

All costs are variable.

LRAC curve = Envelope curve.

□ Chapter 9: Market Structures

1. Markets

Place where buyers and sellers interact.

2. Perfect Competition

Features:

- Large buyers & sellers
- Homogeneous product
- Free entry & exit
- Perfect knowledge

3. Monopoly

Single seller

Price maker

No close substitutes

4. Oligopoly

Few sellers

Interdependence

5. Monopolistic Competition

Many sellers

Product differentiation

6. Pricing Strategies

- Cost-plus pricing
- Penetration pricing
- Price discrimination
- Skimming pricing

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Lecture Notes

Paper – DSC -1.2 Contemporary Indian Economy

✓UNIT – 1: LPG POLICIES, ECONOMIC REFORMS AND AGRICULTURE

□ Chapter 1: Recent Issues

1. Genesis and Impact of LPG

Meaning of LPG

L – Liberalization

P – Privatization

G – Globalization

Introduced in **1991** due to Balance of Payments crisis.

Key Architect:

□ **P. V. Narasimha Rao** (PM)

□ **Manmohan Singh** (Finance Minister)

A. Liberalization

- Removal of industrial licensing
- Reduction in tariffs
- Financial sector reforms

B. Privatization

- Disinvestment of PSUs

- Reduction in public sector dominance

C. Globalization

- Integration with global economy
- WTO membership

Impact of LPG Reforms

Positive Impacts:

- Higher GDP growth
- Expansion of IT sector
- Increased FDI

Negative Impacts:

- Regional inequalities
- Agrarian distress
- Informalization of labour

2. India's Population Policy

Major Policy: National Population Policy 2000

Objectives:

- Reduce fertility rate
- Improve maternal health
- Achieve demographic stabilization

3. Demographic Dividend

Meaning:

Working-age population > Dependent population

India's advantage:

- Young workforce
- Labour supply potential

Challenges:

- Skill gap
- Unemployment

4. India's Human Development in Global Perspective

Measured by **HDI** (Health, Education, Income)

Prepared by:

□ **United Nations Development Programme**

Issues:

- Malnutrition
- Gender inequality
- Rural-urban divide

□ Chapter 2: Urbanization and Governance

1. Urbanization

Growth of urban population.

Causes:

- Industrialization
- Migration
- Service sector growth

2. Smart City Mission

Launched in 2015 by Government of India.

Objectives:

- Sustainable cities
- Digital governance
- Infrastructure development

3. Informal Sector

Characteristics:

- No job security
- No social protection
- Low wages

Contributes significantly to GDP & employment.

4. Impact of COVID-19 Pandemic

Pandemic caused by:

- **COVID-19**

Impacts:

- Reverse migration
- GDP contraction
- Rise in unemployment
- MSME crisis

5. Atma Nirbhara Bharat Abhiyan

Announced in 2020.

Objective:

- Self-reliance
- Domestic manufacturing
- MSME support

Key measures:

- Credit guarantees
- Production Linked Incentive (PLI)

□ Chapter 3: Economic Reforms and Agriculture

1. Agriculture and WTO

India became member of:

- **World Trade Organization** (1995)

Issues:

- Subsidy limits
- Market access
- MSP debates

2. Price Policy and Subsidies

Minimum Support Price (MSP)

Subsidies:

- Fertilizer
- Food
- Power

3. Commercialisation and Diversification

Shift from:

- Food grains → Cash crops
- Agriculture → Horticulture, dairy

4. Public Distribution System (PDS)

Objective:

- Food security
- Subsidized food grains

5. Impact of Public Expenditure on Agriculture

Investment in:

- Irrigation
- Rural roads
- Research

Positive impact on productivity.

6. Agrarian Crisis

Causes:

- Rising input costs
- Low output prices
- Indebtedness

7. Doubling Farmers' Income

Goal announced in 2016.

Strategies:

- Productivity increase
- Market reforms
- Allied activities

8. MGNREGS

□ **Mahatma Gandhi National Rural Employment Guarantee Act**

- 100 days guaranteed employment
 - Rural wage security
 - Acts as safety net
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✓UNIT – 2: INDUSTRY, BUSINESS AND FISCAL POLICY

□ Chapter 4: Industrial Policy

1. New Industrial Policy (1991)

- Abolition of industrial licensing
- Reduction in public sector monopoly
- FDI liberalization

2. Public Sector Reforms

- Disinvestment
- Performance contracts
- Navratna status

3. Privatization and Disinvestment

Sale of government shares in PSUs.

4. Competition Policy

Implemented through Competition Act 2002.

Regulator:

□ **Competition Commission of India**

Prevents:

- Monopoly
- Cartels
- Abuse of dominance

□ **Chapter 5: Business Environment**

1. Ease of Doing Business

Focus:

- Simplified regulations
- Online approvals
- Single window clearance

2. Performance of MSMEs

MSMEs:

- Employment generation
- Export contribution
- Rural industrialization

3. Role of MNCs

- Technology transfer
- Capital inflow
- Skill development

4. Make in India

Launched 2014.

Objective:

- Boost manufacturing
- Increase exports
- Job creation

5.National Monetization Pipeline

Asset monetization strategy:

- Roads
- Railways
- Airports

☐ **Chapter 6: Fiscal Policy**

1. Taxation

Types:

- Direct tax
- Indirect tax

2. Budgetary Deficits

- Revenue deficit
- Fiscal deficit
- Primary deficit

3. Pension and Fiscal Reforms

Shift to contributory pension system.

4. Public Debt Management

Internal and external debt.

5. FRBM Act

☐ **Fiscal Responsibility and Budget Management Act**

Objective:

- Fiscal discipline

- Reduce deficit

6. GST

☐ **Goods and Services Tax**

- One nation, one tax
- Indirect tax reform

7. Finance Commission

Constitutional body recommending tax sharing.

✓UNIT – 3: MONETARY POLICY, FOREIGN TRADE AND INVESTMENT

☐ **Chapter 7: Monetary Policy**

1. Organization of India's Money Market

- Call money market
- Treasury bills
- Commercial paper

2. Financial Sector Reforms

- Banking reforms
- Capital adequacy norms

3. Interest Rate Policy

Repo and Reverse Repo rates.

Conducted by:

☐ **Reserve Bank of India**

4. Review of RBI Monetary Policy

Objectives:

- Control inflation
- Ensure liquidity
- Promote growth

☐ **Chapter 8: Money and Capital Markets**

1. SEBI

☐ **Securities and Exchange Board of India**

Functions:

- Protect investors
- Regulate stock market

2. Commercial Banks

Functions:

- Accept deposits
- Provide loans

3. DFIs

Development finance for long-term projects.

4. Price Behaviour & Inflation

Causes:

- Demand-pull
- Cost-push

Anti-inflationary measures:

- Monetary tightening
- Fiscal control

5. Demonetization (2016)

Impact:

- Liquidity shock
- Digital payments growth

□ Chapter 9: Foreign Trade and Investment

1. India's Foreign Trade

Exports:

- Petroleum products
- IT services
- Pharmaceuticals

Imports:

- Crude oil
- Gold

2. Balance of Payments (Since 1991)

Current Account

Capital Account

3. Exchange Rate Regime

- Partial convertibility
- Full convertibility

4. Capital Account Convertibility

Freedom to convert currency for capital transactions.

5. FDI Trends

Major sectors:

- Services
- Telecom

- Automobile

6. EXIM Policy & WTO

Focus on export promotion.

7. Bilateral & Multilateral Agreements

Examples:

- Free Trade Agreements
- Regional trade blocs

DEPARTMENT OF ECONOMICS

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Lecture Notes

Paper – Open Elective - Development Studies

✓UNIT – I

DEVELOPMENT: MEANING AND CURRENT CHALLENGES

□ Chapter 1: Meaning of Development

1. The Concept of Development

Development is a **multi-dimensional process** involving:

- Increase in income
- Improvement in quality of life
- Reduction in poverty
- Expansion of freedoms

Earlier, development was equated with **economic growth**, but now it includes:

- Health
- Education
- Gender equality
- Environmental sustainability

2. Growth and Development

Economic Growth

Increase in national income or output (GDP).

Economic Development

Growth + Structural change + Improvement in living standards.

Growth	Development
Quantitative	Qualitative
Short-term	Long-term
GDP focused	Human welfare focused

3. Transition from Quantitative to Qualitative Indices

Earlier Measure:

- GDP per capita

Now Includes:

- Life expectancy
- Literacy rate
- Nutrition
- Gender empowerment

Prepared by:

☐ **United Nations Development Programme**

☐ **Chapter 2: Modern Economic Growth**

1. Characteristics of Modern Economic Growth

Identified by

☐ **Simon Kuznets**

Features:

- Sustained rise in per capita output
- Structural transformation (agriculture → industry → services)
- Urbanization
- Technological advancement

2. Regional and Global Disparities

Disparities exist between:

- Developed and developing nations
- Urban and rural areas
- Core and periphery regions

Causes:

- Colonial legacy
- Unequal trade
- Resource distribution

3. Common Characteristics of Developing Countries

- High population growth
- Low per capita income
- Dependence on agriculture
- Unemployment
- Dual economy

Dissimilarities:

- Resource endowment
- Political systems
- Institutional quality

□ Chapter 3: Current Development Challenges

1. Inequality

Types:

- Income inequality
- Gender inequality
- Regional inequality

Measurement:

- Gini coefficient

2. Migration

Causes:

- Poverty
- Conflict
- Employment opportunities

Effects:

- Brain drain
- Urban congestion
- Remittances

3. Conflicts

Reasons:

- Resource disputes
- Ethnic tensions
- Political instability

Impact:

- Destruction of infrastructure
- Displacement
- Reduced growth

✓UNIT – II

APPROACHES TO DEVELOPMENT

□ Chapter 4: Development Ethics

1. Concept and Meaning

Development Ethics focuses on:

- Moral dimensions of development
- Justice and equity

- Human dignity

2. Principles of Development Ethics

- Equity
- Participation
- Sustainability
- Human rights

Importance:

- Ensures inclusive growth
- Protects vulnerable groups

☐ **Chapter 5: Assessing Development**

1. Per Capita Income

Simple measure but ignores inequality.

2. PQLI (Physical Quality of Life Index)

Developed by Morris D. Morris.

Components:

- Life expectancy
- Infant mortality
- Literacy

3. Choice and Capabilities

Developed by

☐ **Amartya Sen**

Focus:

- Freedom of choice
- Capability expansion

Development = Expansion of freedoms.

4. HDI (Human Development Index)

Prepared by:

☐ **United Nations Development Programme**

Components:

- Income
- Education
- Life expectancy

☐ **Chapter 6: Approaches to Development**

1. Adam Smith

☐ **Adam Smith**

- Division of labour
- Market mechanism
- Invisible hand

2. Karl Marx

☐ **Karl Marx**

- Class struggle
- Exploitation of labour
- Surplus value

3. Schumpeter

☐ **Joseph Schumpeter**

- Innovation
- Entrepreneur as change agent
- Creative destruction

4. Structuralist Approach

- Focus on structural rigidities
- Role of state intervention
- Import substitution

5. Neo-liberalism and Structural Adjustment

Promoted by:

☐ **International Monetary Fund**

Policies:

- Privatization
- Trade liberalization
- Fiscal discipline

6. Capabilities Approach

Advanced by

☐ **Amartya Sen**

Development as expansion of human capabilities.

✓UNIT – III

THEORIES AND CURRENT ISSUES IN DEVELOPMENT

☐ **Chapter 7: Theories of Development**

1. Modernization Theory

- Traditional → Modern society
- Western path as model

2. Dependency Theory

- Underdevelopment caused by exploitation
- Core-periphery structure

3. Capitalist World System

Proposed by

☐ **Immanuel Wallerstein**

- Core
- Semi-periphery
- Periphery

4. Evolution of Thought on Poverty Reduction

Shift from:

- Income poverty
- To:
- Multi-dimensional poverty

5. Colonial Regimes and Their Legacies

Impact:

- Resource extraction
- Infrastructure for colonial benefit
- Unequal trade patterns

☐ **Chapter 8: Industrial Revolution**

1. Genesis and Spread

Started in

☐ **United Kingdom** (18th century)

Spread to:

- Europe
- USA
- Japan

2. International Specialization

- Division of labour
- Comparative advantage

3. Industrial Labour

Issues:

- Low wages
- Poor working conditions

4. ILO

☐ **International Labour Organization**

Functions:

- Promote labour rights
- Set international labour standards

☐ **Chapter 9: Environment and Development**

1. Environmental Degradation

- Water pollution
- Air pollution
- Deforestation

2. Depletion of Global Commons

Examples:

- Oceans
- Atmosphere
- Forests

3. Sustainable Development

Defined by

☐ **World Commission on Environment and Development**

Definition:

“Development that meets present needs without compromising future generations.”

4. SDGs

Adopted by:

☐ **United Nations** (2015)

17 Sustainable Development Goals.

5. Climate Change

Causes:

- Greenhouse gases
- Industrialization
- Deforestation

Impacts:

- Rising temperature
- Extreme weather
- Sea level rise

Mitigation:

- Renewable energy
- Carbon pricing

Adaptation:

- Climate-resilient agriculture
- Disaster preparedness

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Lecture Notes

Paper – DSC -2. 2 Basic Economics – II

✓UNIT – I

MACROECONOMIC CONCEPTS AND RELATIONSHIPS

□ Chapter 1: Macro economy

1. Introduction to National Income Accounting

Macroeconomics studies:

- Aggregate output
- Employment
- Inflation
- Growth

National Income Accounting measures total economic activity of a country in a given year.

In India, estimates are prepared by the **National Statistical Office (NSO)** under the Ministry of Statistics.

2. Concepts of GDP, GNP and National Income

Gross Domestic Product (GDP)

Total market value of final goods and services produced **within domestic territory** during a year.

Gross National Product (GNP)

GDP + Net factor income from abroad (NFIA)

National Income (NNP at factor cost)

GNP – Depreciation – Indirect taxes + Subsidies

Personal Income

Income received by households:

- Wages
 - Rent
 - Interest
 - Profit
- Minus undistributed corporate profits + transfer payments.

Nominal GDP vs Real GDP

Nominal GDP	Real GDP
Current prices	Constant prices
Affected by inflation	Inflation adjusted

GDP Deflator:

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

3. Approaches to Calculating GDP

1. Production (Value Added) Method

Sum of value added by all sectors.

2. Income Method

Sum of wages + rent + interest + profit.

3. Expenditure Method

$$\text{GDP} = C + I + G + (X - M)$$

Where:

C = Consumption

I = Investment

G = Government expenditure

X-M = Net exports

4. Limitations of GDP

- Ignores inequality
- Excludes unpaid work
- Ignores environmental degradation
- Does not measure welfare

☐ Chapter 2: Monetary Economy

1. Characteristics

- Use of money as medium of exchange
- Financial institutions
- Banking system

2. Demand for Money

Motives (Keynes):

☐ **John Maynard Keynes**

- Transaction motive
- Precautionary motive
- Speculative motive

Demand depends on:

- Income
- Interest rate

3. Supply of Money

Controlled by:

☐ **Reserve Bank of India**

Measures in India:

- M1 (Narrow Money)
- M2
- M3 (Broad Money)
- M4

4. Credit Creation

Commercial banks create credit through:

- Fractional reserve system
- Deposit multiplier

Money Multiplier:

$$\text{Multiplier} = \frac{1}{\text{CRR}}$$

Chapter 3: Inflation

1. Meaning

Persistent rise in general price level.

Measured using:

- Consumer Price Index (CPI)
- Wholesale Price Index (WPI)

2. Causes

Demand-Pull Inflation

Excess demand over supply.

Cost-Push Inflation

Increase in production cost.

3. Calculating Inflation Rate

$$\text{Inflation Rate} = \frac{P_1 - P_0}{P_0} \times 100$$

4. Impact of Inflation

Positive:

- Encourages investment (moderate inflation)

Negative:

- Reduces purchasing power
 - Hurts fixed income earners
 - Creates uncertainty
-

✓UNIT – II

MACROECONOMIC CHALLENGES AND POLICIES

□ Chapter 4: Macroeconomic Challenges

1. Unemployment

Types:

- Frictional
- Structural
- Cyclical
- Seasonal

Measured by:

- Labour Force Participation Rate
- Unemployment Rate

2. Economic Growth

Measured by:

- Real GDP growth rate

Factors:

- Capital formation
- Human capital
- Technology

3. Business Cycles

Phases:

1. Expansion
2. Peak
3. Recession
4. Trough

☐ Chapter 5: Monetary Policy

Conducted by:

☐ **Reserve Bank of India**

Objectives

- Price stability
- Economic growth
- Financial stability

Instruments

Quantitative Tools:

- Repo rate
- Reverse repo rate
- CRR
- SLR
- Open market operations

Qualitative Tools:

- Moral suasion
- Selective credit control

□ Chapter 6: Fiscal Policy

1. Public Finance vs Private Finance

Public Finance	Private Finance
Government income & expenditure	Individual income & spending
Welfare motive	Profit motive

2. Fiscal Functions (Musgrave)

□ Richard Musgrave

- Allocation
- Distribution
- Stabilization

3. Public Goods

Characteristics:

- Non-rival
- Non-excludable

Examples:

- National defense
- Street lighting

4. Rationale for Public Provision

- Market failure
- Free rider problem
- Social welfare maximization

✓UNIT – III

PUBLIC POLICY AND GLOBALIZATION

□ Chapter 7: Poverty and Public Policy

1. Meaning of Poverty

Absolute poverty – inability to meet basic needs.

Relative poverty – inequality-based measure.

2. Measurement

- Poverty Line
- Multidimensional Poverty Index (MPI)

3. Poverty Alleviation Programs in India

- MGNREGS
- PMAY
- National Food Security Act

□ Chapter 8: International Trade

1. Absolute Advantage

Proposed by

□ Adam Smith

Country specializes where it has productivity advantage.

2. Comparative Advantage

Proposed by

□ David Ricardo

Trade benefits even if one country is more efficient in all goods.

3. Terms of Trade

$$\text{TOT} = \frac{\text{Export Price Index}}{\text{Import Price Index}} \times 100$$

4. Exchange Rates

- Fixed exchange rate
- Flexible exchange rate

5. Trade Barriers

- Tariffs
- Quotas
- Subsidies

6. Balance of Payments (BoP)

Two accounts:

- Current Account
- Capital Account

Deficit leads to currency pressure.

☐ Chapter 9: Globalization

1. Meaning

Integration of economies through:

- Trade
- Investment
- Technology
- Migration

2. Importance

- Market expansion

- Technology transfer
- Capital inflows

3.Pros and Cons

Advantages:

- Efficiency
- Growth

Disadvantages:

- Inequality
- Job losses
- Cultural erosion

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Lecture Notes
Paper – DSC -2. 3 Karnataka Economy

✓UNIT – I

**CHARACTERISTICS OF KARNATAKA
ECONOMY**

□ Chapter 1: State Income

1. State Domestic Product (SDP)

State Domestic Product (SDP) is the total value of goods and services produced within Karnataka during a financial year.

When adjusted for depreciation → Net State Domestic Product (NSDP).

When divided by population → Per Capita Income (PCI).

Prepared by:
Directorate of Economics and Statistics, Government of Karnataka.

2. Sectoral Contribution

Karnataka's economy is dominated by:

- Services sector (largest share)
- Industry
- Agriculture (declining share but major employment provider)

Major contributor to growth:

- IT and ITES sector in Bengaluru.

3. Measures to Redress Regional Imbalances

Karnataka shows regional disparities between:

- Southern Karnataka (Bengaluru, Mysuru)
- Kalyana Karnataka (Hyderabad-Karnataka region)
- Coastal Karnataka

Measures:

- Article 371(J) special status for Kalyana Karnataka
- Special development boards
- Targeted public expenditure
- Infrastructure development

☐ **Chapter 2: Human and Natural Resources**

1. Population

Characteristics:

- Moderate population growth
- Urbanization increasing
- Migration towards Bengaluru

Challenges:

- Urban congestion
- Skill mismatch

2. Human Development Index (HDI)

HDI measures:

- Health
- Education
- Income

Prepared by:

☐ **United Nations Development Programme**

Karnataka's performance:

- Higher than national average in literacy
- Inter-district disparities remain

3. Poverty and Unemployment

Types of poverty:

- Rural poverty
- Urban poverty

Major Employment & Anti-Poverty Programmes:

- MGNREGS
- PMAY
- State-level self-employment schemes

4. Functioning of Panchayat Raj Institutions

Three-tier system:

1. Gram Panchayat
2. Taluk Panchayat
3. Zilla Panchayat

Functions:

- Rural development
- Infrastructure
- Welfare implementation

□ Chapter 3: Natural Resources in Karnataka

1. Land Resources

- Agricultural land
- Forest land
- Dryland areas

Major issue: Soil degradation.

2. Water Resources

- Rivers: Krishna, Cauvery, Tungabhadra
- Irrigation projects
- Rainfed agriculture dependency

3. Forest Resources

- Western Ghats biodiversity
- Timber and minor forest produce

4. Mineral Resources

Karnataka is rich in:

- Iron ore (Ballari district)
- Gold (Kolar Gold Fields)
- Manganese

5. Sustainable Development Goals (SDGs)

Monitored by:

☐ **NITI Aayog**

Focus areas:

- Poverty reduction
- Clean water
- Renewable energy

6. Karnataka Environmental Policy

Focus:

- Pollution control
- Forest conservation
- Climate action

✓UNIT – II

AGRICULTURE AND INDUSTRIES IN KARNATAKA

□ Chapter 4: Agriculture in Karnataka

1. Importance of Agriculture

- Employs large population
- Contributes to food security
- Supplies raw materials

2. Problems in Agriculture

- Rain dependence
- Fragmented holdings
- Price fluctuations
- Indebtedness

3. Land Reforms

Objectives:

- Abolition of intermediaries
- Tenancy reforms
- Land ceiling

Impact:

- Improved ownership security
- Redistribution of land

4. Cropping Pattern

Major crops:

- Ragi
- Paddy
- Sugarcane
- Cotton
- Groundnut

Shift toward commercial crops.

5. Irrigation

Major projects:

- Tungabhadra Dam
- Krishna Basin projects

Issues:

- Uneven distribution
- Groundwater depletion

6. Watershed Development

- Soil conservation
- Rainwater harvesting
- Drought mitigation

7. Dryland Farming

Important due to:

- Low rainfall regions (North Karnataka)

Practices:

- Crop diversification
- Drought-resistant crops

8. Farmers' Suicide

Causes:

- Debt burden
- Crop failure
- Price volatility

Solutions:

- MSP reforms
- Crop insurance
- Institutional credit

☐ **Chapter 5: Rural Development**

1. Public Distribution System (PDS)

Ensures food security through subsidized grains.

2. Rural Development Programmes

- MGNREGS
- Self-help groups
- Housing schemes

☐ **Chapter 6: Industries in Karnataka**

1. Major Industries

- Iron & Steel (Ballari)
- Sugar industry
- Textile
- Cement

2. MSMEs

Importance:

- Employment generation
- Regional development

Problems:

- Credit constraints
- Technology gaps

Measures:

- Subsidies

- Skill development
- Cluster development

3. IT Industry

Bengaluru known as “Silicon Valley of India.”

Major IT hubs:

- Whitefield
- Electronic City

4. Industrial Finance

Sources:

- Commercial banks
- KSFC
- SIDBI

5. Industrial Policy of Karnataka

Focus:

- Ease of Doing Business
- Startup ecosystem
- Green industries

✓UNIT – III

INFRASTRUCTURE AND STATE FINANCE

☐ Chapter 7: Infrastructure in Karnataka

1. Transportation

Road:

- National highways
- State highways

Rail:

- South Western Railway

Air:

- Kempegowda International Airport (Bengaluru)

Water:

- Inland waterways limited

2. ICT Facilities

- Broadband connectivity
- Digital governance
- Startup ecosystem

☐ **Chapter 8: Social Infrastructure**

1. Drinking Water and Sanitation

- Jal Jeevan Mission
- Swachh Bharat Mission

2. Housing

- PMAY
- State housing schemes

3. Health

- Primary Health Centres
- District hospitals

4. Education

- Government schools
- Universities
- Skill development missions

5. Social Security

- Old age pensions
- Women welfare schemes
- Health insurance

☐ Chapter 9: State Finance

1. Sources of Revenue

Direct Taxes:

- State excise
- Stamp duty

Indirect Taxes:

- GST share

2. GST Impact and Collections

Implemented under:

- ☐ **Goods and Services Tax**

Impact:

- Increased tax compliance
- Revenue stabilization

3. Sharing of Central Taxes

Recommended by:

- ☐ **Finance Commission of India**

4. Expenditure Sources

- Revenue expenditure
- Capital expenditure

5. State Indebtedness

Borrowings for:

- Infrastructure
- Welfare schemes

Concern:

- Fiscal deficit

6. State Finance Commission

Recommends:

- Revenue sharing between state and local bodies

7. State Budget

Annual financial statement including:

- Revenue
- Expenditure
- Deficit

Department of Economics
NEP- B.A IInd Semester
Lecture Notes
Paper – Open Elective -Contemporary Indian Economy

✓UNIT – 1

LPG POLICIES, ECONOMIC REFORMS AND AGRICULTURE

□ Chapter 1: Recent Issues

1. Genesis of LPG (Liberalisation, Privatisation, Globalisation)

Background:

In 1991, India faced:

- Severe Balance of Payments crisis
- High fiscal deficit
- Low foreign exchange reserves

Reforms initiated under:

- Prime Minister **P. V. Narasimha Rao**
- Finance Minister **Manmohan Singh**

Components of LPG:

(A) Liberalisation

- Removal of industrial licensing

- Reduction in tariffs
- Financial sector reforms

(B) Privatisation

- Disinvestment of PSUs
- Reduced role of public sector

(C) Globalisation

- Integration with global markets
- WTO membership

Impact of LPG

Positive:

- Higher GDP growth
- Rise in FDI
- Expansion of service sector

Negative:

- Regional inequality
- Agrarian distress
- Informalisation of labour

2. India's Population Policy

National Population Policy (2000) objectives:

- Stabilize population
- Improve maternal & child health
- Promote reproductive rights

3. Demographic Dividend

Meaning:

Large working-age population (15–64 years).

India's advantage:

- Young labour force
- Potential productivity boost

Risk:

- Unemployment if not skilled

4. India's Human Development (Global Perspective)

Measured by:

☐ **United Nations Development Programme**

Indicators:

- Life expectancy
- Education
- Per capita income

Challenges:

- Gender inequality
- Health infrastructure gaps

☐ **Chapter 2: Urbanization and Governance**

1. Urbanization in India

Features:

- Rapid growth of cities
- Migration from rural areas
- Urban slums expansion

2. Smart City Mission

Launched in 2015 by:

☐ **Government of India**

Objectives:

- Sustainable urban development
- ICT-based governance
- Improved infrastructure

3. Informal Sector

Characteristics:

- Unregistered enterprises
- No job security
- Low wages

Contributes significantly to:

- Employment
- Urban economy

4. Impact of COVID-19 Pandemic

Major impacts:

- Reverse migration
- GDP contraction
- Job losses in informal sector

Relief Measures:

- PM Garib Kalyan Yojana
- Credit support to MSMEs

5. Atma Nirbhar Bharat Abhiyan

Announced in 2020.

Focus:

- Self-reliance
- MSME reforms
- Supply chain strengthening
- Production Linked Incentives (PLI)

☐ **Chapter 3: Economic Reforms and Agriculture**

1. Agriculture and WTO

India became member of:

- ☐ **World Trade Organization** (1995)

Key issues:

- Subsidy limits (AMS)
- Market access
- Food security concerns

2. Price Policy and Subsidies

Minimum Support Price (MSP):

- Ensures price stability

Subsidies:

- Fertilizer
- Power
- Irrigation

Criticism:

- Fiscal burden
- Distorted cropping pattern

3. Commercialisation and Diversification

Shift from:

- Food grains → Cash crops
- Traditional farming → Horticulture, dairy

4. Public Distribution System (PDS)

Ensures food security through subsidized food grains.

5. Public Expenditure and Agricultural Growth

Investment areas:

- Irrigation
- Rural roads
- Research & Extension

Higher public investment → Higher agricultural productivity

6. Agrarian Crisis

Causes:

- Rising input costs
- Climate variability
- Indebtedness

7. Doubling Farmers' Income

Target announced in 2016.

Strategies:

- Higher productivity
- Market reforms
- Value addition

8. MGNREGS

Provides:

- 100 days of wage employment
- Rural asset creation

Acts as:

- Social safety net

✓UNIT – 2

INDUSTRY, BUSINESS AND FISCAL POLICY

☐ Chapter 4: Industrial Policy

1. New Industrial Policy (1991)

Features:

- Abolition of industrial licensing
- FDI liberalisation
- Reduced public sector monopoly

2. Public Sector Reforms

- Autonomy to PSUs
- Disinvestment

3. Privatisation & Disinvestment

Purpose:

- Reduce fiscal burden
- Improve efficiency

4. Competition Policy

Regulated by:

- ☐ **Competition Commission of India**

Ensures:

- Fair competition
- Prevents monopolies

☐ **Chapter 5: Business Environment**

1. Ease of Doing Business

Reforms:

- Single window clearance
- Online approvals

2. MSMEs Performance

Contribution:

- Employment
- Exports

Problems:

- Credit access
- Technology gap

3. Role of MNCs

Benefits:

- Technology transfer
- Capital inflow

Concerns:

- Profit repatriation
- Market dominance

4. Make in India

Launched in 2014.

Focus:

- Manufacturing growth
- Investment promotion

5. National Monetization Pipeline

Objective:

- Monetize public assets
- Raise infrastructure funds

☐ **Chapter 6: Fiscal Policy**

1. Tax and Expenditure

Direct Taxes:

- Income tax

- Corporate tax

Indirect Taxes:

- GST

2. Budgetary Deficits

Types:

- Revenue deficit
- Fiscal deficit
- Primary deficit

3. Public Debt Management

Internal & external borrowings.

4. FRBM Act

Fiscal Responsibility and Budget Management Act (2003).

Objective:

- Fiscal discipline
- Deficit targets

5. GST

Implemented under:

☐ **Goods and Services Tax**

Impact:

- Uniform tax structure
- Improved compliance

6. Finance Commission

Constitutional body recommending tax devolution.

Current recommendations focus on:

- Fiscal consolidation

- Cooperative federalism
-

✓UNIT – 3

MONETARY POLICY, FOREIGN TRADE AND INVESTMENT

□ Chapter 7: Monetary Policy

1. Organisation of India's Money Market

Participants:

- RBI
- Commercial banks
- NBFCs

2. Financial Sector Reforms

Post-1991 reforms:

- Deregulation
- Market-based interest rates

3. RBI and Monetary Policy

Conducted by:

□ **Reserve Bank of India**

Objectives:

- Price stability
- Growth

Tools:

- Repo rate

- CRR
- Open market operations

☐ **Chapter 8: Money and Capital Markets**

1. SEBI

Regulated by:

- ☐ **Securities and Exchange Board of India**

Functions:

- Investor protection
- Market regulation

2. Commercial Banks & DFIs

- Credit creation
- Investment financing

3. Demonetization (2016)

Objectives:

- Curb black money
- Promote digital payments

Impact:

- Short-term liquidity shock
- Growth slowdown

☐ **Chapter 9: Foreign Trade and Investment**

1. India's Foreign Trade

Exports:

- IT services
- Petroleum products
- Pharmaceuticals

Imports:

- Crude oil
- Gold
- Electronics

2. Balance of Payments (Since 1991)

Accounts:

- Current account
- Capital account

3. Exchange Rate Regime

India follows:

- Managed floating system

4. Capital Account Convertibility

Partial convertibility exists.

5. FDI Trends

Major sectors:

- Services
- Telecom
- Manufacturing

6. EXIM Policy & WTO

Trade governed by:

☐ **World Trade Organization**

Focus:

- Export promotion
- Trade facilitation

7. Trade Agreements

Bilateral:

- India–UAE CEPA

Multilateral:

- Regional trade agreements

DEPARTMENT OF ECONOMICS

NEP- B.A IIIrd semester

Lecture Notes

Paper – DSC -3.1 Micro Economics

✓UNIT – 1: BASICS OF MICROECONOMICS

□ Chapter 1: Exploring Microeconomics

1. Nature and Scope of Economics

Economics studies how individuals and societies allocate scarce resources among competing uses.

Microeconomics

Focuses on:

- Individual consumers
- Firms
- Markets
- Price determination

Positive vs Normative Economics

- Positive → What is?
- Normative → What ought to be?

2. Scarcity and Opportunity Cost

Scarcity

Resources are limited; wants are unlimited.

Opportunity Cost

The value of the next best alternative foregone.

Example:

If a farmer grows wheat instead of rice → opportunity cost = profit from rice.

3. Production Possibility Frontier (PPF)

PPF shows:

Maximum possible combinations of two goods produced with given resources and technology.

Features:

- Downward sloping (trade-off)
- Concave (increasing opportunity cost)
- Points inside → inefficient
- Points outside → unattainable

Reasons for shift:

- Increase in resources
- Technological progress

4. Market System

A system where:

- Prices are determined by demand and supply.

Functions:

- Resource allocation
- Price signaling
- Incentives

5. Welfare State

A state that:

- Promotes social justice
- Provides public goods
- Reduces inequality

Examples:

- Subsidies
- Public education
- Social security schemes

☐ Chapter 2: Supply and Demand

1. Demand

Definition:

Quantity of a good consumers are willing and able to buy at various prices.

Determinants:

- Price
- Income
- Tastes
- Prices of related goods
- Expectations

Law of Demand

Price $\uparrow \rightarrow$ Demand $\downarrow$ (ceteris paribus)

2. Supply

Definition:

Quantity producers are willing to sell at various prices.

Determinants:

- Price
- Cost of production
- Technology
- Taxes and subsidies

Law of Supply

Price $\uparrow \rightarrow$ Supply $\uparrow$

3. Demand and Supply Schedules

- Individual demand vs Market demand
- Market demand = Horizontal sum of individual demands

4. Shifts in Curves

Increase in demand → Rightward shift

Increase in supply → Rightward shift

5. Equilibrium

Occurs where:

Demand = Supply

Determines:

- Equilibrium price
- Equilibrium quantity

Disequilibrium:

- Excess demand → Price rises
- Excess supply → Price falls

✓ UNIT – 2: CONSUMPTION DECISIONS

□ Chapter 3: The Household

1. Diminishing Marginal Utility (DMU)

As consumption increases:

Marginal utility decreases.

Total Utility increases at diminishing rate.

2. Indifference Curve (IC)

Shows combinations of two goods giving equal satisfaction.

Properties:

- Downward sloping
- Convex to origin
- Higher IC → Higher satisfaction
- Do not intersect

3. Budget Constraint

Shows combinations affordable with given income and prices.

Equation:

$$\text{Income} = P_x X + P_y Y$$

Slope:

$$-P_x/P_y$$

4. Consumer Equilibrium

Occurs where:

$$\text{MRS} = \text{Price Ratio}$$

At tangency of IC and Budget Line.

5. Income and Substitution Effects

When price falls:

- Substitution effect → Good becomes relatively cheaper
- Income effect → Real income increases

6. Leisure vs Consumption Choice

Individual allocates:

- Time between work and leisure
- Trade-off between income and free time

✓ UNIT – 3: PRODUCTION AND COSTS

□ Chapter 4: The Firm

1. Firm vs Industry

Firm → Single producer

Industry → Group of firms producing similar goods

2. Production Function

$$Q = f(L, K)$$

Shows relationship between inputs and output.

3. Law of Variable Proportions

Short-run concept.

Three stages:

1. Increasing returns
2. Diminishing returns
3. Negative returns

4. Isoquant

Shows combinations of inputs producing same output.

Properties:

- Downward sloping
- Convex
- Do not intersect

5. Isocost Line

Shows combinations of inputs costing same total expenditure.

6. Producer Equilibrium

Occurs where:

$MRTS = \text{Input Price Ratio}$

Isoquant tangent to isocost line.

7. Returns to Scale

Long-run concept.

- Increasing returns
- Constant returns
- Decreasing returns

8. Cobb-Douglas Production Function

$$Q = A L^{\alpha} K^{\beta}$$

Features:

- Constant elasticity of substitution
- Returns to scale depend on $\alpha + \beta$

□ Chapter 5: Cost of Production

1. Short Run Costs

- Fixed Cost (FC)
- Variable Cost (VC)
- Total Cost ($TC = FC + VC$)

Average Costs:

- AFC
- AVC
- ATC

Marginal Cost (MC)

Relationship:

MC cuts ATC and AVC at minimum point.

2. Long Run Costs

All inputs variable.

Long-run average cost curve:

- Envelope of short-run cost curves.
-

✓ UNIT – 4: PRICING

□ Chapter 6: Market Structures

1. Perfect Competition

Features:

- Many buyers & sellers
- Homogeneous product
- Free entry and exit

Price determined by industry.

Firm is price taker.

Equilibrium:

$$MR = MC$$

2. Monopoly

Single seller.

Price maker.

Price > Marginal Cost.

Price Discrimination

Charging different prices for same product.

Types:

- First degree
- Second degree
- Third degree

3. Monopolistic Competition

Features:

- Product differentiation
- Many firms
- Free entry

Long-run:
Normal profits.

4. Oligopoly

Few firms.

Features:

- Interdependence
- Barriers to entry

Types:

- Collusive
- Non-collusive

5. Game Theory

Strategic interaction.

Concept:

- Prisoner's Dilemma
- Nash Equilibrium

☐ **Chapter 7: Factor Pricing**

1. Functional vs Personal Income

Functional:

Income to factors (wages, rent, etc.)

Personal:

Income received by individuals.

2. Marginal Productivity Theory

Factor price determined by:

Marginal Revenue Product (MRP)

$$\text{MRP} = \text{MP} \times \text{Price}$$

3. Determinants of:

Rent:

- Scarcity
- Fertility

Wages:

- Skill
- Productivity
- Bargaining power

Interest:

- Time preference
- Capital productivity

Profits:

- Risk bearing
- Innovation

UNIT – 5: WELFARE ECONOMICS

Chapter 8: Welfare Economics

1. Meaning of Welfare

Welfare = Well-being of society.

2. Pigou's Welfare Economics

Developed by:

☐ **Arthur Cecil Pigou**

Emphasized:

- Role of government
- Correction of externalities

3. Compensation Principle

Associated with:

☐ **Nicholas Kaldor**

☐ **John Hicks**

Change is desirable if:

Winners can compensate losers.

4. Externalities

Positive:

- Education

Negative:

- Pollution

5. Market Failure

Occurs when:

Market fails to allocate resources efficiently.

Reasons:

- Externalities
- Public goods
- Monopoly

✓UNIT – 6: ECONOMICS IN ACTION

□ Chapter 9: Economic Theory and Policy

1. Pricing Practices

- Cost-plus pricing
- Penetration pricing
- Predatory pricing

2. Basics of Monetary Policy

Controlled by:

- Reserve Bank of India

Tools:

- Repo rate
- CRR
- OMO

3. Fiscal Policy

Government policy on:

- Taxation
- Expenditure
- Budget deficits

4. Controls and Regulations

- Price controls
- Licensing
- Anti-monopoly laws

5. Incentives and Penalties

Used to:

- Encourage production
- Control pollution
- Ensure compliance

6. Labour Policies

- Minimum wages
- Social security
- Employment laws

DEPARTMENT OF ECONOMICS

NEP B.A IIIrd semester

Lecture Notes

Paper – DSC - 3. 2 Factor Pricing, General Equilibrium and Welfare Economics

✓UNIT – 1: FACTOR PRICING

□ Chapter 1: Meaning and Significance of Factor Pricing

1. Meaning of Factor Pricing

Factor pricing refers to the determination of prices of factors of production:

- Land → Rent
- Labour → Wages
- Capital → Interest
- Entrepreneur → Profit

2. Significance

- Determines income distribution
- Influences production decisions
- Affects economic inequality
- Impacts economic growth

3. Functional vs Personal Income

Functional Income Distribution

Income distributed according to factors:

- Wages
- Rent
- Interest
- Profit

Personal Income Distribution

Income received by individuals or households.

4. Demand for Factors

Derived demand:

Demand for factors depends on demand for final goods.

In perfect competition:

$$MRP = MP \times \text{Price}$$

In imperfect competition:

$$MRP = MP \times MR$$

5. Supply of Factors

Depends on:

- Wage rate
- Alternative employment
- Preferences
- Mobility

☐ **Chapter 2: Factor Pricing in Perfect Competition**

1. Marginal Productivity Theory (MPT)

Developed by neoclassical economists.

Core Idea:

A factor is paid according to its marginal revenue product.

Equilibrium condition:
 $MRP = \text{Factor Price}$

For labour:
 $W = MRP_l$

Assumptions:

- Perfect competition
- Homogeneous factors
- Full employment
- Diminishing marginal returns

Graph Explanation:

- Downward sloping MRP curve
- Upward sloping supply curve
- Intersection determines wage and employment

□ Chapter 3: Factor Pricing in Imperfect Markets

1. Monopsony Power

Monopsony:
Single buyer of labour.

Features:

- Upward sloping labour supply
- $MFC > \text{Wage}$

Equilibrium:
 $MRP = MFC$

Wage paid $< MRP$

2. Trade Unions and Wage Determination

Trade unions:

- Collective bargaining
- Push wages above competitive level

Effects:

- Higher wages
- Possible unemployment

3. Bilateral Monopoly

Situation:

- One employer (monopsonist)
- One trade union

Wage determined by:
Bargaining power.

☐ **Chapter 4: Theories of Factor Rewards**

☐ **THEORIES OF RENT**

1. Ricardian Theory of Rent

Developed by:

☐ **David Ricardo**

Core idea:

Rent arises due to differential fertility of land.

Key points:

- Rent is surplus
- No rent on marginal land

2. Modern Theory of Rent

Rent = Payment above transfer earnings.

Applies to all factors (economic rent).

3. Quasi Rent

Proposed by:

☐ **Alfred Marshall**

Temporary surplus earned by man-made factors in short run.

☐ THEORIES OF WAGES

1. Subsistence Theory

Associated with classical economists.

Wages tend toward minimum subsistence level.

2. Wage Fund Theory

Fixed wage fund divided among workers.

Criticized as unrealistic.

3. Residual Claimant Theory

Proposed by:

☐ **Francis Amasa Walker**

Wages = Residual after other factors are paid.

4. Marginal Productivity Theory

Wage = MRP of labour.

5. Modern Theory of Wages

Wage determined by:

- Demand and supply of labour
- Institutional factors

☐ THEORIES OF INTEREST

1. Classical Theory

Interest determined by:

- Demand (investment)

- Supply (savings)

Interest = reward for abstinence.

2. Keynesian Liquidity Preference Theory

Developed by:

□ **John Maynard Keynes**

Interest determined by:

- Demand for money
- Supply of money

Motives:

- Transaction
- Precautionary
- Speculative

□ THEORIES OF PROFIT

1. Dynamic Theory

Profits arise due to dynamic changes in economy.

2. Innovation Theory

Proposed by:

□ **Joseph Schumpeter**

Profit is reward for innovation.

3. Risk-Bearing Theory

Profit is reward for taking risks.

4. Uncertainty-Bearing Theory

Proposed by:

□ **Frank H. Knight**

Profit is reward for bearing uncertainty (not measurable risk).

✓ UNIT – 2: GENERAL EQUILIBRIUM

□ Chapter 5: General Equilibrium Analysis

1. Circular Flow of Income

Two-sector model:

- Households
- Firms

Money flow and real flow.

2. Partial vs General Equilibrium

Partial:

Single market analysis.

General:

Simultaneous equilibrium in all markets.

3. Edgeworth Box (Exchange)

Used to show:

- Distribution between two individuals.

Pareto Optimality:

No one can be made better off without making someone worse off.

4. General Equilibrium in Production

Efficient allocation:

$$MRTS_1 = MRTS_2$$

5. Walrasian General Equilibrium

Developed by:
☐ **Léon Walras**

All markets clear simultaneously.

Price adjustment via:
Tâtonnement (trial and error).

✓UNIT – 3: WELFARE ECONOMICS

☐ Chapter 6: Welfare Concepts

1. Individual vs Social Welfare

Individual welfare:
Utility satisfaction.

Social welfare:
Sum of individual utilities.

2. Pigou's Welfare Economics

Developed by:
☐ **Arthur Cecil Pigou**

Emphasized:

- Government intervention
- Correcting externalities

3. Social Welfare Function

Developed by:
☐ **Paul Samuelson**

Represents society's preferences.

4. Kaldor-Hicks Compensation Principle

Developed by:

☐ **Nicholas Kaldor**

☐ **John Hicks**

A policy is desirable if gainers can compensate losers.

5. Arrow's Impossibility Theorem

Proposed by:

☐ **Kenneth Arrow**

No social decision rule can satisfy all fairness criteria simultaneously.

6. Theory of Second Best

If one optimal condition cannot be satisfied,
Second-best solution may require violating other conditions.

☐ Chapter 7: Market Failure

1. Market Efficiency

Efficient when:

Price = Marginal Cost.

2. Reasons for Market Failure

- Externalities
- Public goods
- Monopoly power
- Incomplete markets

3. Coase Theorem

Proposed by:

☐ **Ronald Coase**

If property rights are well defined and transaction costs are zero,
Private bargaining leads to efficient outcome.

☐ Chapter 8: Asymmetric Information

1. Meaning

One party has more information than another.

2. Adverse Selection

Before contract.

Example:
Used car market.

3. Moral Hazard

After contract.

Example:
Insurance fraud.

4. Agency Problem

Conflict between:
Principal and agent.

☐ **Chapter 9: Government Intervention**

1. Need for Public Policy

To correct:

- Market failures
- Inequality
- Externalities

2. Price Ceiling & Floor

Ceiling:
Maximum price (rent control)

Floor:
Minimum price (minimum wage)

3. Taxes & Subsidies

Taxes:

Reduce negative externalities.

Subsidies:

Encourage positive externalities.

4. Tariffs & Quotas

Used in trade regulation.

5. Welfare Schemes

Justified by:

- Redistribution
- Social justice
- Poverty reduction

DEPARTMENT OF ECONOMICS

NEP- B.A IIIrd semester

Lecture Notes

Paper - Open Elective - Rural Economics

✓UNIT – 1

□ Chapter 1: Introduction to Rural Economy

1. Meaning of Rural Economy

A **rural economy** refers to economic activities carried out in rural areas, mainly based on:

- Agriculture
- Allied activities (dairy, fisheries, forestry)
- Rural industries

It focuses on improving the **living standards of rural population**.

2. Objectives of Rural Economy

- Reduce rural poverty
- Generate employment
- Increase agricultural productivity
- Promote rural industrialization
- Ensure inclusive and sustainable growth

3. Characteristics of Rural Economy

- Agriculture-dominated
- Low per capita income
- High dependency ratio
- Disguised unemployment
- Inadequate infrastructure

- Seasonal employment

4. Indicators of Rural Development

- Per capita income
- Literacy rate
- Life expectancy
- Access to drinking water
- Employment rate
- Poverty ratio

5. Inclusive and Sustainable Development

Inclusive Development

Growth that benefits all sections of society, especially:

- Women
- SC/ST communities
- Landless labourers

Sustainable Development

Development that meets present needs without compromising future generations.

Concept popularized by:

- ☐ **World Commission on Environment and Development**

☐ **Chapter 2: Approaches to Rural Development**

1. Gandhian Model

Proposed by:

- ☐ **Mahatma Gandhi**

Features:

- Self-sufficient villages
- Cottage industries
- Decentralization
- Trusteeship

2. Community Development Approach (1952)

Objectives:

- Improve agriculture
- Promote local participation
- Develop infrastructure

Limitations:

- Bureaucratic control
- Lack of people's participation

3. Minimum Needs Approach (1970s)

Focused on:

- Elementary education
- Health
- Drinking water
- Rural roads

4. Integrated Rural Development Programme (IRDP)

Launched in 1978–80.

Objective:

- Provide asset-based assistance to poor families

Later integrated into:

- Self-employment programmes

5. Inclusive Growth Approach

- Financial inclusion
- Skill development
- Employment schemes
- Social protection

□ Chapter 3: Poverty and Unemployment in Rural India

1. Meaning of Poverty

Poverty means inability to meet basic needs.

Types:

- Absolute poverty
- Relative poverty

2. Measurement of Poverty

In India measured by:

- Consumption expenditure
- Poverty line estimates

Recent multidimensional poverty measured using:

- Health
- Education
- Living standards

3. Causes of Rural Poverty

- Low agricultural productivity
- Land fragmentation
- Indebtedness
- Illiteracy
- Population growth

4. Rural Employment

Farm Employment

- Crop production
- Dairy
- Fisheries

Non-Farm Employment

- Rural industries
- Construction
- Services

5. Types of Unemployment

- Seasonal
- Disguised
- Open unemployment

6. Poverty Alleviation & Employment Programmes

Wage Employment

- MGNREGS

Self-Employment

- NRLM
- PMEGP

Housing

- PMAY-Gramin

Food Security

- Public Distribution System

✓UNIT – 2

□ Chapter 4: Rural Enterprises

1. Meaning

Rural enterprises are business activities located in rural areas.

Examples:

- Agro-processing
- Handloom
- Handicrafts

2. Importance

- Employment generation
- Reduces migration
- Promotes balanced regional growth

3. Classification of MSMEs

Defined under:

☐ **Ministry of Micro, Small and Medium Enterprises**

Categories:

- Micro
- Small
- Medium

Based on:

- Investment
- Turnover

4. Progress and Problems of MSMEs

Progress:

- Contribution to GDP
- Export earnings

Problems:

- Lack of credit
- Technology gaps
- Marketing constraints

5. Khadi and Village Industries

Promoted by:

☐ **Khadi and Village Industries Commission**

Objective:

- Promote rural employment
- Encourage traditional crafts

☐ **Chapter 5: Rural Banking and Finance**

1. Credit Cooperative Societies

- Provide short-term loans
- Based on mutual cooperation

2. Regional Rural Banks (RRBs)

Established in 1975.

Objective:

- Provide banking services in rural areas

3. Role of NABARD

☐ **National Bank for Agriculture and Rural Development**

Functions:

- Refinance support
- Rural credit planning
- Promote SHGs

4. Microfinance Institutions

Provide:

- Small loans
- Financial inclusion

Target group:

- Women
- Self-help groups

Chapter 6: Rural Infrastructure

1. Education & Health

- Primary schools
- PHCs
- Anganwadis

2. Housing and Sanitation

- PMAY-Gramin
- Swachh Bharat Mission (Gramin)

3. Drinking Water

- Jal Jeevan Mission

4. Rural Transport & Communication

- Pradhan Mantri Gram Sadak Yojana
- Mobile connectivity

5. Rural Electrification

- Saubhagya Scheme
- Renewable energy expansion

UNIT – 3

Chapter 7: Rural Development Programmes

1. Wage Employment Programmes

- MGNREGS

2. Self-Employment & Entrepreneurship

- National Rural Livelihood Mission
- Skill development initiatives

3. Rural Housing

- PMAY-Gramin

4. Rural Sanitation

- Swachh Bharat Mission

□ Chapter 8: Rural Markets

1. Meaning

Rural markets facilitate:

- Sale of agricultural produce
- Purchase of consumer goods

2. Types

- Primary markets
- Secondary markets
- Regulated markets

3. Defects in Rural Markets

- Middlemen exploitation
- Lack of storage
- Price fluctuations

4. Government Measures

- Regulated markets (APMC)
- MSP
- Warehousing

5. Cooperative Marketing Societies

Promote:

- Fair prices
- Collective bargaining

6. e-NAM (Digital Marketing)

National Agriculture Market platform.

Benefits:

- Transparent pricing
- Wider market access

Chapter 9: Rural Governance

1. Panchayati Raj Institutions

Established through:

73rd Constitutional Amendment Act (1992).

Three-tier system:

- Gram Panchayat
- Panchayat Samiti
- Zilla Parishad

Functions:

- Rural development
- Local planning
- Welfare implementation

Revenue Sources:

- Taxes
- Grants-in-aid
- State transfers

2. Role of NGOs

- Awareness creation
- Capacity building
- Women empowerment

3. People's Participation

- Gram Sabha meetings
- Social audits
- Participatory planning

DEPARTMENT OF ECONOMICS

NEP- B.A IVth semester

Lecture Notes

Paper – DSC -4.1 Macro Economics

✓UNIT – 1

THEORY OF NATIONAL INCOME DETERMINATION

□ Chapter 1: Classical Framework

1. Typical Features of Classical Theory of Employment

Classical economists include:

- **Adam Smith**
- **David Ricardo**
- **A. C. Pigou**

Main Features:

- Full employment is normal
- Wage-price flexibility
- Laissez-faire policy
- Supply creates its own demand
- Money is neutral

2. Assumptions of Classical Theory

- Perfect competition
- Flexible wages and prices
- No government intervention

- Closed economy
- Long-run analysis

3. Basis of Classical Theory

➤ Say's Law of Markets

Proposed by:

Jean-Baptiste Say

“Supply creates its own demand.”

Meaning:

Production generates income sufficient to purchase output.

Implication:

General overproduction is impossible.

➤ Pigou's Wage Flexibility

Real wage flexibility ensures:

- Labour demand = Labour supply
- Full employment

Unemployment exists only if wages are rigid.

➤ Fisher's Quantity Theory of Money

Proposed by:

Irving Fisher

Equation:

$$MV = PT$$

Where:

M = Money supply

V = Velocity

P = Price level

T = Transactions

Money affects only price level, not output.

➤ **Wicksell's Loanable Funds Theory**

Proposed by:

Knut Wicksell

Interest rate determined by:

- Demand for investment
- Supply of savings

Natural rate vs Market rate of interest.

➤ **Classical Dichotomy**

Real variables (output, employment) are independent of monetary variables (money supply, price level).

➤ **Neutrality of Money**

Money affects only nominal variables, not real output.

4. Criticism of Classical Theory

Criticized by:

John Maynard Keynes

Major criticisms:

- Full employment unrealistic
- Say's law invalid
- Wage cuts may reduce demand
- Savings may not equal investment

☐ **Chapter 2: Keynesian Framework**

1. Introductory Concepts

Why do incomes rise or fall?

Because:

Changes in aggregate demand affect output and employment.

Relationship:

Income = Output = Employment

Higher demand → Higher output → More employment.

2. Equilibrium and Identity

Equilibrium:

Planned expenditure = Output.

Identity:

Saving = Investment (ex-post).

3. Ex-ante and Ex-post

Ex-ante:

Planned values.

Ex-post:

Actual values.

☐ **Aggregate Demand (AD)**

$AD = C + I$

Where:

C = Consumption

I = Investment

4. Consumption Function

$C = a + bY$

Where:

a = Autonomous consumption

b = MPC (Marginal Propensity to Consume)

MPC:

Change in consumption / Change in income

APC:

C / Y

Graph:

Upward sloping, less than 45° line.

5. Investment Function

Investment depends on:

- Rate of interest
- Marginal efficiency of capital

Savings–Investment relationship:

$S = I$ (equilibrium condition).

☐ Aggregate Supply (AS)

AS represents:

Total output produced.

With fixed prices:

AS curve is horizontal (short-run).

☐ Effective Demand

Point where:

$AD = AS$

Determines:

- Equilibrium income
- Employment

☐ Determination of National Income

(Two-Sector Model: $C + I$)

1. Using AD–AS Approach

Equilibrium:

$Y = C + I$

Substitute:

$$Y = a + bY + I$$

$$Y(1 - b) = a + I$$

$$Y = (a + I) / (1 - b)$$

2. Savings–Investment Approach

Equilibrium:

$$S = I$$

Since:

$$S = Y - C$$

$$Y - (a + bY) = I$$

Solve for Y.

Numerical Example

If:

$$a = 50$$

$$b = 0.8$$

$$I = 100$$

$$Y = (50 + 100) / (1 - 0.8)$$

$$Y = 150 / 0.2$$

$$Y = 750$$

✓UNIT – 2

AGGREGATE CONSUMPTION AND INVESTMENT

□ Chapter 3: Theories of Consumption

1. Keynesian Psychological Law

As income increases:

Consumption increases, but not proportionately.

Determinants:

- Income
- Wealth
- Expectations

2. Permanent Income Hypothesis

Proposed by:

Milton Friedman

Consumption depends on:

Permanent income, not current income.

Consumers smooth consumption over time.

Chapter 4: Investment

1. Types of Investment

- Autonomous
- Induced
- Public
- Private

2. Determinants of Investment

(a) Rate of Interest

Inverse relationship:

Interest $\uparrow \rightarrow$ Investment $\downarrow$

(b) Marginal Efficiency of Capital (MEC)

Expected rate of return over cost.

Investment occurs when:

$MEC > \text{Interest rate.}$

□ Chapter 5: Multiplier and Accelerator

1. Investment Multiplier

Concept developed by:
John Maynard Keynes

Multiplier (K) = $1 / (1 - MPC)$

If MPC = 0.8

$K = 1 / 0.2 = 5$

2. Leakages

- Savings
- Taxes
- Imports

Higher leakages → Lower multiplier.

✓UNIT – 3

MONETARY ECONOMICS

□ Chapter 6: Money Supply

1. Measures of Money Supply (RBI)

Controlled by:
Reserve Bank of India

Measures:

- M1 (Narrow money)
- M2
- M3 (Broad money)

- M4

M3 widely used.

2. Determinants of Money Supply

(a) High Powered Money (H)

Also called:
Monetary base.

Includes:

- Currency
- Bank reserves

(b) Money Multiplier (m)

$m = 1 / \text{Reserve Ratio}$

Money Supply:
 $M = m \times H$

3. Reserve Ratio and Deposit Multiplier

Higher CRR $\rightarrow$ Lower money supply
Lower CRR $\rightarrow$ Higher money supply

☐ Chapter 7: Demand for Money

1. Cash Transactions Approach

Associated with:
Irving Fisher

Focus on transactions demand.

2. Cambridge Approach

Associated with:
Alfred Marshall

Equation:
 $M = kPY$

3. Liquidity Preference Theory

Proposed by:
John Maynard Keynes

Motives:

- Transaction
- Precautionary
- Speculative

Interest rate determined by:
Money demand & supply.

☐ **Chapter 8: Inflation and Unemployment**

1. Phillips Curve

Inverse relationship between:
Inflation and unemployment.

Short-run trade-off exists.

2. Wage Cut Theory

Classical view:
Reducing wages increases employment.

Keynesian criticism:
Wage cuts reduce aggregate demand.

DEPARTMENT OF ECONOMICS

NEP-B.A IVth semester

Lecture Notes

Paper – DSC -4.1 Statistics for Economics

✓UNIT – 1: PRELIMINARIES

□ Chapter 1: Introduction to Statistics

1. Meaning of Statistics

The word “Statistics” is derived from the Latin word *Status* (state).

Definitions:

- According to **Horace Secrist**:
Statistics are aggregates of facts affected to a marked extent by multiplicity of causes, numerically expressed, enumerated or estimated according to reasonable standards of accuracy.

2. Importance of Statistics

Statistics is important in:

- Economics (national income, inflation)
- Business (sales forecasting)
- Government planning
- Research and policy-making
- Social sciences

3. Functions of Statistics

1. Simplifies complex data
2. Presents facts in definite form

3. Facilitates comparison
4. Assists in forecasting
5. Helps in policy formulation

4.Types of Statistics

(A) Descriptive Statistics

Deals with:

- Collection
- Classification
- Presentation
- Analysis of data

Example: Mean, Median, Graphs.

(B) Inferential Statistics

Deals with:

- Drawing conclusions about population
- Hypothesis testing
- Estimation

5. Variables

A variable is a characteristic that changes.

(A) Qualitative Variable

Non-numerical

Examples:

- Gender
- Religion
- Education level

(B) Quantitative Variable

Numerical

Examples:

- Income
- Age

- Height

☐ Chapter 2: Data Types, Sources and Collection

1. Types of Data

(A) Qualitative Data

Categorical data (e.g., marital status)

(B) Quantitative Data

Numerical data (e.g., wages)

2. Based on Time Dimension

(A) Cross-Section Data

Data collected at one point of time.

Example:

Income of 100 households in 2025.

(B) Time Series Data

Data collected over different time periods.

Example:

GDP from 2000–2025.

(C) Panel Data

Combination of cross-section and time series.

3. Sources of Data

(A) Primary Data

Collected first-hand.

(B) Secondary Data

Already collected by others.

Examples:

- Government reports
- RBI publications

4. Methods of Collecting Primary Data

1. Direct personal interview
2. Indirect oral investigation
3. Questionnaire method
4. Schedule method
5. Observation method

☐ **Chapter 3: Tabulation and Presentation of Data**

1. Classification of Data

- Chronological
- Geographical
- Qualitative
- Quantitative

2. Tabulation

Systematic arrangement of data in rows and columns.

3. Frequency Distribution

(A) Discrete Frequency Distribution

Individual values with frequencies.

(B) Continuous Frequency Distribution

Class intervals (e.g., 0–10, 10–20).

4. Graphical Presentation

☐ **Histogram**

- Used for continuous data
- No gaps between bars

☐ **Frequency Polygon**

Line graph joining midpoints of histogram bars.

☐ **Ogive Curve**

Cumulative frequency curve.

Two types:

- Less than ogive
- More than ogive

☐ **Bar Diagram**

Used for categorical data.

☐ **Pie Chart**

Circular chart showing proportions.

✓ **UNIT – 2**

MEASURES OF CENTRAL TENDENCY & DISPERSION

☐ **Chapter 4: Arithmetic Mean**

1. Meaning of Central Tendency

A single value representing the whole data.

Types:

- Mean
- Median
- Mode

2. Arithmetic Mean (AM)

Formula (Individual Series):

$$\text{Mean} = \Sigma X / N$$

For Frequency Distribution:

$$\text{Mean} = \Sigma fX / \Sigma f$$

3. Properties of Arithmetic Mean

- Rigidly defined
- Easy to compute
- Based on all observations
- Algebraically treatable

Chapter 5: Median and Mode

1. Median

Middle value of data.

For Individual Data:

If N is odd:

$$\text{Median} = (N+1)/2 \text{ th item}$$

If N is even:

Average of two middle values

For Continuous Series:

$$\text{Median} = L + [(N/2 - cf) / f] \times h$$

Where:

L = Lower class boundary

cf = Cumulative frequency

f = Frequency

h = Class width

2. Mode

Most frequent value.

For Continuous Series:

Mode = L +

$[(f_1 - f_0) / (2f_1 - f_0 - f_2)] \times h$

Chapter 6: Dispersion

1. Meaning

Dispersion shows the spread of data.

2. Measures of Dispersion

(A) Range

Range = Maximum – Minimum

(B) Quartile Deviation

QD = $(Q_3 - Q_1) / 2$

(C) Mean Deviation

MD = $\Sigma |X - \text{Mean}| / N$

(D) Standard Deviation (SD)

SD = $\sqrt{[\Sigma (X - \text{Mean})^2 / N]}$

(E) Coefficient of Variation (CV)

CV = $(SD / \text{Mean}) \times 100$

Used for comparison.

✓UNIT – 3

CORRELATION, REGRESSION & TIME SERIES

□ Chapter 7: Correlation

1. Meaning

Correlation measures degree of relationship between two variables.

2. Types of Correlation

- Positive
- Negative
- Zero
- Perfect

3. Karl Pearson's Correlation Coefficient

Developed by:
Karl Pearson

Formula:

$$r = \frac{\Sigma[(X - \bar{X})(Y - \bar{Y})]}{\sqrt{[\Sigma(X - \bar{X})^2 \Sigma(Y - \bar{Y})^2]}}$$

Value lies between:
-1 and +1

□ Chapter 8: Regression

1. Meaning

Regression shows functional relationship between variables.

Used for prediction.

2. Regression Equation

$$Y = a + bX$$

Where:

b = Regression coefficient

$$b = \text{Cov}(X,Y) / \text{Var}(X)$$

3. Applications in Economics

- Demand estimation
- Cost functions
- Forecasting sales
- Income-consumption relationship

□ Chapter 9: Time Series Analysis

1. Definition

A series of data arranged chronologically.

2. Components of Time Series

1. Trend (T)
2. Seasonal variation (S)
3. Cyclical variation (C)
4. Irregular variation (I)

3. Estimation of Trend

Methods:

- Moving averages
- Least squares method

Trend equation:

$$Y = a + bt$$

DEPARTMENT OF ECONOMICS

NEP- B.A IVth semester

Lecture Notes

Paper- Open Elective - Karnataka Economy

✓UNIT – 1

KARNATAKA ECONOMY – AN OVERVIEW

□ Chapter 1: Characteristics of Karnataka Economy

1. Features of Karnataka Economy

Karnataka is one of the fastest-growing states in India with a diversified economy.

Major Features:

- Mixed economy (agriculture + industry + services)
- IT hub of India (Bengaluru)
- Regional imbalance (Hyderabad-Karnataka vs Old Mysore region)
- Rapid urbanization
- Service sector dominance

2.Trends and Sectoral Distribution of State Domestic Product (SDP)

Gross State Domestic Product (GSDP)

GSDP = Total value of goods and services produced within Karnataka.

Sectoral Distribution:

1. **Primary Sector** – Agriculture, forestry, fishing
2. **Secondary Sector** – Industry, manufacturing
3. **Tertiary Sector** – Services (IT, banking, tourism)

□ Present Trend:

- Service sector contributes the highest share.
- Agriculture share declining but still employs large population.

3. Per Capita Income

Per Capita Income = GSDP / Population

- Karnataka's PCI is higher than national average.
- Urban-rural income gap exists.

4. Measures to Redress Regional Imbalances

(A) Dr. M. Nanjundappa Committee Report

Committee headed by:

M. Nanjundappa

Objective:

Identify backward regions and recommend development funds.

Key Recommendations:

- Special grants for backward taluks
- Infrastructure development
- Education & health improvement

(B) Article 371J

Special constitutional provision for Hyderabad-Karnataka region.

Provides:

- Reservation in education & jobs
- Separate development board

□ Chapter 2: Human Resources

1. Importance of Human Resources

Human resources determine:

- Productivity
- Economic growth
- Innovation

2. Size and Health Indicators

Health Indicators:

- Life expectancy
- Infant mortality rate
- Maternal mortality rate

Karnataka performs better than many states but regional disparities exist.

3. Human Development Index (HDI)

HDI includes:

- Life expectancy
- Education
- Income

Karnataka ranks among higher HDI states in India.

4. Poverty and Unemployment

Causes:

- Rural distress
- Skill mismatch
- Regional imbalance

Eradication Programmes:

- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

- **National Rural Livelihoods Mission (NRLM)**
- State self-employment schemes

Chapter 3: Natural Resources Management

1. Importance of Natural Resources

Karnataka has:

- Forests
- Minerals (iron ore, gold)
- Water resources
- Biodiversity

2. Major Natural Resources

- Iron ore (Ballari region)
- Gold (Kolar Gold Fields)
- Coffee (Kodagu)
- Forest reserves (Western Ghats)

3. Karnataka Environmental Policy

Focus areas:

- Sustainable development
- Forest conservation
- Pollution control
- Climate change mitigation

✓UNIT – 2

AGRICULTURE, RURAL DEVELOPMENT & INDUSTRIES

□ Chapter 4: Agriculture

1. Problems in Agriculture

- Dependence on monsoon
- Small landholdings
- Low productivity
- Price fluctuations
- Farmer indebtedness

2. Land Reforms

Objectives:

- Abolition of intermediaries
- Tenancy reforms
- Land ceiling

Improved land ownership distribution.

3. Cropping Pattern

Major crops:

- Rice
- Ragi
- Jowar
- Sugarcane
- Cotton
- Coffee

Shift towards commercial crops.

4. Irrigation

Importance:

- Reduces monsoon dependency
- Increases productivity

Major Projects:

- **Krishna Raja Sagara Dam**
- **Almatti Dam**
- **Tungabhadra Dam**

Watershed development programmes also implemented.

5. Farmers' Suicide

Causes:

- Crop failure
- Debt burden
- Price instability

Solutions:

- Crop insurance
- MSP
- Credit support
- Irrigation expansion

☐ **Chapter 5: Rural Development**

1. Public Distribution System (PDS)

Provides subsidized food grains to poor families.

2. Rural Development Programmes (Brief)

- MGNREGA
- NRLM
- Housing schemes

3. Government Schemes for Rural Women

- Self-Help Groups (SHGs)
- Stree Shakti Programme
- Microfinance initiatives

Chapter 6: Industries in Karnataka

1. Major Industries

- Iron & Steel
- Cement
- Silk
- Sugar
- IT industry

2. IT Industry

Bengaluru is India's IT capital.

Major companies:

- **Infosys**
- **Wipro**

3. MSMEs

Importance:

- Employment generation
- Regional development

Problems:

- Finance shortage
- Technology gaps

Measures:

- Subsidies
- Credit support

4. Industrial Finance

Institutions:

- **Karnataka State Financial Corporation**
- Commercial banks

5. Industrial Policy of Karnataka

Objectives:

- Promote investment
- Encourage MSMEs
- Boost exports
- Balanced regional growth

✓UNIT – 3

INFRASTRUCTURE & FINANCE

□ Chapter 7: Economic Infrastructure

1. Transportation

Road:

Extensive highway network.

Rail:

South Western Railway zone.

Air:

- **Kempegowda International Airport**
- Airports at Mangaluru, Hubballi, Belagavi.

2. Information & Communication Technology

- High internet penetration
- IT parks
- Digital governance initiatives

□ **Chapter 8: Social Infrastructure**

1. Drinking Water

Rural water supply schemes implemented.

2. Housing & Sanitation

- State housing schemes
- Swachh Bharat implementation

3. Health & Education

- Government hospitals
- Primary health centres
- Government schools
- Higher education institutions

4. Rural Electrification

Almost universal village electrification achieved.

□ **Chapter 9: State Finance**

1. Sources of Revenue

Direct Taxes:

- Stamp duty
- Motor vehicle tax

Indirect Taxes:

- GST
- Excise duty

2. Impact of GST on Karnataka

GST replaced:

- VAT
- Entry tax

Impact:

- Revenue restructuring
- Compensation mechanism

3. State Expenditure

Major heads:

- Education
- Health
- Infrastructure
- Welfare schemes

4. State Finance Commission

Recommends:

- Revenue sharing
- Grants to local bodies

5. Current State Budget (Brief)

Focus areas:

- Infrastructure
- Welfare schemes
- IT & innovation
- Rural development

DEPARTMENT OF ECONOMICS

NEP- B.A Vth semester

Lecture Notes

Paper – ECO -C9 Public Economics

✓MODULE I

Introduction to Public Economics

1. Meaning of Public Economics

Public Economics studies:

- Role of government in the economy
- Taxation and public expenditure
- Public debt and budget
- Market failures and welfare

It is also known as **Public Finance**.

2. Definitions

According to **Hugh Dalton**:

Public Finance is concerned with income and expenditure of public authorities and adjustment of one to the other.

According to **Richard Musgrave**:

Public finance studies the allocation, distribution, and stabilization functions of government.

3. Scope of Public Economics

- Public revenue (tax & non-tax)

- Public expenditure
- Public debt
- Budget
- Fiscal policy
- Federal finance

4. Public Finance vs Private Finance

Basis	Public Finance	Private Finance
Objective	Social welfare	Profit maximization
Compulsion	Tax is compulsory	Income voluntary
Transparency	Publicly accountable	Private
Borrowing	Large scale	Limited

5. Public Goods vs Private Goods

Public Goods

Examples:

- National defense
- Street lighting

Characteristics:

- Non-rivalry
- Non-excludability

Private Goods

Examples:

- Food
- Clothing

Characteristics:

- Rivalry
- Excludability

6.Principle of Maximum Social Advantage

Given by:
Hugh Dalton

Government should:

Maximize social benefit – social sacrifice.

Equilibrium occurs when:
Marginal Social Benefit = Marginal Social Sacrifice.

7. Market Failure

Meaning:

When free market fails to allocate resources efficiently.

Causes:

- Externalities
- Public goods
- Monopoly
- Information asymmetry

Externalities

Positive (e.g., education)

Negative (e.g., pollution)

8. Role of Government

- Tax/subsidy
- Regulation
- Public production
- Anti-monopoly laws

✓MODULE II

Public Revenue and Public Expenditure

1. Public Revenue

Sources of Revenue

(A) Tax Revenue

- Income tax
- GST
- Corporate tax

(B) Non-Tax Revenue

- Fees
- Fines
- Profits from public enterprises

2. Canons of Taxation

Given by:

Adam Smith

1. Equality
2. Certainty
3. Convenience
4. Economy

3. Characteristics of Sound Tax System

- Equity
- Elasticity
- Simplicity
- Productivity

4. Impact and Incidence of Tax

- Impact: On whom tax is imposed
- Incidence: Who actually bears tax

5. Shifting of Tax

Forward shifting (to consumers)

Backward shifting (to producers)

6. Types of Taxes

(A) Progressive Tax

Tax rate increases with income.

(B) Proportional Tax

Constant rate.

(C) Regressive Tax

Tax rate decreases as income increases.

7. Direct vs Indirect Taxes

Direct Tax	Indirect Tax
Paid directly	Shifted
Example: Income tax	GST

Merits & Demerits to be explained in exams.

8. Taxable Capacity

Meaning:

Ability of people to pay tax.

Determinants:

- Income level
- Distribution of income
- Population

- Economic development

9. Public Expenditure

Meaning:

Government spending for public welfare.

Classification:

- Developmental
- Non-developmental
- Revenue & Capital
- Plan & Non-plan (earlier classification)

Principles / Canons

- Benefit principle
- Economy
- Sanction
- Maximum social advantage

Reasons for Growth of Public Expenditure

Wagner's Law

Given by:
Adolph Wagner

As economy grows, public expenditure increases.

Peacock-Wiseman Hypothesis

Proposed by:
Alan Peacock and
Jack Wiseman

Displacement effect:
During crisis, government spending increases permanently.

Effects of Public Expenditure

- Production effect
 - Distribution effect
 - Stabilization effect
 - Employment effect
-

✓MODULE III

Public Debt

1. Meaning of Public Debt

Borrowing by government to meet deficit.

2. Purpose

- Development projects
- War
- Budget deficit

3. Types of Public Debt

- Internal & External
- Short-term & Long-term
- Productive & Unproductive

4. Burden of Public Debt

Classical / Ricardian View

Associated with:

David Ricardo

Public debt is burden on society.

Keynesian View

Associated with:

John Maynard Keynes

Internal debt is not burden; it is transfer within society.

5. Intergenerational Equity

Future generations may bear tax burden of current debt.

6. Causes of Rise in Public Debt

- Fiscal deficit
- Wars
- Development expenditure
- Welfare schemes

7. Methods of Debt Redemption

- Sinking fund
- Conversion
- Refunding
- Budget surplus

8. Debt Management

- Maintain sustainable level
- Control interest burden
- Ensure productive use

MODULE IV

Public Budget, Fiscal Policy & Fiscal Deficit

1. Budget

Meaning:

Annual financial statement of government.

Budget Process

- Preparation
- Presentation
- Approval
- Implementation
- Audit

Types of Budget

- Balanced budget
- Surplus budget
- Deficit budget
- Revenue & Capital budget
- Zero-based budget

2. Budget Deficits

- Revenue deficit
- Fiscal deficit
- Primary deficit

3. Fiscal Policy

Meaning:

Government policy relating to taxation and expenditure.

Objectives:

- Economic growth
- Price stability
- Employment
- Income equality

Tools:

- Taxation
- Public expenditure
- Public debt

4. Fiscal Deficit

Fiscal Deficit =

Total Expenditure – Total Receipts (excluding borrowings)

5. Deficit Financing

Meaning:

Government finances deficit by printing money or borrowing.

Advantages:

- Promotes growth
- Useful during recession

Disadvantages:

- Inflation
- Debt burden

DEPARTMENT OF ECONOMICS

NEP-B.A Vth semester

Lecture Notes

Paper – ECO -C9-Development Economics

✓MODULE 1

Introduction to Economic Development

1. Concept and Definitions

Economic Growth

Economic growth refers to:

Increase in real national income or output over time.

It is **quantitative** in nature.

Economic Development

Economic development refers to:

Increase in income along with structural, institutional and social changes.

It is **quantitative + qualitative**.

2. Distinction between Growth and Development

Basis	Economic Growth	Economic Development
Nature	Quantitative	Quantitative + Qualitative
Focus	Increase in income	Improvement in living standards
Scope	Narrow	Broad

Basis	Economic Growth	Economic Development
Includes structural change	No	Yes

3. Indicators of Growth and Development

- GDP / GNP growth rate
- Per capita income
- Literacy rate
- Life expectancy
- Infant mortality rate
- Employment level

4. Measures of Economic Development

(A) Gross National Product (GNP)

Total value of goods and services produced by nationals of a country.

Limitation:

Does not measure income distribution or welfare.

(B) Physical Quality of Life Index (PQLI)

Developed by:

Morris D. Morris

Includes:

- Infant mortality rate
- Life expectancy
- Literacy rate

(C) Human Development Index (HDI)

Developed by:

United Nations Development Programme

Measures:

- Life expectancy
- Education
- Per capita income

Ranges from 0 to 1.

(D) Happiness Index

Measures:

- Life satisfaction
- Social support
- Freedom
- Corruption perception

Published by:

United Nations Sustainable Development Solutions Network

5. Inequality and Poverty

Meaning of Poverty

Inability to meet basic needs.

Causes of Poverty

- Low productivity
- Unemployment
- Inequality
- Population growth

Gini Coefficient

Measures income inequality.

Value ranges:

0 (perfect equality)

1 (perfect inequality)

Human Poverty Index (HPI)

Measures:

- Deprivation in life expectancy
- Knowledge
- Standard of living

✓MODULE 2

General Theories of Growth and Development

1. Adam Smith's Theory

- Division of labour
- Capital accumulation
- Invisible hand
- Laissez-faire

Growth driven by specialization.

2. David Ricardo's Theory

- Diminishing returns in agriculture
- Rent theory
- Stationary state

3. Thomas Robert Malthus's Theory

- Population grows geometrically
- Food supply grows arithmetically
- Leads to poverty

4. Karl Marx's Theory

- Surplus value
- Exploitation of labour
- Capitalism leads to crisis

5. Joseph Schumpeter's Theory

- Innovation is engine of growth
- Role of entrepreneur
- Creative destruction

6. Walt W. Rostow's Stages of Growth

1. Traditional society
2. Pre-conditions for take-off
3. Take-off
4. Drive to maturity
5. Age of high mass consumption

7. Harrod-Domar Model

Developed by:

Roy F. Harrod and
Evsey Domar

Growth rate depends on:

Savings rate / Capital-output ratio

$$g = s / v$$

✓MODULE 3

Partial Theories of Development

1. W. Arthur Lewis Labour Surplus Model

- Dual economy
- Surplus labour in agriculture
- Transfer to industrial sector

2. Paul Rosenstein-Rodan Big Push Theory

- Large-scale investment needed
- Coordinated development

3. Harvey Leibenstein Critical Minimum Effort

- Minimum level of investment needed

- To break poverty trap

4. Balanced vs Unbalanced Growth

Balanced Growth

Simultaneous investment in many sectors.

Supported by:
Ragnar Nurkse

Unbalanced Growth

Investment in key sectors first.

Supported by:
Albert O. Hirschman

5. Factors in Development Process

- Capital accumulation
- Human capital
- Technology
- Institutions
- Infrastructure

Capital-Output Ratio

Measures efficiency of capital.

Lower ratio → Higher efficiency.

Technology & Development

Improves:

- Productivity
- Efficiency
- Global competitiveness

✓MODULE 4

Sustainable Development

1. Inclusive Development

Growth with equity.

Focus on:

- Poverty reduction
- Gender equality
- Regional balance

2. Millennium Development Goals (MDGs)

Adopted by:

United Nations in 2000.

8 goals:

- Eradicate extreme poverty
- Universal primary education
- Gender equality
- Reduce child mortality
- Improve maternal health
- Combat diseases
- Environmental sustainability
- Global partnership

(2000–2015)

3. Sustainable Development Goals (SDGs)

Adopted in 2015 by:

United Nations

17 Goals:

- No poverty
- Zero hunger
- Good health
- Quality education
- Gender equality
- Climate action
- etc.

Time frame: 2015–2030

4. SDGs in India

India's progress:

- Poverty reduction
- Improved sanitation
- Digital inclusion
- Renewable energy expansion

Challenges:

- Unemployment
- Climate change
- Inequality

DEPARTMENT OF ECONOMICS

NEP-B.A Vth semester

Lecture Notes

Paper – ECO –C11- Indian Banking and Finance

✓MODULE I

Introduction to Banking in India

1. Evolution of Indian Banking

Indian banking evolved through three phases:

1. **Pre-Independence Era** – Presidency banks
2. **Nationalisation Phase (1969 & 1980)**
3. **Liberalisation Phase (Post-1991 reforms)**

Major reforms were influenced by economic liberalization policies.

2. Structure of Indian Banking System

At the top:

Reserve Bank of India (RBI)

Below RBI:

- Commercial Banks
- Cooperative Banks
- Regional Rural Banks
- Small Finance Banks
- Payment Banks

3. Types of Banks in India

☐ **Public Sector Banks**

Majority owned by Government of India.

Examples:

- **State Bank of India**
- **Punjab National Bank**

Strengths: Large network, trust

Weaknesses: High NPAs, slower decision-making

☐ **Private Sector Banks**

Examples:

- **HDFC Bank**
- **ICICI Bank**

Strengths: Technology-driven, efficient

Weaknesses: Urban concentration

☐ **Foreign Banks**

Examples:

- **HSBC**
- **Citibank**

Operate mainly in metro cities.

☐ **Regional Rural Banks (RRBs)**

Example:

- **Karnataka Gramin Bank**

Focus on rural development.

☐ **Cooperative Banks**

Owned by members.

Serve small borrowers & farmers.

☐ **Small Finance Banks**

Serve small businesses & underserved sectors.

Example:

- **Ujjivan Small Finance Bank**

☐ **Payment Banks**

Limited banking services.

Example:

- **Airtel Payments Bank**

Cannot give loans.

4. Role of Banks in Indian Economy

- Mobilize savings
- Provide credit
- Facilitate trade
- Promote financial inclusion
- Support economic development

5. Credit Creation

Banks create money through:

Deposit → Loan → Deposit cycle

Money Multiplier = $1 / \text{CRR}$

6. Central Bank & Regulation

RBI regulates banking through:

- Licensing
- Inspection
- Monetary policy
- Prudential norms

7. Monetary Policy Tools

Policy Rates

- Repo Rate
- Reverse Repo Rate
- Bank Rate
- Marginal Standing Facility (MSF)

Reserve Ratios

- CRR (Cash Reserve Ratio)
- SLR (Statutory Liquidity Ratio)

MCLR

Marginal Cost of Funds Based Lending Rate.

8. Issues in Banking Sector

- Rising NPAs
- Capital adequacy issues
- Cyber fraud
- Impact of global crises (e.g., 2008 financial crisis, pandemic shocks)

✓MODULE II

Banking Services

1. Bank Deposits

Types:

- Savings Account
- Current Account
- Fixed Deposit
- Recurring Deposit

2. Account Opening & KYC

KYC = Know Your Customer

Documents:

- Aadhaar
- PAN
- Address proof

Prevents money laundering.

3. Bank Loans

Types:

- Home loan
- Education loan
- Personal loan
- Business loan
- Gold loan

Loan Features:

- Interest rate
- Tenure
- EMI
- Collateral

Loan Default Consequences:

- Penalty charges
- Legal action
- CIBIL score impact

4. Other Banking Services

- Locker facility
- Remittance services (NEFT, RTGS, IMPS)
- Currency exchange
- Debit & Credit cards
- ATMs
- Internet banking
- Mobile banking

5.Modern Banking Products

- Insurance on deposits (via **Deposit Insurance and Credit Guarantee Corporation**)
 - Mutual fund investments
 - Retirement products
 - Advisory services
-

✓MODULE III

Modern Banking

1. Digital Banking

- Online account opening
- E-KYC
- UPI payments
- QR code payments

2. Digital Wallets

Examples:

- **Paytm**
- **PhonePe**

3. Contactless Payments

- NFC cards
- Tap-and-pay

4. Artificial Intelligence in Banking

Used for:

- Fraud detection
- Chatbots
- Credit scoring

5. Cybersecurity

Banks use:

- Encryption
- Two-factor authentication
- Firewalls

6. Corporate & Investment Banking

Corporate Banking:

Large-scale loans & project finance

Investment Banking:

IPO management, mergers

✓MODULE IV

Financial Markets

1. Indian Financial Markets

Regulated by:

- Reserve Bank of India
- Securities and Exchange Board of India

2. Equity Markets

Stock exchanges:

- Bombay Stock Exchange
- National Stock Exchange of India

3. Debt Markets

- Government bonds
- Corporate bonds

4.Currency & Forex Markets

Currency trading regulated by RBI.

5. Commodity Markets

- Gold
- Silver
- Oil

Exchange:

- **Multi Commodity Exchange of India**

6. Derivatives Market

- Futures
- Options

Used for hedging & speculation.

7. Mutual Funds

Regulated by:

Securities and Exchange Board of India

8. Insurance Products

Regulated by:

Insurance Regulatory and Development Authority of India

9. Risks in Capital Markets

- Market risk
- Liquidity risk
- Credit risk
- Systemic risk

Fintech & Innovation

- Robo-advisory
- Blockchain
- Online IPO platforms.

DEPARTMENT OF ECONOMICS

NEP- B.A VIth semester

Lecture Notes

Paper – ECO –C13 International Economics

✓MODULE I

International Trade Theories

1. Meaning of International Trade

International trade refers to the exchange of goods and services between countries.

Example:

India exporting software services to the USA.

2. Importance of International Trade

- Efficient allocation of resources
- Specialization
- Access to foreign markets
- Technology transfer
- Economic growth

3. Differences between Internal and International Trade

Basis	Internal Trade	International Trade
Currency	Same currency	Different currencies
Mobility	Free mobility of factors	Restricted mobility
Laws	Same legal system	Different laws
Language	Usually same	May differ

4. Trade Theories

1. Mercantilist View

(16th–18th century)

- Wealth measured in gold & silver
- Encourage exports
- Discourage imports
- Favourable balance of trade

Criticism:

Ignores mutual benefits of trade.

2. Absolute Cost Advantage Theory

Proposed by:

Adam Smith

A country should specialize in producing goods where it has absolute cost advantage.

Limitation:

Fails if one country has advantage in all goods.

3. Comparative Cost Advantage Theory

Proposed by:

David Ricardo

Even if a country has absolute advantage in all goods, trade is beneficial if it has comparative advantage.

☐ Based on relative cost differences.

4. Opportunity Cost Theory

Developed by:

Gottfried Haberler

Trade based on opportunity cost rather than labour cost.

More realistic and general theory.

5. Heckscher–Ohlin Theory

Developed by:
Eli Heckscher and
Bertil Ohlin

Countries export goods that use abundant factors intensively.

Example:
Labour-abundant countries export labour-intensive goods.

6. Leontief Paradox

Observed by:
Wassily Leontief

USA (capital abundant country) exported labour-intensive goods.

Contradicted Heckscher–Ohlin theory.

✓MODULE II

Terms of Trade & Commercial Policy

1. Terms of Trade (TOT)

Meaning:
Rate at which exports exchange for imports.

☐ Types of Terms of Trade

1. Net Barter TOT
2. Gross Barter TOT
3. Income TOT
4. Single & Double Factorial TOT

☐ Factors Determining TOT

- Demand elasticity
- Exchange rate
- Productivity
- Trade policies

2. Commercial Policy

Free Trade vs Protection

Free Trade

No restrictions on imports/exports.

Supported by classical economists.

Protection

Government restricts trade to protect domestic industries.

☐ Tariffs

Tax on imports.

Types:

- Specific tariff
- Ad valorem tariff
- Protective tariff
- Revenue tariff

Effects:

- Raise prices
- Protect domestic producers
- Reduce imports

☐ Quotas

Physical restriction on quantity of imports.

☐ Anti-Dumping

Imposing duty on goods sold below cost.

☐ **Economic Integration**

Meaning:

Agreement between countries to reduce trade barriers.

Stages of Integration

1. Free Trade Area
2. Customs Union
3. Common Market
4. Economic Union
5. Political Union

Example:

European Union

☒ **MODULE III**

Balance of Payments & Capital Flow

1. Balance of Payments (BOP)

Systematic record of all economic transactions between residents of a country and rest of world.

☐ **Components of BOP**

1. Current Account
 - Trade balance
 - Services
 - Income
 - Transfers
 2. Capital Account
 - FDI
 - Portfolio investment
 - Loans
-

☐ **Disequilibrium in BOP**

Causes:

- Excess imports
- Inflation
- Capital outflow
- Exchange rate fluctuations

Measures to Correct BOP

- Devaluation
- Import restrictions
- Export promotion
- Monetary & fiscal policy

☐ **Foreign Exchange Rate**

Price of one currency in terms of another.

Types:

- Fixed exchange rate
- Flexible exchange rate
- Managed float

☐ **Determination of Exchange Rate**

Based on:

Demand for forex

Supply of forex

☐ **Purchasing Power Parity (PPP) Theory**

Associated with:

Gustav Cassel

Exchange rate determined by relative price levels.

☐ **Capital Flow**

Movement of capital across borders.

□ **Forms of FDI**

- Greenfield investment
- Brownfield investment
- Joint ventures

Advantages of FDI

- Technology transfer
- Employment
- Capital inflow

Disadvantages

- Profit repatriation
- Market domination
- Cultural influence

✓**MODULE IV**

International Finance & Trade Institutions

1. Bretton Woods Institutions

Established in 1944.

International Monetary Fund (IMF)

International Monetary Fund

Objectives:

- Exchange rate stability
- BOP support
- Financial stability

World Bank (IBRD)

World Bank

Provides loans for development projects.

IDA

International Development Association

Provides concessional loans to poor countries.

IFC

International Finance Corporation

Promotes private sector development.

2. Evolution of WTO

Predecessor:

General Agreement on Tariffs and Trade (GATT)

Established in 1947.

World Trade Organization (WTO)

Established in 1995.

World Trade Organization

Objectives:

- Promote free trade
- Reduce tariffs
- Settle trade disputes

Main Agreements:

- Agriculture
- TRIPS
- TRIMS
- GATS

WTO & Developing Countries

Benefits:

- Market access
- Dispute settlement

Challenges:

- Agricultural subsidies
- Unequal bargaining power

DEPARTMENT OF ECONOMICS

NEP-B.A VIth semester

Lecture Notes

Paper – ECO –C14 - Indian Public Finance

✓MODULE I

Public Revenue

☐ **Meaning of Public Revenue**

Public Revenue refers to the income earned by the government to finance its expenditure.

☐ **Sources of Public Revenue**

1. Tax Revenue

2. Non-Tax Revenue

1. Tax Revenue

Compulsory payment made by citizens to the government without direct benefit.

Classification:

- Direct Taxes
- Indirect Taxes

☐ **Trends and Patterns of Tax Revenue in India**

- Increasing share of direct taxes in recent years
- GST has become major indirect tax source

- Digitalization improved compliance
- Rise in corporate and income tax collections post reforms

Tax collection administered by:

Central Board of Direct Taxes (CBDT)

Central Board of Indirect Taxes and Customs (CBIC)

☐ **Direct Taxes in India**

Tax burden cannot be shifted.

Examples:

- Personal Income Tax
- Corporate Tax

☐ **Personal Income Tax**

Tax paid by individuals on income.

Administered under Income Tax Act, 1961.

Features:

- Progressive tax system
- Different slabs
- Deductions under various sections

☐ **Corporate Tax**

Tax on profits of companies.

Features:

- Different rates for domestic and foreign companies
- Concessional tax regime introduced in 2019
- Encourages investment and manufacturing

☐ **Indirect Taxes in India**

Tax burden can be shifted.

Earlier Indirect Taxes

VAT (Value Added Tax)

Introduced before GST at state level.

MODVAT

Modified VAT system for excise duties.

☐ **Goods and Services Tax (GST)**

Introduced in 2017.

Administered by:

Goods and Services Tax Council

Objectives of GST

- One Nation One Tax
- Eliminate cascading effect
- Improve tax compliance
- Boost economic growth

Classification of GST

- CGST
- SGST
- IGST
- UTGST

GST Tax Rates

- 0%
- 5%
- 12%
- 18%
- 28%

Impact of GST on Indian Economy

Positive:

- Formalization of economy
- Increased transparency

- Improved logistics

Challenges:

- Initial compliance burden
- Technical issues
- Revenue fluctuations

Tax Reform Commissions

Example:

Raja Chelliah Tax Reforms Committee (1991)

✓MODULE II

Public Expenditure

☐ **Meaning of Public Expenditure**

Spending made by government for public welfare.

☐ **Classification of Public Expenditure**

1. Revenue Expenditure
2. Capital Expenditure

☐ **Revenue Account Expenditure**

- Salaries
- Subsidies
- Interest payments
- Defence revenue expenses

Trend: Increasing due to welfare schemes.

☐ **Capital Account Expenditure**

- Infrastructure
- Roads
- Railways
- Defence capital

Promotes long-term growth.

☐ **FRBM Act**

Fiscal Responsibility and Budget Management Act

Objectives:

- Reduce fiscal deficit
- Ensure fiscal discipline
- Improve transparency

☐ **Expenditure Reforms Commission (ERC)**

Set up to rationalize government expenditure.

☐ **Union Budget**

Presented annually by Finance Minister.

Prepared by:
Ministry of Finance

Meaning of Budget

Statement of estimated revenue and expenditure for financial year.

Types of Budgets

- Balanced Budget
- Surplus Budget
- Deficit Budget
- Zero-Based Budget

Composition of Union Budget

1. Revenue Budget
2. Capital Budget

Concepts of Deficits

1. Revenue Deficit
 2. Fiscal Deficit
 3. Primary Deficit
-

✓MODULE III

Public Debt and Its Management

☐ Meaning of Public Debt

Borrowings by government to meet expenditure.

Sources of Public Borrowings

- Internal debt (bonds, treasury bills)
- External debt (foreign loans)

Classification of Public Debt

- Short-term
- Long-term
- Internal
- External
- Productive & Unproductive

Main Characteristics of Indian Public Debt

- High internal debt component
- Market borrowings dominant
- Rising interest burden

☐ Crowding Out Effect

Government borrowing reduces private investment due to higher interest rates.

Causes of Public Debt in India

- Fiscal deficit
- Defence expenditure
- Welfare schemes
- Infrastructure projects

Burden of Public Debt

Internal Debt Burden

Transfer within country.

External Debt Burden

Repayment in foreign currency.

Principles of Public Debt Management

- Low cost borrowing
- Risk minimization
- Debt sustainability

Debt management handled by:

Reserve Bank of India

Finance Commission in India

Constitutional body under Article 280.

Recommends:

- Tax sharing between Centre and States
- Grants-in-aid

Recent example:

Fifteenth Finance Commission

✓MODULE IV

Fiscal & Monetary Policy and Federal Finance

☐ Fiscal Policy in India

Meaning:

Government policy relating to revenue and expenditure.

Objectives

- Economic growth
- Price stability
- Employment generation
- Income redistribution

Tools of Fiscal Policy

- Taxation
- Public expenditure
- Public debt

☐ Monetary Policy in India

Controlled by:

Reserve Bank of India

Objectives

- Control inflation
- Maintain financial stability
- Promote growth

Tools of Monetary Policy

- Repo rate
- Reverse repo rate
- CRR
- SLR
- Open Market Operations

☐ **Indian Federal Finance**

Meaning

Financial relations between Centre and States.

Allocation of Resources

Based on:

- Union List
- State List
- Concurrent List

(As per Constitution of India – Seventh Schedule)

Principles of Federal Finance

- Equity
- Efficiency
- Adequacy
- Elasticity

Shortcomings

- Vertical imbalance
- Horizontal imbalance
- Dependence on central transfers

DEPARTMENT OF ECONOMICS

NEP-B.A VIth semester

Lecture Notes

**Paper – ECO –C15 - Economic Thought of Dr. B.R.
Ambedkar**

✓MODULE I

Ambedkar's Views on Economy, Society and Equity

1. Socio-Economic-Political Context of India during Ambedkar's Period

- British colonial rule
- Land revenue exploitation
- Zamindari system
- Extreme caste discrimination
- Industrial backwardness
- Low literacy and poverty

India was characterized by:

- Social hierarchy
- Economic inequality
- Political exclusion

2. Brief Outline of Ambedkar's Life and Career

B. R. Ambedkar (1891–1956)

- Economist, jurist, social reformer

- Architect of the Indian Constitution
- Chairman of the Drafting Committee
- First Law Minister of India
- Educated at Columbia University & London School of Economics

Major works:

- *The Problem of the Rupee*
- *Annihilation of Caste*
- *States and Minorities*

3. Ambedkar's Views on Economy and Society

- Economy cannot be separated from social structure
- Caste system causes economic inefficiency
- Social inequality leads to poverty and underdevelopment
- Economic democracy must accompany political democracy

He believed:

“Political democracy cannot last unless there lies at the base of it social democracy.”

4.Role of the State

- Strong and active state
- State must ensure social justice
- Regulation of economy
- Protection of labour and weaker sections

Ambedkar supported **state intervention** to correct market failures.

5. Socialism and State Socialism

Ambedkar proposed **State Socialism** in *States and Minorities* (1947).

Key features:

- Nationalization of land
- Collective farming
- State ownership of key industries
- Insurance as state monopoly

Unlike Marxism, his socialism was constitutional and democratic.

6. Women Empowerment

- Advocated equal property rights
- Supported maternity benefits
- Opposed child marriage
- Promoted female education

He introduced reforms through the **Hindu Code Bill** to improve women's rights.

7. Objectives of Economy: Growth & Equity

Ambedkar emphasized:

- Economic growth
- Equitable distribution
- Social justice
- Removal of caste discrimination

8. Economics of Caste

- Caste restricts labour mobility
- Division of labour becomes division of labourers
- Results in inefficiency
- Leads to discrimination and deprivation

9. Constitutional Provisions for Equality

Under the **Constitution of India**:

- Article 14 – Equality before law
- Article 15 – Prohibition of discrimination
- Article 17 – Abolition of untouchability
- Reservation policy (affirmative action)

✓MODULE II

Ambedkar's Thoughts on Agriculture

1. Agrarian Economy

Ambedkar viewed Indian agriculture as:

- Fragmented
- Overcrowded
- Low productivity
- Disguised unemployment

2. Consolidation of Land Holdings

- Fragmented holdings reduce productivity
- Supported consolidation for efficiency

3. Comparison with Ricardo

David Ricardo

Ricardo:

- Emphasized rent theory

Ambedkar:

- Focused on structural reforms
- Highlighted social aspects of land ownership

4. Collective Farming

- Proposed state ownership of land
- Farmers to work collectively
- Ensure fair distribution of output

5. Nationalization of Land

- Land to belong to state
- Lease to cultivators
- Prevent concentration of land

6. Landlessness

- Major cause of poverty
- Supported land ceiling

7. Surplus Labour & Capital Formation

- Surplus labour in agriculture should move to industry
- Industrialization essential for capital formation

MODULE III

Ambedkar on Industrialisation and Planning

1. Ideas on Industrialisation

Ambedkar strongly supported rapid industrialization.

He stated:

“Industrialize or perish.”

Reasons:

- Absorb surplus labour
- Reduce pressure on agriculture
- Increase productivity

2. Types of Industries

- Heavy industries
- Public sector industries
- Basic industries

Favoured large-scale industries for faster development.

3. Labour Reforms

As Labour Member of Viceroy's Council:

Reforms introduced:

- 8-hour working day
- Maternity benefits
- Minimum wages
- Employees' insurance

He opposed labour exploitation.

4. Social Security

- Provident fund
- Insurance
- Protection for workers

5. Planning

Supported economic planning.

Key focus areas:

- Irrigation
- Power sector
- Water resource management
- River linking

✓MODULE IV

Ambedkar's Contribution to Fiscal and Monetary Economics

□ **Fiscal Economics**

Ambedkar studied:

- Provincial finance
- Centre-State financial relations
- Public revenue systems

Canons of Expenditure

- Equity
- Economy
- Efficiency
- Public welfare

□ **Monetary Economics**

Major work:

The Problem of the Rupee

Price Stability

- Criticized Gold Exchange Standard
- Emphasized stable currency

Exchange Rate Stability

- Opposed arbitrary currency expansion
- Supported strong central banking

Currency Reform

His recommendations influenced establishment of:

Reserve Bank of India (1935)
