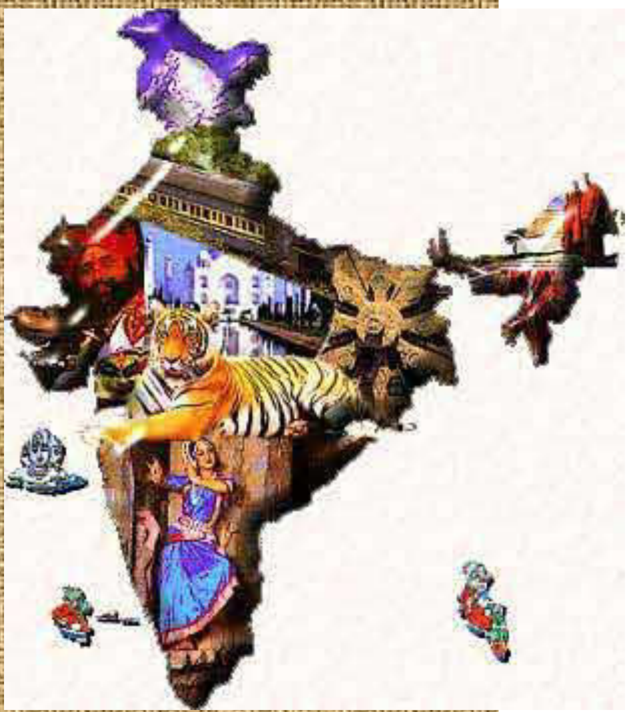
AMK RESOURCE WORLD

GENERAL KNOWLEDGE



FREE

Indian Economy - Part 3

Book for Various Competitive Exams

(Like KPSC technical Post C, KSRTC, PDO, RRB, SSC, FDAA, SDAA, PSI, PC, CET, etc..)

Indian Economy – Part 3

INDIA ECONOMIC SYSTEM

The Indian economy is the world's twelfth largest according to market exchange rates. It is also the fourth largest economy by purchasing power parity (PPP) basis. From 1947 to 1991, the India Economic System was based on social democratic-based policies. The policies feature protectionism, extensive regulation and public ownership which led to slow growth and corruption.

But the economy has moved to a market-based system with economic liberalization starting in 1991. The growth rate of the economy increased in 2000's with healthier economic reforms and policies. India became the second-fastest growing major economy in the world by 2008.

Around 54% of the GDP comprises the service industry while 29% is the industrial sector and 17% is the agricultural sector. The main occupation in India is agriculture which employs 60% of the population. Around 28% of the population is employed in the service sector and the rest 12% are in the industrial sector. The work force amounts to half a billion workers.

The main agricultural products are rice, wheat, jute, tea, sugarcane, cotton, oilseed, poultry and fish. Textiles, steel, chemicals, information technology enabled services and software, food processing, petroleum, machinery, steel, and cement are the major industries. With a per capita income (nominal) of US $1016, it was ranked 142nd in the world (IMF 2008 estimate) and a per capita (PPP) of US$2,762 it was ranked 129th (IMF 2008 estimate). According to the WTO the economy accounted for 1.5% of world trade in 2007.

some of the basic features of the India Economic System are given below -

GDP	$1.209 trillion (2008 est)
GDP growth	6.7% (2009)
GDP per capita	$1016
Inflation (CPI)	7.8% (CPI) (2008)
Population below poverty line	22% (2008)
Labor force	523.5 million (2008 est)
Unemployment	6.8% (2008 est)
Public debt	$163.8 billion (2008)

History of the Indian Economy

The economic history of India can be divided into three periods ranging from the pre-colonial period lasting up to the 17th century, colonial period from the 17th century till independence in 1947 and post independence.

Pre-colonial period

The Indus Valley civilization which prospered between 2800 BC and 1800 BC had trade, agriculture, made weapons and tools and used uniform weights and measures. The economy was dependant on agriculture and isolated and self-sustaining. With the caste and the joint family systems, there was division of labor. Goods like shawls, muslin, pepper, cinnamon, indigo etc were traded with the Middle East, Europe and South East Asia. The economy was an agrarian one by the time the British arrived which worked with the commercial, manufacturing and credit networks. With the decline of the Mughal Empire, the Maratha Empire administered parts of western, central south and north India. In the 1740's the budget of the Maratha Empire was ` 100 million.

Colonial period

With the British East India Company's rule, there were changes in various taxes from property to revenue. This led to mass impoverishment, destitution of farmers and famines. The handicrafts industry went bankrupt under the economic policies of the British Raj. A revival for domestic-made products was started with the boycott of British products through the Swadeshi movement. India was a large market for quality European goods during this time.

Also at this time, free trade was encouraged, railways and telegraphs, civil service, a common-law and legal system was established. With industrialization and India's colonization, there was growth in production and trade in Britain. By the time of India's independence, its economy was one of the poorest in the developing world. With the absence of industrial development and agriculture not being able to feed a growing population, the country had one of the lowest life expectancies in the world. Independence till 1991

The economic policies initiated post independence was influenced by the colonial experience. Policies included protectionism, import substitution, intervention of the state in labor and financial markets, industrialization, central planning, large public sector, business regulation. Five-Year Plans were introduced which were similar to the central planning in the Soviet Union.

In the mid-1950s, industries such as electrical plants, water, insurance, mining, telecommunications, steel, machine tools were nationalized. Between 1947 and 1990, regulations and licenses were needed to set up businesses in India. This was termed as Licence Raj and often included red tapism.

The economic policies in India were formulated and overseen by the first Prime Minister, Jawaharlal Nehru along with statistician Prasanta Chandra Mahalanobis which was carried on by Indira Gandhi. They hoped for a positive result as it included public and private sectors with direct and indirect intervention of the state. The Green Revolution in India was introduced with high-yielding seeds varieties, fertilizers and irrigation after 1965. This helped in making the country self-sufficient and famine became a thing of the past.

From 1991 onwards

The government led by Rajiv Gandhi in the late 80's relaxed restrictions, reduced corporate taxes and removed price controls. There was increased rate of growth which led to high fiscal deficits and declining current account. There was a major balance-of-payments crisis with the collapse of the Soviet Union, which was the country's major trading partner and the first Gulf War which led to increasing oil prices. The country faced a crisis on defaulting on its loans. It asked a bailout loan amount of $1.8 billion from the IMF which asked for reforms.

Economic liberalization was initiated in 1991 by Prime Minister Narasimha Rao and his finance minister Manmohan Singh. The reforms abolished the Licence Raj, ended public monopolies which allowed automatic approval of foreign direct investment in various sectors. From that period, liberalization has been the same for all governments. India has become one of the fastest-growing developing economies since 1990. It is projected that in 2035, India will be the third largest economy of the world after US and China.

Sectors of the economy

Agriculture

In farm output, India ranks second in the world. In 2007, agriculture and forestry, logging and fishing comprised 16.6% of the GDP which employed 60% of the population. Though its share of the GDP has declined, it is still the largest economic sector and plays a major role in the socio-economic development of the country. The country is the world's largest producer of tea, turmeric, black pepper, ginger, milk, cashew nuts. It is also the second largest producer of wheat, rice, groundnut, sugar and inland fish and third largest tobacco producer (2008 estimate). Around 10% of the world fruit production is from India with the highest production of bananas, mangoes and sapotas (2008 est). India is the world's largest silk consumer and the second largest silk producer.

Industry and services

Around 27.6% of the GDP comprises industry which employs 17% of the population (2007 est). Around one-third of industrial labor works in simple household manufacturing processes. With economic reforms, foreign competition, privatization of public sector industries, fast-moving consumer goods production increased. Indian private sectors which were run by old family firms and needed political connections for survival were challenged with foreign competition and cheaper Chinese imports. These firms revamped management, designed new products, relied on low labor costs and technology to handle these threats.

After agriculture, textile manufacturing has the second largest employment and comprises 26% of manufacturing output. With 23% of the population in the services sector, it had a growth rate of 7.5% in 1991–2000. It accounted for 55% of the GDP in 2007. One of the fastest growing sectors is business services which includes information technology enabled services, information technology, business process outsourcing etc. In 2000, it was one third of the total output of services.

Around 7% of the GDP in 2008 was contributed by IT industries. Seven Indian firms were among the world's top 15 technology outsourcing companies in 2009. The annual revenues from outsourcing operations amounted to US$60 billion in March 2009. As of 2008, organized retail like supermarkets was 4% of the market. Tourism is also a booming industry now.

Banking and finance

The Indian money market is divided into the organized sector and unorganized sector. The organized sector includes private, public and foreign owned commercial banks and cooperative banks known as scheduled banks. The unorganized sector includes individual or family bankers, money lenders and non-banking financial companies (NBFCs)

In 1969, 14 banks were nationalized by Prime Minister Indira Gandhi and six more nationalized in 1980. It is mandatory that banks provide 40% of their net credit to important sectors like agriculture, retail trade, small-scale industry, small businesses etc. In 2003, there were 98,910 bank branches. Around 75% of the banking industry's total assets are held by public sector banks, 18.2% are held by private banks and 6.5% are held by foreign banks (2007 est)

Natural resources

Around 56.78% of the total land area or 1,269,219 square kilometers are cultivable. The water surface area is of 314,400 square kilometers. Around 92% of water is utilized for irrigation. The country had the third largest fishing industry in the world in 2008. Major mineral resources include manganese, bauxite, mica, titanium, limestone, chromite etc. India has 92 billion tonnes of coal reserves which is 10% of world's coal reserves. The country has 11 billion barrels of oil reserves. It also has 25% of world's thorium reserves. There are also various types of renewable sources of energy available like solar, wind and biofuels.

Global trade relations

The economy of India is depended on its large internal market. Around 1.45% of global merchandise trade and 2.8% of global commercial services export was done by India. Till the liberalization of 1991, the country's economy was protected from the world markets.

Foreign trade included export taxes, import tariffs and restrictions. There were restrictions on foreign direct investment (FDI). For the first years after independence, exports were sluggish. Most of the imports were equipments, raw materials, machinery as there was less industrialization.

Imports in the same period consisted predominantly of machinery, equipment and raw materials, due to growing industrialization. In 2003-04, India's international trade was ` 63,080,109 crores. Major trading partners of the country are the China, US, the UAE, the UK, Japan and the EU. In April 2007, exports amounted to $12.31 billion. Major export commodities in 2006-07 included petroleum products, gems and jewelry, iron ore, minerals etc. Since 1947, India has been the founding-member of General Agreement on Tariffs and Trade (GATT) which is now succeeded by WTO.

Balance of Payments

The India Economic System also features India's balance of payments. With liberalization in the 1990s, exports have been increasing and in 2002-03, it covered 80.3% of its imports. The large current account deficit was due to the country's oil import bill. India imported 120.1 million tonnes of crude oil in 2007–08. Since 1996–97, India's overall balance of payments has been positive. In 2008, India had $285 billion worth of foreign currency reserves. The trade deficit was reduced to $252.5 billion due to global late-2000s recession.

Foreign Direct Investment in India

The Indian economic system is the fourth-largest economy in the world in PPP terms. Therefore it is one of the most preferred destinations for foreign direct investments (FDI). In a recent liberalized FDI policy in 2005, up to 100% FDI can be invested. Up to 100 per cent FDI is allowed in the construction business. In 2007-08, the FDI inflow was $24 billion.

Currency

The only legal tender accepted in the country is the Indian Rupee. As of September 1, 2009, the exchange rate was 49.0003 rupees to the US dollar, 77.60 to a UK pound and 77.60 to a UK pound. The currency is also a legal tender in neighboring countries of Nepal and Bhutan. The rupee is divided into 100 paise with the 1,000 rupee note as the highest-denomination banknote and 25 paise coin the lowest-denomination coin. The Reserve Bank of India (RBI) was established on April 1, 1935. It is the country's central bank, regulates and supervises the financial system, issues currencies and manages exchange control. The bank is headed by a governor appointed by the Central government and governed by a central board.

ECONOMY OF STATES IN INDIA

State Economies in India depends on agricultural, industrial, IT, handicrafts, textile, tourism, and fishing products sectors. The Economy of the states in India depends most on the agricultural sector as this sector employs around 60% of the population of the country.

The country ranks 2nd in the output of farm in the world. The agricultural sector accounted for GDP at around 18.6% in 2005. The total production of agricultural produce has been increasing in the Indian states due to the advancements made in the irrigation, modern practices of agriculture, and technology. Thus the agricultural sector has given a major boost to the Economy of the states in India. The Indian states where the agricultural sector has contributed the most to the economy are Madhya Pradesh, Goa, Mainpur, Nagaland, and Uttarakhand.

The Economy of the various states in India gets its revenue from the industrial sector. India ranks 14th in the factory output across the world. The industrial sector in India provides employment to around 17% of the workforce and accounts for around 27.6% in terms of GDP. The major industries in the Indian states are of steel, chemicals, automobiles, pharmaceuticals, sanitary, and food processing. The industrial sector has contributed a great deal to the growth of the Economy of States of India. The states in India where the industrial sector has contributed the most to the economy are Rajasthan, Madhya Pradesh, Nagaland, and Arunanchal Pradesh.

The Economy of the states of India also depends for its revenue on the IT sector. With the country emerging as the leader in this sector, the economy of the states are getting a major boost from this sector. The Economy of States of India gets its revenue from the tourism sector. The states in India whose economy gets the most revenue from this sector are Goa, Rajasthan, Andaman Nicobar Islands, and Jammu & Kashmir. Various other sectors such as handicrafts, textile, and fishing products has also contributed to the growth of the Economy of the Indian states.

KARNATAKA ECONOMY

The Karnataka Economy is one of the **leading economies** among all the states in the country in terms of **economic development**. It is the eighth largest state in terms of:

- Geographical area (1.92 lakh km)
- Population (5.27 crore - 2001 census)

The state's GDP at constant prices (2002-03) at `72,399 crore, accounted for 5.5% of the **national GDP. Karnataka Economy** has witnessed a healthy 6.5% **CARG** in the **GSDP** for the ten year period 1994-2003, being the highest among the leading states in the country.

Karnataka economy is largely service oriented and income from the sector contributes half the **state's GDP** with the **agricultural and the industrial** sector contributing to nearly 25% each. The major **manufacturing oriented industries** in the state include:

- Sugar
- Paper
- Cement

Among the **service oriented sectors, Karnataka leads the Indian biotechnology industry. IT/ITeS** is another thriving industry in the state, concentrated in and around Bangalore - the silicon valley of India.

The state has a **strong infrastructure**. There are 20 ports across **Karnataka**, the two major ones being the **Mangalore port** and the **Karwar port**. A number of national and state highways facilitate inter-city and town communication. **Karnataka** also has a **strong railway and airport network. Karnataka** is a preferred destination for investments. The **Karnataka Udyog Mitra** is a single contact point for all investors who wish to invest in the state.

The Monthly Review of the **Karnataka Economy** gives an updated and analytical view of the state's economy. The review encompasses detailed sectoral statistics and analysis. The sectors broadly covered in the review include :

- Agriculture allied sectors
- Infrastructure
- Industry
- Labour and employment
- Investments
- Corporate developments
- State public finance
- Banking
- Small savings
- Social sector

INDIA INDUSTRY

Over the years agriculture has been the major source of livelihood of the Indian population. However, after Independence the founding fathers saw the nation progressing with a decent industrial base. This triggered the formulation of programs and strategies to construct a proper infrastructure for speedy industrialization.

India has been successful in achieving autonomy in producing different basic and capital products since independence. The productivity of the major Indian industries incorporates aircraft, vessels, automobiles, steam engines, heavy electrical equipment, construction machinery, chemicals, precision equipments, communication instrument, power generation and transmission tools and computers.

Industrialization in India

Since independence to 1980: During this period there was restrictive growth of private sector and government's permission was required to set up any private enterprise in India. Despite this the GDP grew at a rate of 1.4% per annum from 1940 – 1970. Other factors such as poverty and famine lowered India's economic growth rate during this period and with the presence of very few top producers of major industrial goods the absorption of domestic productivity was greater, which lead to monopolistic pricing. India during this phrase lagged behind in terms of economic growth as the rest of world grew and flourished through overseas trade.

1980 to mid-1990s: Post 1980s India saw liberalization and achieved further impetus in Mid-1991. The nation witnessed historical upsurge in per capita GNP. In 1994-95 the industrial output-growth registered 8.4% growth and the exports rose by 27%. This resulted in a 10% drop in inflation in the mid-1990s

1990s to 2000s: Since its liberalization policy, India has opened several public sector enterprises. The exports saw a 17% rise in 1994 and 28% in 1995-96. Over 90% of India's imports are backed by export revenues. At present the current account arrears is less than 1% of GDP and foreign-exchange profits are soaring at $20 billion. The food stocks have witnessed an all-time increase of 37m tonnes.

The private sector, which was neglected by previous governments, contributes to two-thirds of India's GDP. The shift of the state's responsibility from a chief investor to a catalyst of private enterprise has paved way to a new accord on liberalization.

Industries in India

Experts believe that the contribution of India in the world GDP is estimated to increase from 6% to 11% by the year 2025, while on the flip side the contribution of US in world GDP is presumed to decline from 21% to 18%. This indicates towards the emergence of India as the third biggest global economy after US and China. The evaluation is supported by the overall development in all the sectors in India, in which the key sector is the industry sector.

Going by the past records the Industry sector in India registered a growth rate of 6.2% in October 2003 which further increased by 4% in the corresponding month of the next fiscal year.

MAJOR INDUSTRIES IN INDIA

- **Textile Industry**

This industry covers a wide range of activities ranging from generation of raw materials such as jute, wool, silk and cotton to greater value added goods such as ready made garments prepared from different types of man made or natural fibres. Textile industry provides job opportunity to over 35 million individuals thus playing a major role in the nation's economy. It has 4 per cent share in GDP and shares 35% of the gross export income besides adding 14% of value addition in merchandizing sector.

- ***Food Processing Industry***

In terms of global food business, India accounts less than 1.5% inspite of being one of the key food producing nations worldwide. But this on the other hand also indicates the enormous possibilities for the growth of this industry. Supported by the GDP estimates, the approximate expansion of this sector is between 9-12% and during the tenth plan period the growth rate was around 6-8%. Food Processing Industry provides job opportunities to 1.6 mn people and it is estimated to expand by 37 mn by 2025.

- ***Chemical Industry:***

Indian Chemical industry generates around 70,000 commercial goods ranging from plastic to toiletries and pesticides to beauty products. It is regarded as the oldest domestic sector in India and in terms of volume it gives a sense of pride to India by featuring as the 12 largest producer of chemicals. With an approximate cost of $28 billion, it amounts to 12.5% of the entire industrial output of India and 16.2% of its entire exports. Under Chemical industries some of the other rapidly emerging sectors are petrochemical, agrochemical, and pharmaceutical industries.

- **Cement Industry:**

India has 10 large cement plants governed by the different State governments. Besides this India have 115 cement plants and around 300 small cement plants. The big cement plans have installed competence of 148.28 million tones per annum whereas the mini cement plants have the total capacity of 11.10 million tonnes per annum. This totals the capacity of Indian cement industry at 159.38 million tonnes. Ambuja cement, J K Cement, Aditya Cement and L & T Cement are some of the major steel companies in India.

- **Steel Industry:**

Indian Steel Industry is a 400 years old sector which has a past record of registering 4% growth in 2005-06. The production during this period reached at 28.3 million tones. India steel industry is the 10th largest in the world which is evident from its Rs 9,000 crore of capital contribution and employment opportunities to more than 0.5 million people. The key players in Steel Industry are Steel Authority of India (SAIL), Bokaro Steel Plant, Rourkela Steel Plant, Durgapur Steel Plant and Bbilai Steel Plant.

- **Software Industry:**

Software Industry registered a massive expansion in the last 10 years. This industry signifies India's position as the knowledge based economy with a Compounded Annual Growth Rate (CAGR) of 42.3%. In the year 2008, the industry grew by 7% as compared to 0.59% in 1994-95.

- ***Mining Industry:***

  The GDP contribution of the mining industry varies from 2.2% to 2/5% only but going by the GDP of the total industrial sector it contributes around 10% to 11%. Even mining done on small scale contributes 6% to the entire cost of mineral production. Indian Mining Industry provides job opportunities to around 0.7 million individuals.

- ***Petroleum Industry:***

  Petroleum industry started its operations in the year 1867 and is considered as the oldest Indian industry. India is one of the most flourishing oil markets in the world and in the last few decades has witnessed the expansion of top national companies like ONGC, HPCL, BPCL and IOC.

INDIA GDP

The GDP of India with regards to purchasing power parity is approximately 4.463 trillion dollars, which places it in the 4th position in the world. With regards to official exchange rate its GDP is close to $1.843 trillion.

At the end of 2011 the real growth rate of India GDP was approximately 7.8 percent, which gives it the 15th rank from a global perspective. In 2010 this was almost 10.1% and in 2009 it was close to 6.8%.

The per capita (PPP) GDP of India is approximately 3700 US dollars, which places it in the 163rd position from a global perspective. In 2010 this figure stood at almost $3500 and in the previous year this was at $3200.

Sectoral Composition of India GDP

As per the figures available for 2011 fiscal, almost 52 percent of India's GDP comes from the agricultural sector and the services sector is the second biggest contributor with 34 percent. The industrial sector contributes almost 14 percent of India's GDP.

Agriculture and Other Allied Activities Contribution to GDP

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores
2004-05	135745	108879	172401	148401
2005-06	139404	113023	185750	156309
2006-07	144790	116947	193209	164245
2007-08	151336	122418	211649	169677
2008-09	154307	123389	204748	171675
2009-10	156740	126524	201853	177390
2010-11	161614	132668	224044	190778
2011-12	167548	136806	230359	193955

Mining and Quarrying Contribution to GDP

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores
2004-05	20275	20067	21744	22943
2005-06	21110	19649	21745	23636
2006-07	22187	20901	23608	25882
2007-08	22391	21837	24620	27149
2008-09	22903	22125	25226	26989
2009-10	24616	23676	26582	29351
2010-11	26304	25398	28200	29520
2011-12	26251	24016	27403	30798

Manufacturing Contribution to GDP

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores
2004-05	104208	116104	115718	122684
2005-06	117187	120670	126161	134992
2006-07	131954	137611	143788	157084
2007-08	148701	152128	158009	170214

2008-09	159042	162174	162114	172445
2009-10	167571	176550	180421	195187
2010-11	182895	187309	194435	209523
2011-12	196170	192790	195509	208999

Electricity, Gas and Water Supply Contribution to GDP

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores
2004-05	15369	15738	15671	15898
2005-06	16775	16448	16737	17161
2006-07	18054	18076	18561	18667
2007-08	19839	19679	19823	20084
2008-09	20687	20723	20823	21110
2009-10	21902	22175	21656	22533
2010-11	22541	22241	22480	23684
2011-12	24333	24424	24509	24839

Construction Contribution to GDP

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores
2004-05	54628	55320	57934	60973
2005-06	60665	60888	66693	69877
2006-07	67520	67183	72817	77278
2007-08	75338	76521	80352	83178
2008-09	82403	81673	80911	87571
2009-10	86032	86377	88339	94970

2010-11	93264	91557	96000	103378
2011-12	96539	97317	102376	108385

Trade, Hotel, Transport and Communications Contribution to GDP

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores
2004-05	166536	173240	186971	200973
2005-06	189062	194038	208192	225403
2006-07	208411	217544	233919	251680
2007-08	234697	239445	258240	279431
2008-09	257700	261944	272156	295776
2009-10	279250	289020	301003	327941
2010-11	314546	319798	330117	365994
2011-12	357883	350263	363101	391527

Finance, Insurance, Real Estate and Business Services Contribution to GDP

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores
2004-05	105870	106130	110428	114744
2005-06	117760	119871	123364	131482
2006-07	133638	136440	141377	149923
2007-08	150540	153509	158429	165897
2008-09	168259	170953	177881	189619
2009-10	187106	189145	192558	201074
2010-11	205861	208815	214205	221114
2011-12	225165	229498	233758	243294

Community, Social and Personal Services Contribution to GDP

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores

2004-05	92414	100785	100215	117947
2005-06	98447	107946	107861	125904
2006-07	104767	111540	109432	126981
2007-08	109294	119536	115429	139569
2008-09	118993	131515	142649	152027
2009-10	134423	156838	154070	164765
2010-11	140384	163941	152857	180493
2011-12	144849	173869	162710	193275

India Gross Domestic Product at Factor Cost

Year	1st Quarter statistics in INR crores	2nd Quarter statistics in INR crores	3rd Quarter statistics in INR crores	4th Quarter statistics in INR crores
2004-05	695045	690774	781082	804564
2005-06	760412	752534	856505	884765
2006-07	831321	826243	936709	971738
2007-08	912135	905075	1026552	1055198
2008-09	984293	974496	1086507	1117212
2009-10	1057641	1070305	1166482	1213211
2010-11	1147409	1151725	1262338	1324484
2011-12	1238738	1228982	1339724	1395071

INDIA GDP 2012-13

HSBC, a leading global bank has stated that in 2012-13 fiscal India's chronological and yearly growth will be a moderate one. It had previously stated that in the same period India's GDP will grow by 7.5 percent but has now brought down the forecast to 6.2%. HSBC opines that in 2014 India will see a better growth rate of almost 7.4 percent – previously it had forecast 8.2 percent for the period.

Leif Eskesen, an economist with HSBC, has stated that the year has started off on a weak note and reforms in the supply sector have been rather slow. The global economy is also taking a lot more time than expected to recover and all this has led to revaluate their previous growth forecasts.

HSBC has also stated that there are plenty of difficulties in the Indian administration and domestic policies are in a paralyzed state. The bank feels that these factors will restrict the amount of investment being done in India and limit its economic progress in the immediate future. It feels that things can improve in the second part of the fiscal.

HSBC opines that in the present circumstances the RBI might feel forced to take a step and reduce the rates. The changes are likely to be made on June 18, 2012 and there could be a deduction of almost 25 basis points. This will happen in spite of the consistent inflation.

The bank also states that the rate at which demand is going up, there could be risk of further inflation. It has called for the economic structure to be reformed with greater efficiency and stressed that this needs to be done quickly.

India's GDP statistics for the first three months of 2012 were not at par with expectations. During April the rate of industrial production was pretty unimpressive as well when compared on a year-on-year basis and to March 2012.

The fact that India has not been able to effect useful structural improvements has hampered its possible growth as well. In the final quarter the national economy grew at 6.1 percent and in the next quarter it came down to 5.3%, which is the lowest figure recorded after 2004.

However, inflation rate is still pretty high in India. In May 2012, the WPI inflation increased to 7.55 percent as opposed to 7.23% in April. At present the CPI inflation rate is more than 10 percent.

HSBC states that inflation rate can come down to certain extent owing to reduction in oil prices and moderate economic growth but the exchange rate is still weak and India's overall economic capacity is somewhat restricted and all these factors can keep the inflation factor in play.

CALCULATING INDIA GDP

Calculating GDP is extremely important has the performance of the economy is fixed by means of this method. The results would help the country to forecast the economic progress, determine the demand and supply, understand the buying power of the people, the per capita income, the position of the economy in the global arena. The Indian GDP is calculated by the expenditure method.

By Calculating GDP the performance of the Indian economy can be determined. The GDP of the country states the number of goods and services produced in a financial year. It is the yardstick of measuring the functioning of the economy.

Indian Economy-Facts on India GDP

- The Indian economy is the 12th largest in the world
- It ranks 5th pertaining to purchasing power parity (PPP) according to the latest calculation of the World Bank
- The GDP of India in the year 2007 was US $1.09 trillion
- India is the one of the most rapidly growing economies in the world
- The growth rate of the India GDP was 9.4% per year
- Due to the huge population the per capita income in India is $964 at nominal and $4,182 at PPP

Points to remember while calculating GDP

- Calculating India GDP has to be done cautiously pertaining to the diversity of the Indian Economy.
- There are different sectors contributing to the GDP in India such as agriculture, textile, manufacturing, information technology, telecommunication, petroleum, etc.
- The different sectors contributing to the India GDP are classified into three segments, such as primary or agriculture sector, secondary sector or manufacturing sector, and tertiary or service sector.
- With the introduction of the digital era, Indian economy has huge scopes in the future to become one of the leading economies in the world.

- India has become one of the most favored destinations for outsourcing activities.
- India at present is one of the biggest exporter of highly skilled labor to different countries
- The new sectors such as pharmaceuticals, nanotechnology, biotechnology, telecommunication, aviation, manufacturing, shipbuilding, and tourism would experience very high rate of growth

How to calculate GDP-

The method of **Calculating India GDP** is the expenditure method, which is, GDP = consumption + investment + (government spending) + (exports-imports) and the formula is GDP = C + I + G + (X-M)

Where,

- C stands for consumption which includes personal expenditures pertaining to food, households, medical expenses, rent, etc
- I stands for business investment as capital which includes construction of a new mine, purchase of machinery and equipment for a factory, purchase of software, expenditure on new houses, buying goods and services but investments on financial products is not included as it falls under savings
- G stands for the total government expenditures on final goods and services which includes investment expenditure by the government, purchase of weapons for the military, and salaries of public servants
- X stands for gross exports which includes all goods and services produced for overseas consumption
- M stands for gross imports which includes any goods or services imported for consumption and it should be deducted to prevent from calculating foreign supply as domestic supply

EMPLOYEE PROVIDENT FUND

As per the Employees' Provident Fund Scheme 1952 an employee is defined as any individual who is performing a manual or any other operation in lieu of wages. This definition is provided in the Section 2(f) of the said fund.

An employee could also be a person who is connected to the activities of an organization and is paid either directly or indirectly for his or her efforts by the employer. A professional who is recruited via a contractor can also be regarded as an employee of a company.

An excluded employee is one who has collected the entire amount that was accumulated in the fund and would have been paid to him after he reached the age of 55. The term can also be used to denote employees who earn more than 500 rupees per month and can become a part of the fund.

Membership of the Employee Provident Fund

The day the Employees' Provident Fund Scheme 1952 comes into effect in an organization, all its workers including the casual, daily wage workers, contracted laborers, and the part timers, will be part of the scheme.

Concept of Basic Wages

The term basic wages signifies all the remuneration an employee earns while they are working or are on holiday. The calculations are primarily done on the basis of the terms of the contract signed by the employer and the employee and the cash transactions are only taken into account.

However, the cash value of food concessions is not included while contributing the EPF. Similarly, dearness allowance and presents given by the employers are not part of these calculations.

The term 'pay' is used to signify the basic wages combined with retaining allowance, dearness allowance, and the cash worth of food concessions.

Employee Provident Fund Scheme – Areas Covered

The Employee's Provident Fund Scheme 1952 deals with the following requirements of its members:

- Retirement
- Family obligation
- Medical care

- Education of children

Employee Provident Fund Scheme – How it works

According to the amendment to the Employees' Provident Fund Scheme 1952, done on September 22, 1997, the employees and the employers both contribute to the fund at 12 percent from the basic wage, retaining allowance, and dearness allowance. The rate though, comes down to 10 percent in case of the following companies or organizations:

Covered establishments that have less than 20 workers. This benefit is provided only to companies that were covered prior to September 22, 1997.

A company that has incurred losses that are either equal to or more than its total net worth. A sick industrial organization as stated in the clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. The company also needs to have been certified as sick by the Board for Industrial and Financial Reconstruction in order to receive the benefit.Companies that manufacture jute, coir, breed and guar gum industries.

Employee Provident Fund Scheme – Interest Rates

The interest rates of the Employee Provident Fund scheme are decided by the Union Government after discussion with the Central Board of trustees and the Employees' Provident Fund itself. The rates are normally fixed during March and April.

The interest is transferred to the account of the members on the basis of running balance for every month. This is done from the final day of every financial year.

Employee Provident Fund Scheme – Benefits

The members of the EPF can take out the full amount that has been credited to their account when they retire after becoming 55 years old. However, the total amount can also be collected under these circumstances:

- If their services have been terminated before they reached the age of 55 years.
- If they migrate permanently or take jobs outside India.

- If they are totally and permanently disabled for mental or physical problems.
- If there is individual or mass retrenchment.

In case of the following instances the provident fund is paid two months after the withdrawal application is put in by a member:

- If an employee of a covered organization is transferred to an organization that is not part of the Employees' Provident Fund Scheme 1952.
- If a member is relieved of his duties and provided retrenchment compensation as per the Industrial Dispute Act, 1947.

Employee Provident Fund Scheme – Withdrawals

A member of the fund can take out a maximum of 90 percent of the amount credited to their respective accounts. This can be done after the member is 54 years old or if he or she is a year away from her retirement on superannuation. The later date is taken into consideration in this regard. For withdrawals the applicant needs to submit the Form 19 in the respective Provident Fund office.

Employee Provident Fund Scheme – Nominations and Payment

Upon the death of a member the entire amount is provided to either their legal heirs or nominees. The Form 20 needs to be provided to the concerned PF office for the purpose.

The nominations are done through the Form 2 whereby the member names the person/s who will receive the total amount credited to his/her account upon death. Through the form the members provide details of the families which can be used later on by the Provident Fund office for building up its data bank.

TAX SAVING OPTIONS

An income tax is imposed on an individual or a company by the Government of India only if his or her income is included in the slab of taxable income. The Indian Income Tax Act of the year 1961 governs the levy whereas C. B. D. T. (Central Board for Direct Taxes) governs the Department of Income Tax in India. However, as per some of the sections of this Act like **Section 80 C, 80 CCF, 80 D etc., exemptions are given on certain incomes. There are many tax saving options, investing on which, one can get a deduction on his or her total income tax.**

Tax Saving Options

India has got several government as well as private sector organizations offering numerous tax saving options to the residents of this country. Some of them are as follows:

Public Provident Fund: Commonly known as P. P. F., this tax saving option falls within the Section 80 C of the Income Tax Act in India. Public Provident Fund allows a maximum contribution of INR. 100, 000 per year. The return in this scheme is compounded annually at the rate of 8.5%. It is one of the long term ventures that does not allow complete withdrawal before 15 years. Post 5 years of investment, withdrawal is possible though. No tax is levied on the earned interest. Besides these, it even forms a retirement-planning tool. One can have such an account in either the State Bank of India or some of the nationalized banks or at some of the designated post office branches.

Instrument	Minimum Contribution	Maximum Contribution	Lock-in Period	Risk	Liquidity	Return	Tax Relief u/s
PPF	Rs.500.00	Rs.100,000.00	5 years	Moderate	Moderate	8.6% annual	80C
ULIP	Rs.5,000.00	Unlimited	3 years	Always Present	High	As per Market situation	80C
ELSS	Rs.500.00	Unlimited	3 years	Always Present	High	As per Market situation	80C
FD	Rs.100.00	Unlimited	scheme to scheme differs	No	Moderate	9-9.5% anual	80C
EPF	11% of monthly income	N/A	Can be withdrawal at termination of job	No	Very Low	8.5% annual	80C
NSC	Rs.100.00	Unlimited	5-10years	No	Moderate	8-8.5% annual	80C
Infrastructu	Rs.10,000.	Rs.20,000.0	5-	Modera	Low	8%	80CC

re Bond	00	0	10years	te		annual	F
Life Insurance	Rs. 5,000 to 10,000	Unlimited	depends upon length of policy	Moderate	Low	6-7% annual	80C
Tuition Fee	The tuition fee paid for upto 2 chidren is fully tax deductable.						80C
House Loan Repayment	EMI paid is fully Tax Deductable .						80C

Unit Linked Insurance Plans: Covered by the Income Tax Act's Section 80 C, U. L. I. P. is a unique blend of investment and insurance that gives a tax exemption of INR. 100, 000 per year. Here, the premium, which is being paid by a customer, gets deducted with initial charges while the rest of the amount is invested. Such a plan can be of the following three kinds:

Aggressive ULIPs where one can invest 80 % to 100 % in equities. The rest can be invested in debt instruments though.

Balanced ULIPs where an individual can invest 40 % to 60 % in equities Conservative ULIPs, which allows one to invest up to 20 % in equities

Equity Linked Saving Scheme: Popularly called E. L. S. S., this is a kind of mutual fund that comes within the Income Tax Act Section 80 C. With a minimum investment period of 3 years, this investment option helps one get exempted from income tax payment and offers an exemption of maximum INR. 100, 000 in a financial year as well. The interest rate depends on the performance of this scheme in a given year. However, if it does well, then it is more likely to increase even the interest rate of P. P. F.

Fixed Deposits: Fixed Deposits (FDs) are another popular tax saving option covered by the Section 80 C of the Income Tax Act. With a maximum exemption of INR. 100, 000 annually, the rate of interest varies from one bank or post office to another. However, the tax saving can only be done of FDs once you have invested for a minimum duration of 5 years. This scheme neither allows the encashment of the money prior to completion of the 5 years term nor can this be used as the security against any loan.

Employee Provident Fund: Famously called E. P. F., this scheme offers a total yearly exemption of INR. 100, 000 as mentioned in the Income Tax Act Section 80 C. In this fund, 10 % to 12 % of a person's basic salary gets deducted and the other 12 % is contributed by the employer. One can withdraw the entire amount in instances of leaving job, retirement after 58 years of age or taking V. R. S. Partial withdrawal can be done for home, medical or marriage related expenses though.

National Saving Certificate: This tax saving scheme known as N. S. C. helps one get exempted from tax by an investment of up to INR. 100, 000 per year under the Section 80 C of the I. T. Act of India. The interest rate is compounded half-yearly at the rate of 8 % and reinvested every year from the last year's N. S. C. The minimum period for this investment scheme is 6 years post which, one is provided with the entire interest along with the initial capital. The major benefit of this is that one can earn a maximum tax saving interest of INR. 100, 000.

Infrastructure Bonds: Over and above the deduction allowed by the Section 80 C, one can save income tax on a maximum amount of INR. 20, 000, by investing in different infrastructure bonds. Covered by the Section 80 CCF of the Indian I. T. Act, this bond has got a lock-in period of 5 to 10 years. The rate of interest even varies from 8 % to 8.3 %.

Insurance: Life insurance is among the best and authentic tax saving options covered within the Section 80 C of India's Income Tax Act. Though the policy allows a maximum deduction of INR. 100, 000 in a given financial year, but in case anyone surrenders the plan before paying two year's premium, then it will have reverse effect of tax benefit. However, the tax benefit for the premium is restricted to 20 % of the initial amount of the capital invested. Apart from that, this helps one plan for the unforeseen events in his or her life.

Health Premiums: Popular as Mediclaim Policies, which are a form of health insurance, comes within the Section 80 D of the country's Income Tax Act. Applicable even on the proprietor firm's cheques, these policies offers a maximum deduction of INR. 35, 000. This deduction is calculated in addition to any other tax saving done as per the Section 80 C. The total amount of INR. 35, 000 can be divided as follows:

- INR. 15, 000: Premium for policies on spouse, children or self
- INR. 15, 000: Premium towards policies for dependent parents, who are non-senior citizens
- INR. 15, 000: Premium for dependent senior citizens

Besides saving your income tax, these policies even help you deal with your or your family's health related problems with ease during any emergency situation.

Tuition Fee: Covered under the Indian I. T. Act Section 80 C, payment made towards the education of children is even exempted from one's yearly income tax. Being a part of Section 80 C, one can get a maximum exemption of up to INR. 100, 000 per financial year. Tuition fee for school, college and university as well as coaching fee for varied competitive exams are considered under this policy. However, just 2 children are considered for such a kind of tax exemption.

Post Office Saving Options: Under the Section 80 C of the I. T. Act of the nation, one can invest in any of the different tax saving options provided by the post offices. Though, along with the terms and conditions, the interest rate as well as the tenure of the investment varies from one scheme to another, they provide a maximum deduction of INR. 100, 000. To name a few of such schemes offered by India Post are:

- Recurring Deposit Account (5 Year)
- Time Deposit Account
- Public Provident Fund Account (15 year)
- National Savings Certificate (VIII issue)
- Senior Citizen Savings Scheme

Mutual Fund: Being covered under the Section 80 C of the I. T. Act of India, this type of investment plan helps in a total exemption of INR. 100, 000. The entire tenure of such a scheme varies from 3 years to 5 years. Equity Linked Saving Scheme is considered to be one of the best tax saving mutual funds.

Tax Rebate

Such a rebate is actually the deduction calculated on the tax, which is computed over one's annual income. Under Section 88 of the Act, certain rebates are allowed. Apart from the different tax saving schemes, one can get a rebate at the rate of 20 % of the payment, deposit or investment made on a maximum amount of INR. 60, 000. Under the Section 88 B, a rebate of INR. 15, 000 is given to a senior citizen of the country (65 years of age or more) irrespective of his of her income. However, the Section 88 C grants a woman assessee an extra rebate of INR. 5, 000.

Tax Saving Options in Public Sectors Banks

Fixed deposits are among the most popular tax saving options in most of the public sector banks. Besides that, some of the public sector banks like the State Bank of India, Allahabad Bank, Punjab National Bank and many more offers some other tax saving options like P. P. F., mutual funds and infrastructure bonds etc. Another unique bond, which helps to save tax payments, is 6.5 % Savings Bonds, 2003 by R. B. I. (Reserve Bank of India). This bond's tenure is for 5 years with an annual interest rate of 6.5 %.

INDIA INCOME TAX RATE

Income Tax Rate is the vital part of the income tax as charged by the Indian government on taxable incomes of the individuals, companies, co-operative societies, firms, trusts and any other artificial person.

he income tax, which is calculated on the basis of India income tax rate, is levied on each of the individual person and is governed by the Indian Income Tax Act. 1961. It is the Ministry of Finance, Govt. of India, which determines the India income tax rate.

New Income Tax Rates

Individuals

The new India Income Tax Rates announced by Finance Minister of India for individuals while presenting the Union Budget 2011-12 in the parliament are listed below:

IT Slab (in INR)	Tax to be Charged
Earnings from 0 to 1,80,000 (for men)	NIL
Earnings from 0 to 1,90,000(for women)	NIL
Earnings from 0 to 2,50,000(for senior citizens)	NIL
Earnings from 1,80,001 to 5,00,000(for men)	10.00%
Earnings from 1,90,001 to 5,00,000(for women)	10.00%
Earnings from 2,50,001 to 3,00,000(for senior citizens)	10.00%
Earnings from 5,00,001 to 8,00,000 (for all)	20.00%
Earnings more than 8,00,000 (for all)	30.00%

Amendments introduced to the Individual Income tax system for the FY 2010-11:

- Tax exemption of 20,000 on investment in tax saving Infrastructure bonds. Exemption of up to 1,00,000 is already allowed under specific savings instruments.
- Introduction of new section in e-TDS/TCS form namely : PAO / DDO code; State name; Ministry name; Name of the utility (for return purpose) and PAO / DDO registration no
- 3% Education cess valid on income tax including 10% surcharge if applicable
- Tax exclusion will be specified for donations to the Central Government Health Scheme (CGHS)

- Subsidiary tax relief offered to guarantee that the supplementary IT to be paid, inclusive of additional charge on surfeit earnings of over Rs 1,000,000 is restricted to a sum by which the earnings is above this mentioned sum.
- Income tax exemption on agricultural income

Association of Persons (AOP) and Body of Individuals (BOI)

The new India Income Tax Rates announced by Finance Minister of India for Association of Persons (AOP) and Body of Individuals (BOI) while presenting the Union Budget 2011-12 in the parliament are listed below:

IT Slab (in INR)	Tax to be Charged
Earnings upto 1,80,000	NIL
Earnings from1,80,000 to 5,00,000	10.00%
Earnings from 5,00,000 to 8,00,000	32,000/- + 20%
Earnings more than 5,00,000	92,000/- + 30%

Co-operative Society

The new India Income Tax Rates announced by Finance Minister of India for Co-operative Society while presenting the Union Budget 2011-12 in the parliament are listed below:

IT Slab (in INR)	Tax to be Charged
Earnings upto 10,000	10.00%

Earnings from 10,000 – 20,000	1,000 + 20%
Earnings more than 20,000	3,000 + 30%

Bombay Stock Exchange : BSE

History of Bombay Stock Exchange

Recognized as Asia's one of the oldest exchange market, Bombay Stock Exchange history can be traced down to 1850s when shareholders would congregate opposite Town Hall. The site of these gatherings altered many times due to the rapid increase in the number of stockbrokers. In due course of time, the crowd shifted to Dalal Street in 1874 and converted into an association identified as 'The Native Share & Stock Brokers Association' in 1875.

BSE was recognized as the foremost stock exchange by the Government of India in the year 1956 under Securities Contracts Regulation Act. The organization introduced BSE Sensex in the year 1986, facilitating to compute the general performance of the exchange. In 2000, BSE employed this alphabetical listing to make a foray into its derivatives market and buying and selling of Sensex futures agreements. The expansion of Sensex alternative besides equity derivatives trailed in the years 2001 and 2002.

BSE shifted from the traditional open-cry level selling exchange to electronic operating structure in 1995.

Profile of BSE

In the history of 135 years, Bombay Stock Exchange has assisted the expansion of Indian corporate industry by offering it with adequate fund raising platform from both national and international market.

At present, BSE is top most stock exchanges in the world in context of the number of firms cataloged under it. In context of number of business deals managed via its hi-tech trading set-up, BSE is the 5th most active in the globe. As per WFE 2009 Market Highlights, BSE is among the 10 major international exchanges in context of market investment of the firms registered under it. The total amount of investment dominated by the cataloged firms under BSE as on 31st March, 2010 was USD 1.36 Trillion.

Landmarks Achieved by BSE

Some of the landmarks achieved by the BSE are mentioned as under:

- The stock exchange procured Marketplace Technologies in the year 2009 to augment its domestic machinery expansion competence and to permit greater duration to trade for latest products.
- It introduced a treatment display place for company bonds recognized as Indian Corporate Debt Market(ICDM)
- BSE procured 15% venture in United Stock Exchange (USE) to trigger the expansion of the exchange and interest rate derivatives
- It introduced BSE Star Mutual Fund buying and selling platform to allow its associates to make use of the prevailing infrastructure for business deals in the sectoral plans.
- The stock exchange even provides a AMFI Authorization for Mutual Fund Consultants via BSE Training Institute (BTI)

BSE Indices

In an attempt to offer an enhanced demonstration of the expanding number of registered firms, bigger investments and new corporates, BSE introduced DOLLEX-200 and BSE-200 on 27th May, 1994. In the process it has achieved a lot in standardizing itself to the diverse requirements of the shareholders and market players.

In an attempt to satisfy the requirement of more extensive and industry specific indices, BSE has incessantly been triggering the assortment of its indices. Other indices launched which followed are; BSE-500 in 1999, BSE-PSU and BSE TECk in 2001. Later the unit altered all its indices to free-float technique.

BSE broadcasts data on the Value-Yielding Ratio, the Cost to Book Value Ratio and the

Dividend Return Ratio on the basis of daily index transactions. The worth of all BSE indices is upgraded on statistical basis during transaction hours and is exhibited via its website, news cable intermediaries and BOLT set-up.

The indices are analyzed sporadically by the BSE Index Committee which comprises renowned autonomous finance experts who draw the comprehensive policy rules for the expansion and sustenance of the indices.

Why list a firm in BSE?

Mentioned below are some of the advantages of listing a firm in Bombay Stock Exchange (BSE):

- Registering in BSE offers a chance to the industrialists to raise fund for new ventures or acquisition or growth.
- Registering in BSE also offers and an exit itinerary to shareholders who are interested in investing in private equity.
- Registering in BSE assisting in raising an autonomous assessment of the firm to the market.
- Registering in BSE increases a firm's public portfolio with clients, dealers, shareholders, media, etc.
- Registering in BSE increases a firm's competence to raise more funds via preferential subscription, copyright issues, GDRs, etc. In the sue course, the method draws an extensive unit of professional shareholders.
- Registering in BSE offers enduring liquidity to the investors of the registered unit, which further helps in expanding its investor's base.

Important Links in our Website

A M K – Free E Resources

http://amkresourceinfo.com/free-e-resources/

Daily Newspapers : http://amkresourceinfo.com/daily-newspapers/

Job Notifications : http://amkresourceinfo.com/job-notifications/

E Books : http://amkresourceinfo.com/e-books-2/

E Magazines : http://amkresourceinfo.com/e-magazines-2/

Online Buy Books : http://amkresourceinfo.com/online-buy-books/

RRB – Group D : http://amkresourceinfo.com/rrb-group-d/

And many more…

Keep visiting for more updates

"Your Success, Our Motto"