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ECONOMICS

Unit - 1

Gross Domestic Product and its Growth: an Introduction



Learning Objectives

- To know about the meaning of Gross Domestic Product
- To Understand the basic various measures of National Income
- To understand the composition of GDP
- To know the contribution of different sectors in GDP
- To know the economic growth and development and its differences
- To know about Development path based on GDP And Employment
- To understand the growth of GDP and Economic Policies



Introduction

To understand how the GDP tells us how India is doing, you should understand what GDP is.

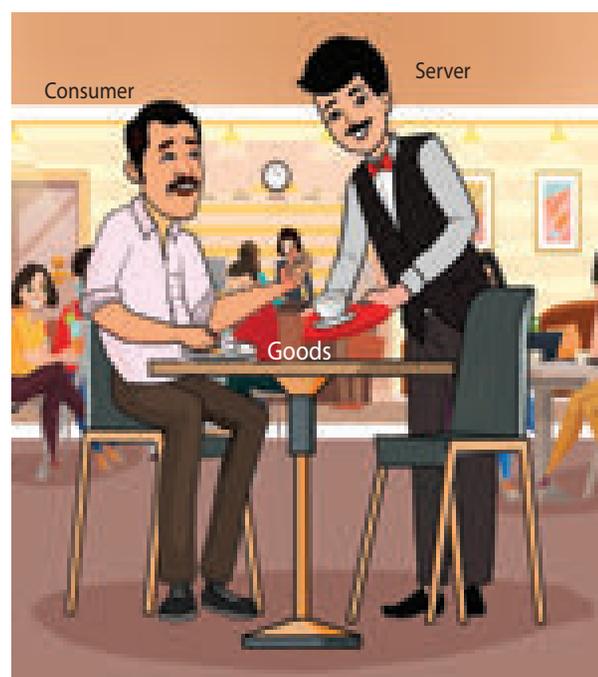
Imagine what happens in a hotel. You place an order for two Idlis and a cup of tea. Someone makes the idlis and tea and someone else serves you.

Idlis and tea are produced . These are tangible, physical things you can touch and feel. Economists call such tangible items “goods”. These goods are not free but have to pay or to be paid.

Though you don't realise it in addition to these tangible things called goods, something else is being produced : the work done by the cooks and the people who serve the food. The activity of cooking and serving is not something you can feel and touch. Such activities are not tangible but are nevertheless

crucial for you to enjoy the food. Economists call such activity “services”.

What happens everyday in a hotel at nation wide: goods and services are produced and paid for and this what the GDP measures.



DEFINITION OF GDP

The GDP is the market value of all the final goods and services produced in the country during a time period.

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

C = Consumption I = Investment

G = Government Expenditure

$$(X - M) = X - M = \text{Exports} - \text{Imports}$$

Every part of the definition is important.

Goods and services: As you know by now, goods are tangible items while services are activities which are intangible.

Market value: This is the price at which goods and services are sold in the market.

Final goods and services: Economists Tyler Cowen and Alex Tabarrok say that “final goods and services” are the goods and services which will be used or consumed. The goods and services which will be used for producing other goods and services and will form a part of the goods and services produced are called “intermediate goods”.

Only the final goods are included in the GDP. Intermediate goods are not counted in calculating the GDP because their value is included in the final goods. So if the intermediate goods are included in the GDP it will result in what is called “double counting”.

For example, a cup of tea bought in a hotel is a final good because it is consumed and does not form a part of producing something else. So the market value of the cup of tea, being a final good, is included in the GDP. Sugar which is mixed in the tea is an intermediate good because it is used in making tea and forms a part of the tea served. Suppose the tea is priced ₹10 a cup, of which the value of sugar used is ₹2. So the price of the cup of tea includes the ₹2 price of the spoon of sugar. If this value of sugar is included in the GDP, it will be counted twice: as a spoon of sugar and again as a part of the cup of tea. This is “double counting” and to avoid it the intermediate goods like sugar are excluded from GDP.

1.1 National Income

‘National Income is a measure of the total money value of goods and services produced by an economy over a period of time, normally a year’. Commonly National Income is called as Gross National Product (GNP) or National Dividend.

Various terms associated with measuring of National Income

1. Gross National Product (GNP)

Gross National Product is the total value of goods and services produced and income received in a year by domestic residents of a country. It includes profits earned from capital invested abroad.

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

C = Consumption

I = Investment

G = Government Expenditure

X - M = Export - Import

NFIA = Net Factor Income from Abroad

2. Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the total value of output of goods and services produced by the factors of production within the geographical boundaries of the country.

3. Net National Product (NNP)

Net National Product (NNP) is arrived by making some adjustment with regard to depreciation that is we arrive the Net National Product (NNP) by deducting the value of depreciation from Gross National Product. (NNP = GNP - Depreciation)

4. Net Domestic Product (NDP)

Net Domestic Product (NDP) is a part of Gross Domestic Product, Net Domestic Product is obtained from the Gross Domestic Product by deducting the Quantum of tear and wear expenses (depreciation)

$$\text{NDP} = \text{GDP} - \text{Depreciation}$$

5. Per Capita Income (PCI)

Per capita Income or output per person is an indicator to show the living standard of people in a country. It is obtained by dividing the National Income by the population of a country.

$$\text{Per capita Income} = \text{National Income} / \text{Population}$$

In 1867-68 for the first time Dadabhai Navroji had ascertained the Per Capital Income in his book "Poverty and Un-British Rule of India".



6. Personal Income (PI)

Personal income is the total money income received by individuals and households of a country from all possible sources before direct taxes.

7. Disposable Income (DI)

Disposable income means actual income which can be spent on consumption by individuals and families, thus, it can be expressed as $DPI = PI - \text{Direct Taxes}$

(From consumption approach $DI = \text{Consumption Expenditures} + \text{Savings}$)

1.2 Gross Domestic Product (GDP)

Produced in the country: GDP of India includes only the market value of goods and services produced in India. For example the market value of apples produced in Kashmir are included in our GDP since Kashmir is in India. The market value of apples produced in California, even if they are sold in Indian markets, are not included in our GDP because California is in the U.S.

Produced during a time period

The GDP of a country measures the market value of goods and services produced only during the specified time period. The goods and services produced in earlier periods are not included.

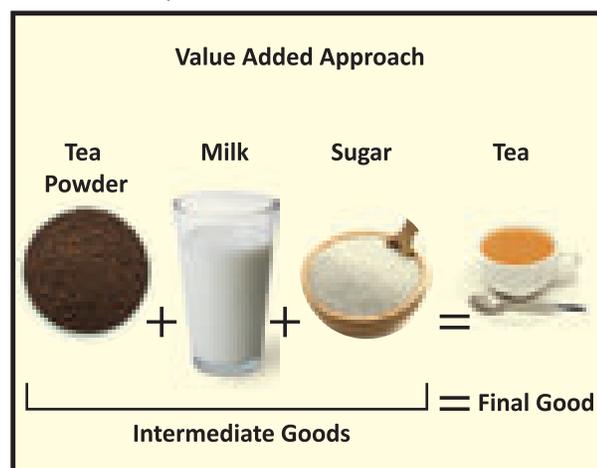
In India the GDP is measured both annually and quarterly. The annual GDP is for a financial year which is from April 1st of say 2017 to March 31st 2018.



The modern concept of GDP was first developed by Simon Kuznets for a US Congress report in 1934.

Methods of GDP Calculating

- 1. Expenditure Approach:** In this method, the GDP is measured by adding the expenditure on all the final goods and services produced in the country during a specified period. $Y = C + I + G + (X - M)$
- 2. The Income Approach:** This method looks at GDP from the perspective of the earnings of the men and women who are involved in producing the goods and services. The income approach to measuring GDP (Y) is $Y = \text{wages} + \text{rent} + \text{interest} + \text{profit}$
- 3. Value-Added Approach:** A cup of tea served to you in a hotel is a "final good". The goods used to produce it, tea powder, milk, and sugar, are "intermediate goods" since they form a part of the final good, the cup of tea. One way to measure the market value of the cup of tea is to add the value produced by each intermediate good used to produce it. The sum of the value added by all the intermediate goods used in production gives us the total value of the final goods produced in the economy.



Value added method

Tea powder + Milk + Sugar = Tea

Value of intermediate goods = Value of final goods

Importance of GDP

1. Study of Economic Growth.
2. Problems of inflation and deflation.
3. Comparison with developed countries of the world.
4. Estimate the purchasing power.
5. Study of Public Sector.
6. Guide to economic planning.

Limitations of GDP

- 1 **Several important goods and services are left out of the GDP:** The GDP includes only the goods and services sold in the market. The services provided by parents to their children is very important but it is not included in the GDP because it is not sold in the market. Likewise clean air, which is vital for a healthy life, has no market value and is left out of the GDP.



- 2 **GDP measures only quantity but not quality:** In the 1970s schools and banks did not permit the use of ballpoint pens. This is because the ones available in India were of very poor quality. Since then, not only has there been a substantial increase in the quantity of ballpoint pens produced in India but their quality has also improved a lot. The improvement in quality of goods is very important but it is not captured by the GDP.
- 3 **GDP does not tell us about the way income is distributed in the country:** The GDP of a country may be growing rapidly but income may be distributed so unequally that only a small percentage of people may be benefitting from it.

- 4 **The GDP does not tell us about the kind of life people are living:** A high level of per capita real GDP can go hand-in-hand with very low health condition of people, an undemocratic political system, high pollution and suicide rate.



Estimation of GDP

The Central Statistical Organisation (CSO), under the Ministry of Statistical department keeps the records. Its processes involves conducting an annual survey of industries and compilation of various indexes like the Index of Industrial Production (IIP) Consumer Price Index (CPI) etc.

1.3 Composition of Gross Domestic Product (GDP)

Indian economy is broadly divided into three sector

1) Primary Sector: (Agricultural Sector)

Agricultural sector is known as primary sector, in which agricultural operations are undertaken. Agriculture based allied activities, production of raw materials such as cattle farm, fishing, mining, forestry, corn, coal etc. are also undertaken.



Forestry

2) Secondary Sector: (Industrial Sector)

Industrial sector is secondary sectors in which the goods and commodities are produced by transforming the raw materials. Important industries are Iron and Steel industry, cotton textile, Jute, Sugar, Cement, Paper, Petrochemical, automobile and other small scale industries.



Industry

3) Tertiary: (Service Sector)

Tertiary sector is known as service sector which includes Government, scientific research, transport communication, trade, postal and telegraph, Banking, Education, Entertainment, Healthcare and Information Technology etc..



Postal and Telegraph
Banking, Education, Entertainment,
Healthcare and Information Technology etc..

In the 20th century, economists began to suggest that, traditional tertiary services could be further distinguished from “quaternary” and “quinary” service sectors.

1.4 Contribution of different sectors in GDP of India

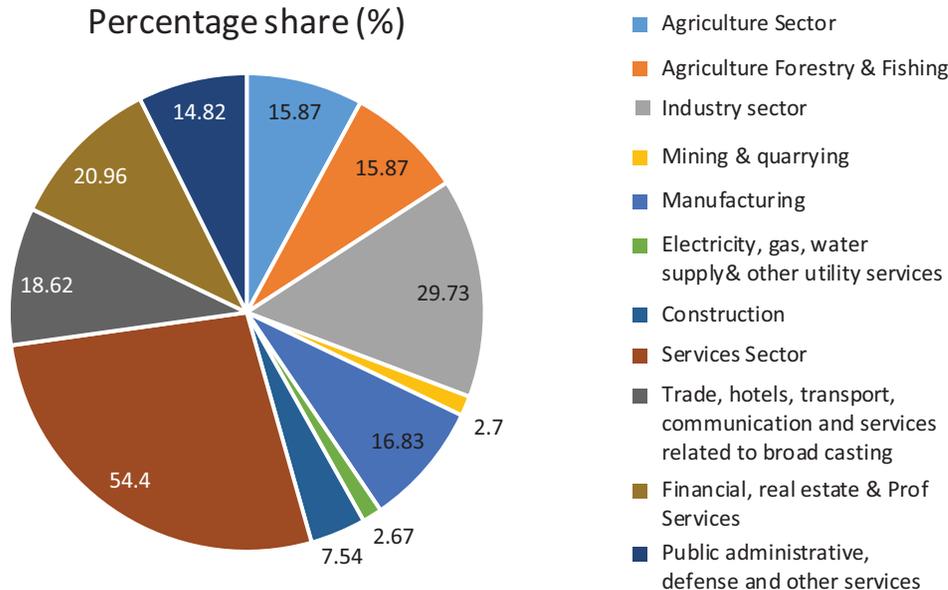
Services sector is the largest sector of India. Gross Value Added (GVA) at current prices for Services sector is estimated at 92.26 lakh crore in 2018-19.

Sector-wise Contribution in GDP of India

Year	Agriculture(%)	Industry(%)	Service(%)
1950-51	51.81	14.16	33.25
1960-61	42.56	19.30	38.25
1970-71	41.95	20.48	37.22
1980-81	35.39	24.29	39.92
1990-91	29.02	26.49	44.18
2000-01	23.02	26.00	50.98
2010-11	18.21	27.16	54.64
2011-12	17.86	27.22	54.91
2012-13	17.52	26.21	56.27
2013-14	18.20	24.77	57.03
2015-16	17.07	29.08	52.05
2016-17	17.09	29.03	52.08
2017-18	17.01	29.01	53.09

Source: Central Statistical Organisation

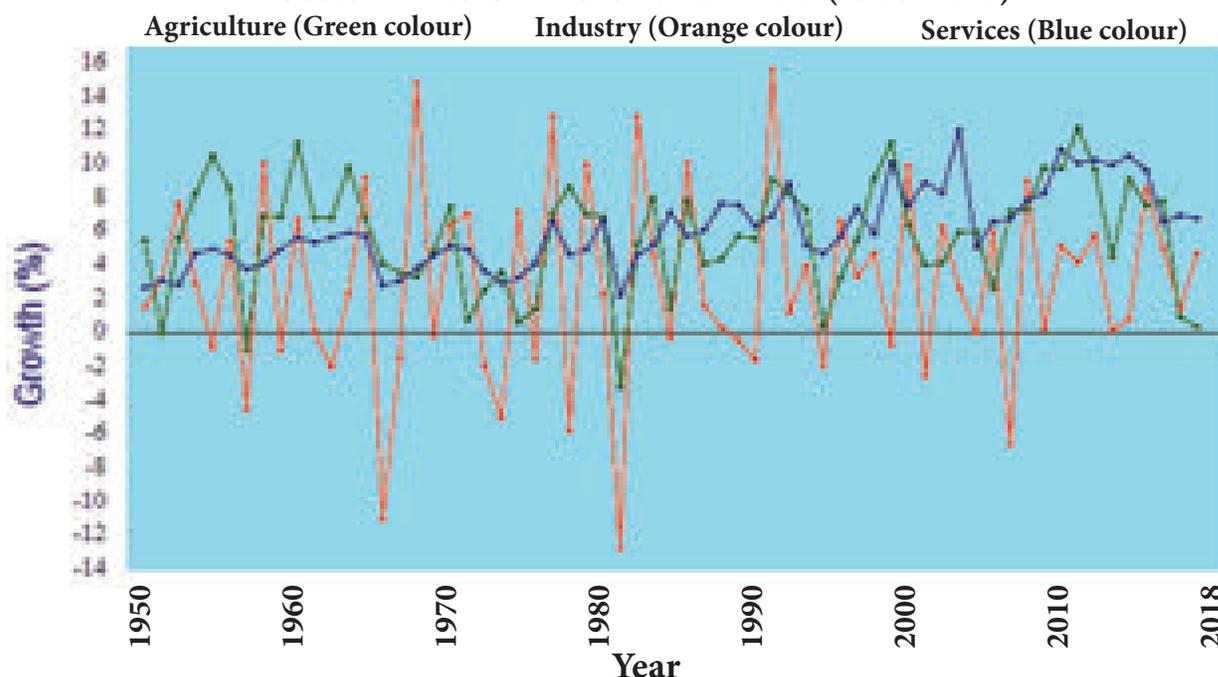
Sector-wise contribution of GDP (2018-19)
Percentage share (%)



Source: Statistics times.com.

Note: The Diagram shows that Sector-wise contribution in GDP of India for the year 2018 - 2019.

Sector - wise GDP Growth of India (1950-2018)



Source: Statistics times.com.

Note: The chart Diagram shows that Sector-wise contribution in GDP of India for the year 1950-2018



India is 2nd largest producer of agricultural products. India accounts for 7.39 percent of total global agricultural output.

In Industrial sector, India's world rank is 6 and in Service sector, India's world rank is 8. Contribution of Agriculture sector in Indian economy is much higher than world's average (6.4%). Contribution of Industry and Services sector is lower than world's average 30% for Industry sector and 63% for Services sector.

Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy.

$$GVA = GDP + subsidies - (direct, sales) taxes.$$

1.5 Economic Growth and Development

As per the economist Amartya Sen, economic growth is one aspect of economic development. Also, United Nation see it like this “Economic development focuses not only on man’s materialistic need but it focuses on overall development or rise in its living standards.



Economic Growth

It is the quantitative measure which considers the rise in the output produced in an economy or nation in a particular period in its monetary value. The key parameters of economic growth in any economy are its Gross Domestic Product (GDP) and gross national product which helps in measuring the actual size of an economy.

Economic Development

Economic development projects a broader picture of an economy which takes into account

an increase in production level or output of an economy along with an improvement in the living standard of its citizens. It focuses more on socioeconomic factors rather than the just quantitative increase in production. Economic development is a qualitative measure which measures improvement in technology, labour reforms, rising living standards, broader institutional changes in an economy.

Human development Index (HDI) is apt tool to measure the real development in an economy.

1.6 Developmental Path based on GDP and Employment

In the development path of India, it first undertook the policy of closed trade. This was to give a thrust to domestic industries and reduce dependence on foreign products and companies. Trade and interaction with the outside world

remained limited. This outlook continued till 1991 when India finally decided to open its borders to free trade and liberalized its economy by allowing foreign companies to enter the Indian economy.



A thrust was given to employment generation under the Five Year plans. This was to make up for a rising population and lacking jobs to absorb the increased workforce size. Rural development was also given importance in India, for the important constituent it was of the Indian landscape.

Poverty alleviation came as a corollary of rural development and a part of the development path of India. India inherited a poverty-stricken

Differences between Economic Growth and Economic Development

Comparison between Economic Growth and Economic Development	Economic Growth	Economic Development
Definition / Meaning	It is the positive quantitative change in the output of an economy in a particular time period	It considers the rise in the output in an economy along with the advancement of HDI index which considers a rise in living standards, advancement in technology and overall happiness index of a nation.
Concept	Economic growth is the "Narrower" concept	Economic development is the "Broader" concept
Nature of Approach	Quantitative in nature	Qualitative in nature
Scope	Rise in parameters like GDP, GNP, FDI, FII etc.	Rise in life expectancy rate, infant, improvement in literacy rate, infant mortality rate and poverty rate etc.
Term / Tenure	Short term in nature	Long-term in nature
Applicability	Developed nation	Developing economies
Measurement Techniques	Increase in national income	Increase in real national income i.e. per capita income
Frequency of Occurrence	In a certain period of time	Continuous process
Government Aid	It is an automatic process so may not require government support/aid or intervention	Highly dependent on government intervention as it includes widespread policies changes so without government intervention it is not possible

economy from the British rule, which had destroyed its resource base completely.

The public sector was given significant importance, Private companies and industries were subject to strict regulations and standards. It was believed that the government was the sole protector of the people and would work towards social welfare.

India has sustained rapid growth of GDP for most of the last two decades leading to rising per capita incomes and a reduction in absolute poverty. Per capita incomes have doubled in 12 years. In Per capita income, placing India comes just inside the Middle Income Country category.

Life expectancy at birth is 65 years and 44% of children under 5 are malnourished. The literacy rate for the population aged 15 years and above is only 63% compared to a 71% figure for lower middle income countries.

India has followed a different path of development from many other countries.

Factors supporting Indian development

A fast-growing population of working age is an important factor. There are 700 million Indians under the age of 35 and the demographics look good for Indian growth in the next twenty years at least. India is experiencing demographic transition that has increased the share of the working-age population from 58 percent to 64 percent over the last two decades.

India has a strong legal system and many English-language speakers. This has been a key to attracting inward investment from companies such as those specialising in Information Technology.

India's economy has successfully developed in highly advanced and attractive clusters of businesses in the technology space. For example witness the rapid emergence of Bangalore as a hub for global software businesses. External economies of scale have deepened their competitive advantages in many related industries.

Human Development Index

In 1990 Mahbub ul Haq, a Pakistani Economist at the United Nations, introduced the Human Development Index (HDI). The HDI is a composite index of life expectancy at birth, adult literacy rate and standard of living measured as a logarithmic function of GDP, adjusted to purchasing power parity.



India climbed one spot to 130 out of 189 countries in the latest human development rankings released today by the United Nations Development Programme (UNDP). Between 1990 and 2017, India's HDI value increased from 0.427 to 0.640, an increase of nearly 50 percent – and an indicator of the country's remarkable achievement in lifting millions of people out of poverty.

1.7 Growth of GDP and Economic Policies

Many Economic Policies have been framed by the Government of India since independence for increasing rate of economic growth and economic development. The important economic policies are

1. Agriculture policy

Agricultural policy is the set of government decisions and actions relating to domestic agriculture and imports of foreign agricultural products. Some overarching themes include risk management and adjustment, economic stability, natural resources and environmental sustainability, research and development, and market access for domestic commodities.

Some Agricultural policies are Price policy, land reform policy, Green Revolution, Irrigation policy, Food policy, Agricultural Labour Policy and Co-operative policy.

2. Industrial Policy

Industrial development is a very important aspect of any economy. It creates employment, promotes research and development, leads to modernization and ultimately makes the

Gross National Happiness (GNH)

The term Gross National Happiness was coined in 1972 during an interview by a British journalist for the Financial Times at Bombay airport when the then king of Bhutan, Jigme Singye Wangchuck, said "Gross National Happiness is more important than Gross National Product.

In 2011, The UN General Assembly passed Resolution "Happiness: towards a holistic approach to development" urging member nations to follow the example of Bhutan and measure happiness and well-being and calling happiness a "fundamental human goal."

The four pillars of GNH's are

1. sustainable and equitable socio-economic development
2. environmental conservation
3. preservation and promotion of culture
4. good governance.

The nine domains of GNH are psychological well-being, health, time use, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards.

economy self-sufficient. In fact, industrial development even boosts other sectors of the economy like the agricultural sector (new farming technology) and the service sector. It is also closely related to the development of trade.

Several industrial policies have been enacted. Since 1948, Industrial policy on large scale industries Eg. Textile Industry policy, Sugar Industry policy, Price policy of industrial

growth, Small scale industrial policy and Industrial Labour policy.

3. New Economic Policy

The economy of India had undergone policy in the beginning of the 1990s. This new model of economic reforms is commonly known as the LPG known as Liberalisation, Privatisation and Globalisation. These economic reforms had influenced the overall economic growth of the country in a significant manner.

SUMMARY

- GDP is the value of all goods and services produced within an economy in a financial year.
- Indian economy is classified in three sectors Agriculture and allied Industry and Service
- Depreciation: The Monetary value of an asset decreases over time due to use, wear and tear or obsolescence
- Income: The amount of monetary or other returns, either earned or unearned, accruing over a period of time.
- Gross Value Added (GVA): The measure of the value of goods and services produced in an area, industry or sector of an economy.

A-Z GLOSSARY

Depreciation	The process of losing value	தேய்மானம்
Intermediate	Being between two other related things	இடைநிலை
Market Price	A price that is likely to be paid for something	சந்தை விலை

Final Goods	A consumer good or final good is any commodity that is produced or consumed by the consumer to satisfy current wants or needs	இறுதி பொருட்கள்
Composition	the nature of something's ingredients or constituents; the way in which a whole or mixture is made up	கலவை
Contribution	a gift or payment to a common fund or collection.	பங்களிப்பு
Staggering	continue in existence or operation uncertainly or precariously.	தடுமாற்றத்தினை



EVALUATION

I Choose the correct answer



J5WIZH

- GNP equals
 - NNP adjusted for inflation
 - GDP adjusted for inflation
 - GDP plus net property income from abroad
 - NNP plus net property income or abroad
- National Income is a measure of
 - Total value of money
 - Total value of producer goods
 - Total value of consumption goods
 - Total value of goods and services
- Primary sector consist of
 - Agriculture
 - Automobiles
 - Trade
 - Banking
- _____ approach is the value added by each intermediate good is summed to estimate the value of the final good.
 - Expenditure approach
 - Value added approach
 - income approach
 - National Income
- Which one sector is highest employment in the GDP.
 - Agricultural sector
 - Industrial sector
 - Service sector
 - None of the above.
- Gross value added at current prices for services sector is estimated at _____ lakh crore in 2018-19.
 - 91.06
 - 92.26
 - 80.07
 - 98.29
- India is _____ larger producer in agricultural product.
 - 1st
 - 3rd
 - 4th
 - 2nd
- India's life expectancy at birth is _____ years.
 - 65
 - 60
 - 70
 - 55
- Which one is a trade policy?.
 - irrigation policy
 - import and export policy
 - land-reform policy
 - wage policy
- Indian economy is
 - Developing Economy
 - Emerging Economy
 - Dual Economy
 - All the above

II Fill in the blanks

- _____ is the primary sector in India.
- GDP is the indicator of _____ economy.
- Secondary sector otherwise called as _____.

III Match the following

- | | |
|----------------------------------|-----------------------------------|
| 1. Electricity/
Gas and Water | – National Income /
Population |
| 2. Price policy | – Gross Domestic
Product |
| 3. GST | – Industry Sector |
| 4. Per capita income | – Agriculture |
| 5. C + I + G + (X-M) | – Tax on goods and
service |

IV Give short answer

- Define National income.
- What is meant by Gross domestic product?
- Write the importance of Gross domestic product.
- What is per capita income?.
- Define the value added approach with example.
- Write the name of economic policies in India.
- Write a short note
 - Gross National Happiness(GNH)
 - Human Development Index(HDI)

V Write in detail answer

- Briefly explain various terms associated with measuring of national income.
- What are the methods of calculating Gross Domestic Product? and explain its.
- Write about the composition of GDP in India.

- Write any five differences between the growth and development.
- Explain the following the economic policies
 - Agricultural Policy
 - Industrial policy
 - New economic policy

VI Activity and Project

- Students are collect the Gross Domestic Product datas of Tamilnadu and compare the other state of Karnataka and Kerala's GDP.
- Students are collect the details of Employment growth of Tamilnadu.

**REFERENCE BOOKS**

- Sankaran Indian Economy(problems, policies,and development).
- Ramesh singh Indian economy (10th Edition).
- Ministry of statistics and implementation planning commission. Government of india.

**INTERNET RESOURCES**

- <http://en.wikipedia.org>
- <http://www.statisticstimes.com>

**ICT CORNER****Gross Domestic Product and its Growth: an Introduction****Steps**

- Open the Browser and type the URL given below (or) Scan the QR Code.
- Click on 'Real GDP Growth' and select 'India' in Right side menu
- Drag the timeline button to see the GDP Growth of India

Website URL:

<https://www.imf.org/external/datamapper/datasets/WEO/1>



Unit - 2

Globalization and Trade



Learning Objectives

- To know the meaning and history of globalization
- To know the trade and traders in South India historical perspective
- To know the evolution of growth of MNC
- To know the fair trade practices and WTO
- To understand the impact and challenges of globalization



Introduction

Liberalization, Privatization and Globalization (LPG) have become a much talked of subjects among politicians, economists and businessmen in modern days.

2.1 Globalization

Globalization is the integration of a country with the world economy. Basically, globalization signifies a process of internationalization plus liberalization.

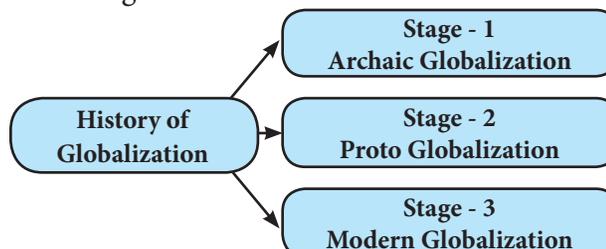


Globalization

2.2 History of Globalization

The term of 'Globalization' was introduced by Pro. Theodore Levitt. The historical

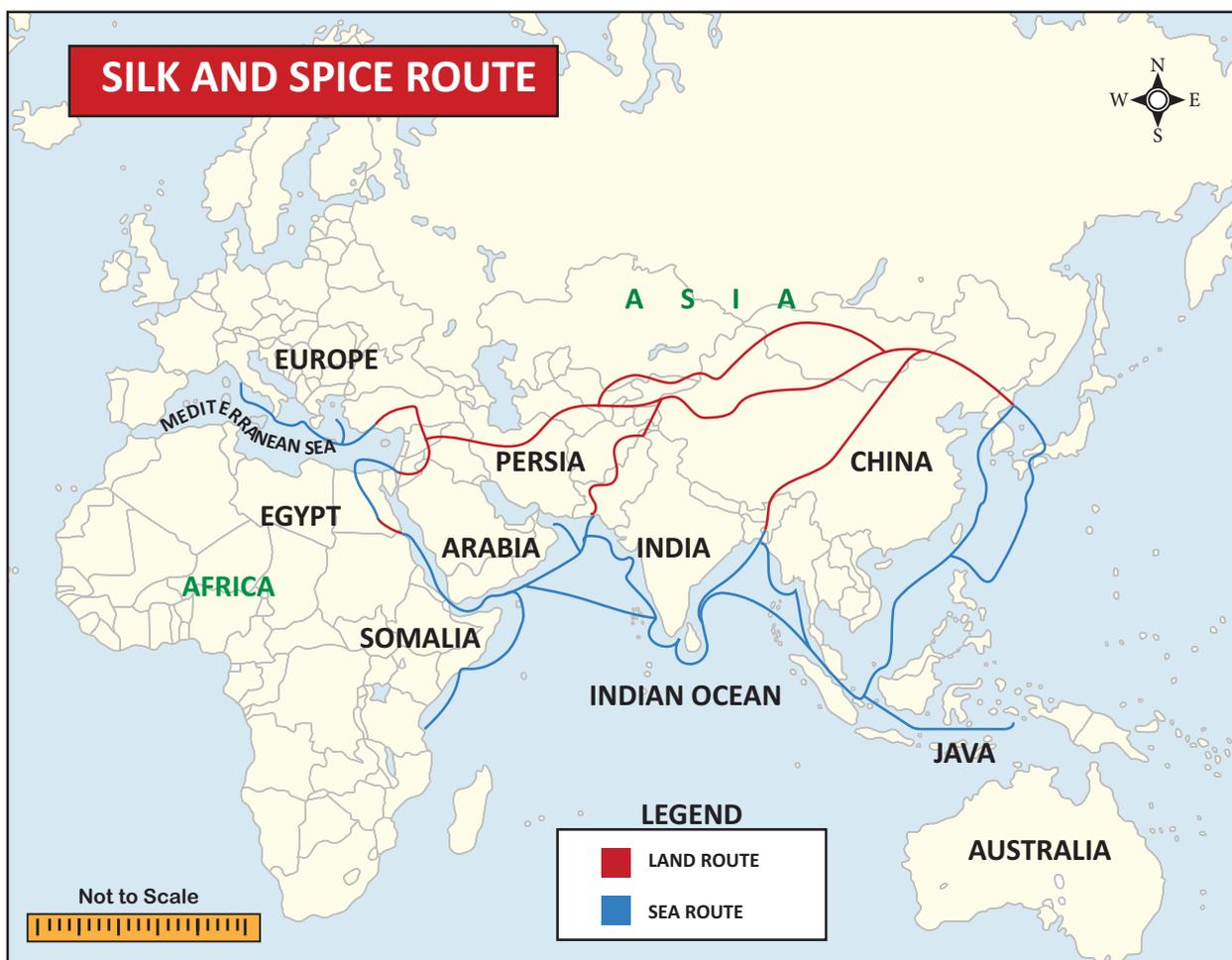
background of globalization can be discussed on three stages.



Archaic Globalization

Andre Gunder Frank argued that a form of globalization has been in existence since the rise of trade links between Sumer and Indus valley civilization in the third millennium BC (BCE). An early form of globalized economics and culture, known as Archaic globalization existed during the Hellenistic Age. An early form of globalization in the trade link between the Roman Empire, Parthian Empire and the Han Dynasty made the commercial links between these powers inspired the development of the Silk Road.

The Islamic Age was also an important early stage of globalization. The advent of the Mongol Empire, though destabilizing to the commercial



Silk Route and Spice Route

centers of the Middle East and China, greatly facilitated travel along the Silk Road. These Pre-modern phase of global exchange are sometimes known as archaic globalization.

Proto Globalization

The next phase is known as proto - globalization. It was characterized by the rise of maritime European empires, in the 16th and 17th centuries, first the Portugues and Spanish Empires, and Dutch and British empires. In the 17th century, globalization became private business phenomenon like British East India Company [founded in 1600] described as the first multinational company, and the first Dutch East India Company [found in 1602] were established.

Modern Globalization

The 19th century witnessed the advent of globalization approaching its modern form. Between the globalization in the 19th and in he

20th century there are significant differences. There are two main points one is the global trade in his centuries as well as the capital, investment and the economy and another one is the global trade in the 20th century shows a higher share of trade in merchant production, a growth of the trade in services and the rise of production and trade by multinational firms.

2.3 Trade and Traders in South India historical perspective

Southern Indian trade guilds were formed by merchants in order to organize and expand their trading activities. Trade guilds become channels through which Indian culture was exported to other lands.

Early Traders

In the year 1053 AD (CE) the Kalinga traders (Modern Odisha) brought red colored stone decorative objects for trade and also cotton textile to Southeast Asia at an early date.

European Traders

This was due to the trading activities of the various European companies which came to India during this period. The discovery of a new all-sea route from Europe to India Via cape of Good Hope by Vasco do Gama had for reaching repercussions on the civilized world.

The Portuguese

The Portuguese under the leadership of Vasco da Gama landed at Calicut on May, 1498. Profits of goods brought by Vasco do Gama to Portugal were to 60 times cost of the entire expedition to India. The second trip of Vasco da Gama in 1502 led to the establishment of trading station at Calicut Cochin and Cannanore. Cochin was the early capital of the Portuguese in India.

The Dutch

Dutch undertook several voyages from 1596 and formed the Dutch East India company (VOC) I 1602. In 1605, Admiral van der Hagen established Dutch Factory at Masulipatnam and Pettapoli (Nizamapatanam), Devanampatinam. In 1610, upon negotiating with the king of Chandragiri, found another factory at Pulicut. Other commodities exported by the Dutch were indigo, and Bengal raw silk. Pulicut was the headquarters of the Dutch in India.

The British

On 31st December, 1600, Queen Elizabeth granted charter to The East India Company. On the south-eastern coast, the English established at Masulipatnam in 1611 and near Pulical in 1626. The Sultan of Golconda granted the English the “Golden Fireman” in 1632 by which they were allowed to trade freely in their “Kingdom Ports”. In 1639, built a fortified factory in Madras which known as Fort St. George, which soon displaced Masulipatnam as headquarters of the English settlement on the coromandel coast.

The Danes

The Danes formed an East India company and arrive in India in 1616. The Danish

settlements were established at Tranguebar (in Tamil nadu) in 1620 which was the headquarters of Danes in India. They failed to strengthen themselves, in India and in 1845 were forced to sell all their India settlements to the British.

The French

The first French factory in India was established in 1668 by obtaining permission from the Sultan of Golconda. In 1693, the Dutch captured Pondicherry but was handed back to the French. In 1701, Pondicherry was the headquarters of the French.

2.4 Globalization in India

In India the period after 1980-81 was marked by severe balance of payment difficulties mainly due to hike in oil price and Gulf war in 1990-91 and hostilities in West Asia.

When the new government took over in June 1991. India had unprecedented balance of payment crisis.

With the downgrading of India’s credit rating by some international agencies, there was heavy flight of capital out of India.

Since India lost its credit worthiness in the international market, the government mortgaged 40 tons of gold to the Bank of England. Under these circumstances, the government for 1991-92 presented its budget in July 1991 with a series of policy changes which underlined globalization, liberalization and privatization. This has come to be called as India’s new economic policy. This policies were strengthened when India signed the Dunkel Draft in 1994.

Reforms made to adopt Globalization:- (New Economic policy in India)

1. Abolition of Industrial licensing, except for a few industries.
2. Reduction in the number of industries reserved for public sector.
3. Fixation of a realistic exchange rate of rupee to exchange exports of Indian goods.

4. Foreign private sector by making rupee convertible on trade, on current account and by reducing import duties.
5. Foreign exchanges regulations were suitably amended
6. The Statutory Liquidity Ratio (SLR) was reduced to increase lending by RBI.

2.5 Multi National Corporation (MNC)

Multi National Corporation is a Corporate organization which owns or controls production of goods or services in at least one country other than its home country.



Evolution of MNC

Like, the East India Company, which came to India as a trading company and then its net throughout the country to become politically dominant, these multinationals first start their activities in extractive industries or control raw materials in the host countries during 1920s and then slowly entered. In to the manufacturing and service sectors after 1950s. Most of the MNC's at present belong to the four major exporting countries viz., USA, UK, France, Germany. However, the largest is American. 11 of the 15 largest multinationals are Americans.

Growth of MNCs in India

A common form of MNC Participation in Indian industry is through entering into cooperation with Indian industrialist. Trends



MNC Company

of liberalization in the 1980s gave a substantial spurt to foreign collaborations. This would be clear from the fact that of the total 12,760 foreign collaboration agreements signed between 1948-1988. As a result of liberalized foreign investment policy (FIP) announced in July-Aug 1991 there has a further spurt of foreign collaborations and increase flow of foreign direct investment.

Reasons for the growth MNC

1. Expansion of Market territory.

As the operations of large sized firm expand, it seeks more and more extension of its activates beyond the physical boundaries of the country in which it is in corporate.

2. Marketing superiorities:

A multinational firm enjoys a number of marketing superiorities over the national firms. It enjoys market reputation and faces less difficulty in selling its products and it adopt more effective advertising and sales promotion techniques.

3. Financial Superiorities

It has financial resources and high level of funds utilization. It has easier access of external capital markets. Because of its international reputation it is able to raise more international resources.

Top 10 Largest Multinational Companies in India 2018	
Sony Corporation	Nettle
Hew left Packard (HP)	Procter & Gamble
Tata Group	City Group
Microsoft Corporation	Pepsi Company
IBM	The Coca-Cola Company

4. Technological superiorities:

The main reason why MNCs have been encouraged by the underdeveloped countries to participate in their industrial development is on account of the technological superiorities which

Indian Multi National Companies			
Company	Headquarter	Type of Industry	Countries of operating
Hero Motocorp	New Delhi	Automobile	Columbia, Bangladesh, Africa
Bajaj	Pune	Automobile	United Arab Emirates(UAE), Bangladesh
TVS	Chennai	Automobile	Brazil,Chile,Colombia, Mexico,Peru
State Bank of India	Mumbai	Banking	Australia,Bangladesh, Belgium
Bharti Airtel	New Delhi	Communication	South Asia, Africa

these firms possess as compared to national companies.

5. Product innovations:

MNCs have research and development engaged in the task of developing new products and superior designs of existing products.

Advantages of MNC

1. Producing the same quality of goods at lower cost and without transaction cost
2. MNC reduce prices and increase the Purchasing power of consumers world wide
3. A MNC is able to take advantage of tax variation.
4. Spurring job growth in the local economies

Disadvantages of MNC

1. They are a way for the corporations to develop a monopoly (for certain products)
2. They are also a detrimental effect on the environment.
3. The introduction of MNC in to a host country's economy may also lead to the downfall of smaller, local business.
4. MNC breach ethical standards, accusing them of evading ethical laws and leveraging their business agenda with capital.

2.6 Fair Trade Practices and World Trade Organization

Fair Trade is a way of doing business that ultimately aims to keep small farmers an active part of the world market place, and aims to empower consumer to make purchases that support their values.

- Raising and stabilizing the incomes of small-Scale farmers, farm workers and artisans.
- More equitably distributing the economic gains, opportunities and risks associated with the production and sale of these goods.
- Increasing the organizational and commercial capacities of producer groups.
- Promoting labor rights and the right workers to organize.
- Promoting safe and sustainable farming methods and working conditions.

Fair trade is about better prices, decent working conditions and fair terms of trade for farmers and workers.

Principles of Fair trade Organization

- Creating Opportunities for Economically Disadvantaged producers.
- Transparency and Accountability .

FERA (Foreign Exchange Regulation Act 1974)

This Act referred directly to the operations of MNCs in India

FEMA (Foreign Exchange Management Act 1999)

Under FEMA the emphasis is on 'Management' rather than 'regulation'

- Fair Trading Practices and Payment of a Fair Price.
- Ensuring no child Labour and Forced Labour.
- Commitment to Non Discrimination, Gender Equity and freedom of association.
- Providing Capacity Building and Promoting Fair Building.
- Respect for the Environment.

GATT: (General Agreement on Trade and Tariffs)

GATT was signed by 23 countries in 1947. India was one of the founder members of GATT. The Director General of GATT, Arthur Dunkel, came up with a Draft Final Act, known as Dunke Draft was approved and signed. GATT's primary purpose was to increase International Trade by reducing various tariffs, quotas and subsidies while maintaining meaningful regulations.

Rounds of GATT

- First in Geneva (Switzerland) (1947)
- Second in Annecy (France) in 1949
- Third in Torquay (UK) in 1950 – 51
- Fourth, fifth, and Sixth in Geneva (Switzerland) in 1956, 1960-61, 1964 -67.
- Seventh in Tokyo (Japan) in 1973 – 79
- Eighth and final round at Punta del Este (Uruguay) in 1986 – 1994, known as 'Uruguay Round'.

World Trade Organization (WTO)

The signing of the Final Act of the Uruguay Round by member nations of GATT in April 1994 paved the way for setting up of the WTO. An agreement to this effect was signed by 104 members. The WTO Agreement came into force from January 1, 1995.

World Trade Organization(WTO):

Head Quarter: Geneva, Switzerland

Purpose: Regulation, International trade

Members of WTO: Director General, Four Deputy Director General, and other 600 Official Staff from around 80 member countries.



World Trade Organization(WTO)

Objectives of W.T.O

- To set and enforce rules for international trade.
- To provide a forum for negotiating and monitoring further trade liberalization.
- To resolve trade disputes.
- Introduction at the sustainable development and environment can go together.
- To ensure that developing countries, secure a better share of growth in world Trade.
- To resolve trade disputes.
- To increase the transparency of decision making processes.
- Introduction sustainable development the development and environment can go together.
- To ensure full employment and broad increase in effective demand.

Trade Related aspects of Intellectual Property Rights (TRIPs)

Intellectual Property Rights may be defined as "Information with a commercial Value" Under TRIPs Patent shall be available for any invention whether product or process in all fields of industrial technologies. TRIPs agreement covers seven areas of intellectual's property rights.

2.7 Impact and Challenges of Globalization

Positive Impact

- A better economy introduces rapid development of the capital market.
- Standard of living has increased.

- Globalization rapidly increase better trade so that more people are employed.
- Introduced new technologies and new scientific research patterns.
- Globalization increasing the GDP of a country.
- It helps to increase in free flow of goods and also to increase Foreign Direct Investment.

Negative Impact

- Too much flow of capital amongst countries, introduces unfair and immoral distributors of Income.
- Another fear is losing national integrity. Because of too much exchange of trade, independent domestic policies are lost.
- Rapid growth of the economy has required a major infrastructure and resource extraction. This increases negative ecological and Social costs.

- Rapidly increases in exploitation of natural resources to earn foreign exchange.
- Environmental standards and regulations have been relaxed.

Challenges of Globalization

- The benefits of globalization extend to all countries that will not happen automatically.
- The fear that globalization leads to instability in the developing world.
- The industrial world that increased global competition will lead in race to the bottom in wages, labour right, and employment practice.
- It leads to global imbalance.
- Globalization has led to an increase in activities such as child labor and slavery.
- People started consuming more junk food. This caused, the degradation of health and spread of diseases.
- Globalization has led to environmental degradation.

SUMMARY

- Globalization is the integration of country with the world economy.
- The three stages of Globalization : • Archaic Globalization • Proto Globalization • Modern Globalization.
- LPG – Liberalization, Privatization, and Globalization
- Multi National Company is a corporate organization which owns or control production of goods and services in at least one country to other than its home country.
- MNC otherwise called Transnational Company(TNC) and Multinational Enterprises(MNE).
- GATT was signed by 23 countries in 1947. India was one of the founder members of GATT.

A-Z GLOSSARY

globalization	the process by which businesses or other organizations develop international influence or start operating on an international scale.	உலகமயமாக்கல்
archaic	of an early period of art or culture, especially the 7th–6th centuries BC in Greece.	தொன்மையான
evolution	the gradual development of something	பரிணாம வளர்ச்சி
mortgaged	expose to future risk or constraint for the sake of immediate advantage.	அடமானம் வைக்கப்பட்ட
spurt	cause to gush out suddenly.	திடீர்
detrimental	tending to cause harm	சீரழிவான
thriving	prosperous and growing; flourishing.	வெற்றிகரமான



EVALUATION



I Choose the correct answer

- Who is the head of the World Trade Organisation (WTO)
 - Ministerial conference
 - Director General
 - Deputy Director General
 - None of these
- Colonial advent in India
 - Portuguese, Dutch, English, Danish, French
 - Dutch, English, Danish, French
 - Portuguese, Danish, Dutch, French, English
 - Danish, Portuguese, French, English, Dutch
- GATT's first round held in
 - Tokyo
 - Uruguay
 - Torquay
 - Geneva
- India signed the Dunket proposal in
 - 1984
 - 1976
 - 1950
 - 1994
- who granted the English "golden Fireman" in 1632
 - Jahangir
 - Sultan of Golconda
 - Akbar
 - Aurangzeb
- Foreign Investment policy (FIP) announced in
 - June 1991
 - July 1991
 - July- Aug-1991
 - Aug 1991
- Indian government was introduced _____ in 1991
 - Globalization
 - World Trade Organisation
 - New Economic Policy
 - none

II Fill in the Blanks

- A better economy introduce rapid development of the _____.
- WTO agreement came into force from _____.
- The term globalization invented by _____.

III Match the following

- | | | |
|-------------------------------------|---|-----------------------------|
| 1. Multination corporation in India | - | 1947 |
| 2. MNC | - | enforce international trade |
| 3. GATT | - | Minimize cost of production |
| 4. 8th Uruguay Round | - | Infosis |
| 5. WTO | - | 1986 |

IV Give Short Answers

- What is globalization?
- Write the types of globalization.
- Write short note on Multinational corporation.
- What are the reforms made to adopt globalization?
- What is Fair trade ?
- Write any two principles of Fair Trade Practices.
- Write short note on TRIPs and TRIMs.
- Write any two positive impact of Globalization.

V Brief Answer

- Briefly explain the advantages and disadvantages of MNC.
- Write about the World Trade Organisation.
- Write the challenges of Globalization.

VI Activity and Projects

- Teacher and students are discuss about the globalization.
- Students are collect the images regarded to the globalization and make the album. (south Indian trade and traders images, and silk route map, spice route map, and kalinga trade map, etc)
- Students are collect the picture of various Multinational corporation companies in India and its products pictures.



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Unit - 3

Food Security and Nutrition



Learning Objectives

- To study about the meaning, definition of food security
- To know about the availability and access to food grains
- To understand about the purchasing power and agricultural policy
- To gain knowledge about the multi-dimensional nature of poverty
- To study about nutrition and health status and policies in Tamil Nadu



Introduction

Food is defined as any substance that people eat and drink to maintain life and growth. Food security would denote a person's ability to eat enough, stay active and lead a healthy life.

3.1 Food Security

The United Nation's Food and Agriculture Organisation defines food security as follows:

“Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life.” (FAO, 2009)

While this comprehensive definition highlights the need for food to be nutritious, in addition to that there are certain other aspects that are required to achieve nutrition security. According to eminent agricultural scientist Dr.M.S.Swaminathan, nutrition security is:

“physical, economic and social access to a balanced diet, safe drinking water, environmental hygiene, primary health care and primary education”.

Basic components of food and nutrition security

The three basic components of food and nutrition security. They are availability, access and absorption:

1. **Availability of food** is physical availability of food stocks in desired quantities, which is a function of domestic production, changes in stocks and imports;
2. **Access to food** is primarily a matter of purchasing power and is therefore closely linked with the capabilities and employment opportunities to earn. Capabilities and opportunities in turn are related to one's access to assets and education.
3. **Absorption** of food is the ability to biologically utilise the food consumed.

3.2 Availability and Access to Food Grains

Thus food security for people in a country is not only dependent on the quantum of food available but also on the ability of people to purchase/access food and to stay in appropriate healthy environment. Just as other developmental issues, food security of people is also related to a country's overall development process. After Independence, India chose to adopt a planned developmental model.



Food Grains

After an initial focus on agriculture, industrialisation was given priority. The recurrent droughts experienced by India pushed her to be dependent on imports of food grains. However, the available foreign exchange reserve could not permit open market purchases and import of grains. India had to plead for food grains from richer countries at concessional rates. United States of America extended assistance through its Public Law 480 (PL 480) scheme to India during early 1960s.

A growing country with a massive population was perceived to be a potential candidate for revolution. The American administration and philanthropic organisations like Ford Foundation formulated a plan to increase food production in the country by introducing High Yielding Varieties (HYV) of wheat and rice. This programme was implemented in select districts where irrigation was assured. The results were promising and the programme was extended to cover a larger number of districts.

Thus, Green Revolution was born in the country paving way for self-sufficiency in food

grain production. Increased food grain production was made possible by an increase area cultivated with HYV of rice and wheat as also an increase in the yield of these major cereal crops. Area under food grains was a little more than 98 million hectares during early 1950s. The country was producing just 54 million tonnes of food grains then with an average yield of food grains of 547 kg per hectare. The food situation has steadily improved over a period of 65 years. Area under foodgrain cultivation has grown to 122 million hectares, with an increase of five-fold increase in food grain production. Yield of food grains has increased four-fold between the time of independence and at present.

This growth in food grain production was made possible by the HYV programme, which was implemented as a package. Apart from introducing fertiliser-responsive high-yielding varieties of rice and wheat, it ensured the availability of subsidised chemical fertilisers for the farmers. Cheaper farm credit was disbursed to farmers through co-operative banks and societies. Minimum support price (MSP) for the crops were announced at the beginning of the season and the state procured the harvested grains through the Food Corporation of India (FCI). The FCI had built huge storage godowns and built buffer stocks of food grain during the harvest season to be distributed all through the year.



Minimum Support Price

Minimum Support Price is a price fixed by an expert group for a particular crop by considering various costs involved in the cultivation of that crop. After announcing the MSP, the State will open procurement centres in places where these crops are widely grown. However, the farmers are free to sell in the open market if they get a better price for their crop produce. On the other hand, if the open market price is lower than the MSP, the farmers would get an assured price (the MSP) by selling their produce to the FCI.

The rapid increase in food grain production was accompanied by appropriate technological interventions in the dairy, poultry and fisheries sectors. As a result, the milk production in the country witnessed an eight-fold increase, egg production grew 40-fold and fish production by 13-fold between the time of Independence and mid-2000s. However, India could not succeed in attaining self-sufficiency in the production of pulses and oil seeds. Therefore, India depends on imports to meet the requirements of people.

Public Distribution System

Tamil Nadu has adopted an 'Universal' PDS, the rest of the states in India had a 'Targeted' PDS. Under universal PDS all the family ration card holders are entitled to the supplies from PDS. In the targeted PDS, the beneficiaries are identified based on certain criteria and given their entitlements, leaving out the rest. Both the Union and the State governments subsidised the supplies distributed through PDS. The level and quantum of subsidy also varied across states.



Public Distribution System

Subsequently, the National Food Security Act (NFSA) was passed by the Indian parliament in 2013. The NFSA covers 50% of urban households and 75% of the rural households. These households are known as priority households identified based on a set of criteria. Priority households of this country now have the right to food supply through PDS. The Union government supplies rice at the rate of ₹ 3 per kg, wheat at the rate of ₹ 2 per kg, and millets at the rate of ₹ 1 per kg under NFSA. Tamil Nadu

continues to have the universal system of PDS and supplies rice at free of cost to all card holders.

National Food Security Act in Tamil Nadu

On 1 November 2016, National Food Security Act was implemented in Tamil Nadu after holding out for three years.

Role of Consumer Cooperatives in Food Security

Consumer cooperatives play an important role in the supply of quality goods at responsible rates to common people. There is a three-tier structure of consumer cooperative societies in India. They are primary consumer cooperative societies, Central consumer cooperative stores and state level consumer federations. More than 50,000 village level societies are engaged in the distribution of consumer goods in rural areas. This scheme is playing an important role in food security in India. For example out of all fair price shops running in Tamil Nadu, around 94% are being run by cooperatives.

Buffer Stock

Buffer stock is the stock of food grains, namely wheat and rice, procured by the government through the Food Corporation of



Buffer Stock

India (FCI). The FCI purchases wheat and rice from the farmers in states where there is surplus production. The farmers are paid a pre-announced price for their crops. This price is called Minimum Support Price (MSP). The MSP is declared by the government every year before the sowing season to provide incentives to farmers for raising the production of these crops. The purchased foodgrains are stored in granaries.

Buffer stock is done to distribute foodgrains in the deficit areas and among the poorer strata of the society at a price lower than the market price also known as the Issue Price. This also helps resolve the problem of shortage of food during adverse weather conditions or during the periods of calamity.

3.3 Purchasing Power

Purchasing power is the value of a currency expressed in terms of the amount of goods or services that one unit of money can buy. Price increases purchasing power declines and vice versa.

Factors affecting Purchasing Power

1. Over population

The population growth rate in India is high as 1.7 per 1000. Large population leads to increasing demand, but supply was not equal to the demand. So, the normal price level will be going an higher. So it affect purchasing power, especially in rural population.

2. Increasing prices of essential goods

Even though there has been a constant growth in the GDP and growth opportunities in the Indian economy, there have been steady increase in the prices of essential goods. The continuous rise in the prices erodes the purchasing power and adversely affect the poor people.

3. Demand for goods

When demand for goods increases, the price of goods increases then the purchasing power is affected.

4. Price of goods affect the value of currency

When the price increases the purchasing power decreases and finally the value of currency decreases.

5. Production and supply of goods

The production and supply of goods decline, the price of goods increases, then the purchasing power is affected.

6. Poverty and inequality

There exists a huge economic disparity in the Indian economy. The proportion of income and assets owned by top 10% of Indian goes on increasing. This has led to an increase in the poverty level in the society. Generally purchasing power is affected by poverty and unequal distribution of wealth also.

Purchasing Power Parity (PPP)

A concept related to purchasing power is purchasing price parity (PPP). PPP is an economic theory that estimates the amount that needs to be adjusted to the price of an item.

PPP can be used to compare countries income levels and other relevant economic data concerning the cost of living, or possible rates of inflation and deflation. Recently, India became the third largest economy in terms of PPP. China became the largest economy, pushing the US to the second position.



3.4 Agricultural Policy in India

The new agricultural policy based on export of agricultural goods was announced by the Central Government in 2018. This policy states that the government has decided to remove export restrictions on most organic and processed agricultural products.

Agricultural policy of a country is mostly designed by the Government for raising agricultural production and productivity and also for raising the level of income and standard of living of farmers within a definite time frame. This policy is formulated for allround and comprehensive development of the agricultural sector.

The following are some of the important objectives of india's agricultural policy

1. Raising the productivity of inputs

One of the important objectives of India's agricultural policy is to improve the productivity of inputs so purchased like, HYV seeds, fertilisers, pesticides, irrigation projects etc.

2. Raising value-added per hectare

Agricultural policy is to increase per hectare value-added by raising the productivity of agriculture in general and productivity of small and marginal holding in particular.

3. Protecting the interests of poor farmers

Agricultural policy is proposed to protect the interests of poor and marginal farmers by abolishing intermediaries through land reforms, expanding institutional credit support to poor farmers etc.

4. Modernising agricultural sector

Here the policy support includes the introduction of modern technology in agricultural operations and application of improved agricultural inputs like HYV seeds, fertilizers etc.

5. Environmental degradation

Agricultural policy of India has set another objective to check environmental degradation of natural base of Indian agriculture.

6. Removing bureaucratic obstacles

The policy has set another objective to remove bureaucratic obstacles on the farmers' co-operative societies and self-help institutions so that they can work independently.

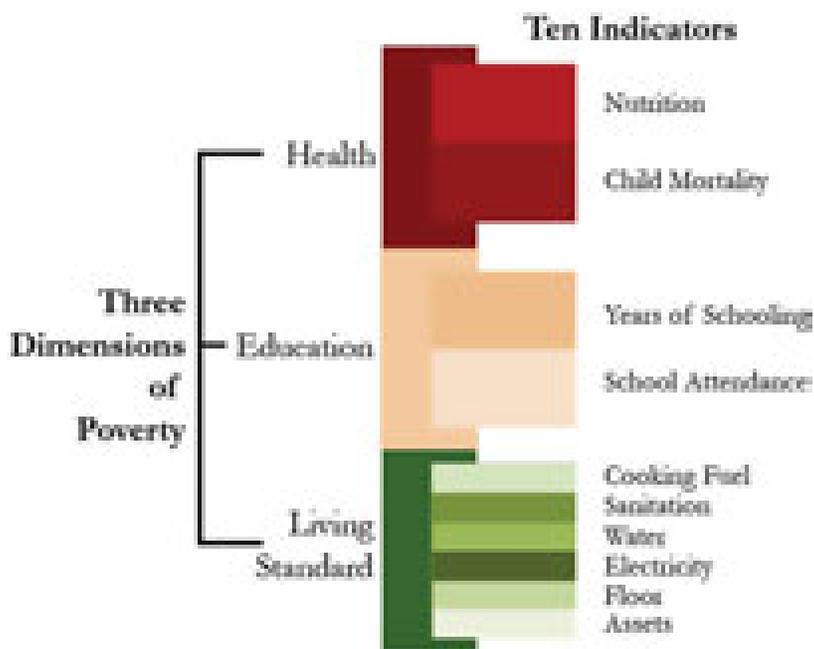
3.5 Multi-dimensional Nature of Poverty

The Multi-dimensional Poverty Index (MPI) was launched by the United Nations Development Programme (UNDP) and the Oxford Poverty Human Development Initiative (OPHI) in 2010. The basic philosophy and significance of MPI is that it is based on the idea that poverty is not unidimensional, and that it is rather multi-dimensional.

Multi-dimensional poverty is made up of several factors that constitute poor people's experience of deprivation such as health, education, living standards, income, disempowerment, quality of work and threat from violence.

Multi-dimensional Poverty Index 2018 Report in Tamil Nadu

Over the last decades, Tamil Nadu has made a significant progress in poverty reduction. The districts in Tamil Nadu are classified into three categories, namely high-poverty districts (more than 40% of the population living below poverty



Multi-Dimensional Poverty Index

line), moderately poor districts (30% to 40%) and low level poverty districts (below 30%).

After 1994, poverty has declined steadily in both rural and urban areas of Tamil Nadu and the state has a smaller share of India's poor relative to its population. After 2005, the poverty reduction in this state has been faster than in many other states in India. Tamil Nadu leads in the poverty alleviation programmes during 2014–2017. Government of India is implementing many policies and programmes to eradicate poverty.

These policies and programmes, if continued, will completely eradicate the poverty in the state. In future, Tamil Nadu can become a model of development in india.

Top and Bottom MPI districts in Tamil Nadu

Top 5 Districts	Bottom 5 Districts
Kancheepuram	Dharmapuri
Chennai	Perambalur
Cuddalore	Ramanathapuram
Coimbatore	Virudhunagar
Nagapattinam	Ariyalur

3.6 Nutrition and Health Status

Status of Nutrition

We noted earlier that food security includes nutrition security too. Though our country has reached self-sufficiency in food production, the nutrition status of the population has not seen corresponding levels of improvement. In 2015–16, 27% of the rural women and 16% of the urban women (in the age group of 15–49 years) were counted as undernourished or chronically energy deficient by the National Family Health Survey.



Underweight Child

More than half of the women in the reproductive age group (15–49 years) in both rural and urban India were anaemic in 2015–16. As regards children, about 60% of the rural and 56% of the urban children (in the age group of 6–59 months) are counted to be anaemic, in 2015–16. About 41% of the rural and 31% of urban children are stunted, that is, they are not of the required height in correspondence to their age. Another indicator of nutrition deficiency among children is “underweight”, which is weight in relation to age. In India, in 2015–16, about 20% of children (in the age group of 6–59 months) in rural and urban India are estimated to be underweight.

Nutrition and Health Status in Tamil Nadu

Nutrition plays a crucial role in human health and well-being. At the national level, despite higher economic growth, improvements in human development indicators like nutrition levels of the population have been unacceptably slow. A large number of Indian children are stunted. A substantial number of Indian children and women are underweight, anaemic and suffer from micronutrient deficiencies. To address these concerns, the Central and state governments have been channelling substantial resources into various health and nutrition schemes and programmes like Integrated Child Development Services (ICDS), mid-day meals, Reproductive and Child Health Programmes (RCH) and National Rural Health Mission (NRHM). However, an effective scaling up of these efforts is required to mitigate the incidence of under-nutrition in the country.

Tamil Nadu has played a pioneering role in bringing about significant changes in the health and nutrition status of children under six years of age, pregnant women, lactating mothers and adolescent girls. The Government of Tamil Nadu's successive budget outlays for nutrition and health are the highest in the country. The performance of the ICDS scheme and the Puratchi Thalaivar MGR Nutritious Meal Programme (PTMGRNMP) in Tamil Nadu are considered one of the best in the country.

The Government of Tamil Nadu's policy for "A Malnutrition Free Tamil Nadu" guides the state's long-term multi-sectoral strategy for eliminating malnutrition. The goal is "reducing human malnutrition of all types to the levels of best performing countries". In Tamil Nadu, ICDS is being implemented through 54,439 Child Centres (comprising 49,499 Anganwadi Centres and 4,940 Mini Anganwadi Centres) in 434 Child Development Blocks (385 rural, 47 urban and 2 tribal).

With steady expansion into unreached areas, increasing coverage of marginalised groups, enhanced allocations and enlarged scope of services, ICDS is now considered to be one of the world's largest programmes of its kind.

The PTMGRNMP is considered to be the largest noon meal programme in the country for combating malnutrition among

children, increasing primary school enrolment and reducing dropout rates. Other states in the country have modelled their noon meal programmes along the lines of Tamil Nadu's pioneering efforts.



ICDS Scheme

Important ongoing Schemes in Tamil Nadu

1. Under Dr. Muthulakshmi Reddy Maternity Benefit Scheme, financial assistance to the tune of ₹ 12,000 is being disbursed to poor pregnant women.
2. The Chief Minister's Comprehensive Health Insurance Scheme was launched in the state in 2011-12 with the aim to provide Universal Healthcare to all by providing free medical and surgical treatment.
3. Tamil Nadu Health Systems Projects (TNHSP) has launched ambulance services free of cost (The 108 Emergency Ambulance Service).
4. The School Health Programme emphasises on providing comprehensive healthcare services to all students studying in Government and Government-aided schools.
5. The National Leprosy Eradication programme is being implemented in the state with the aim to detect and to provide sustained regular treatment to all leprosy patients.



School Health Programme

Some Nutrition Programmes in Tamil Nadu

1. Puratchi Thalaivar M.G.R. Nutrition Meal Programme:
2. National Programme of Nutritional Support to Primary Education
3. General ICDS Projects and World Bank Assisted Integrated Child Development Services:
4. Pradhan Manthri Gramodaya Yojana Scheme (PMGYS):
5. Tamil Nadu Integrated Nutrition Programme:
6. Mid-Day Meal Programme:



Mid-Day Meal Programme

SUMMARY

- The term was broadened to include the three basic components of food and nutrition security. They are availability, access and absorption.
- The Green Revolution paved the way for self-sufficiency in food grain production.
- The National Food Security Act (NFSA) was passed by the Indian Parliament in 2013.
- The new agricultural policy based on export agricultural goods was announced by the Central government in 2018.
- Health has an important role in human resources development.

A-Z GLOSSARY

Availability	that which can be used, attainable	அடையத்தகுந்த
Accessibility	right to enter	அணுகுமுறை
Affordability	ability to be afforded	தாங்கும் திறன்
Sufficient	enough	போதுமான
Purchasing power	the financial ability to buy produce	பொருள்கள் வாங்கும் திறன்
Productivity	power of producing	உற்பத்தி செய்யும் ஆற்றல்
Degradation	to reduce to a lower rank	மதிப்புக்கு குறைவு
Unidimensional	having one direction	ஒரு பரிமாணம்
Malnourished	lack of proper nutrition	உட்கட்சத்தின்மை



EXERCISE



PNP4B4

I Choose the correct answer

- _____ of food is physical availability of food stocks in desired quantities, which is a function of domestic production, changes in stocks and imports.
 - Availability of food
 - Access to food
 - Absorption of food
 - none
- Buffer stock is the stock of food grains, namely wheat and rice, procured by the government through the _____.
 - FCI
 - Consumer Cooperatives
 - ICICI
 - IFCI
- Which is correct?
 - HYV–High Yielding Varieties
 - MSP–Minimum Support Price
 - PDS–Public Distribution System
 - FCI–Food Corporation of India
 - i and ii are correct
 - iii and iv are correct
 - ii and iii are correct
 - all are correct
- _____ extended assistance through its Public Law 480.
 - United States of America
 - India
 - Singapore
 - UK

5. _____ revolution was born in India paving way for self sufficiency in food grain production.
 - a) Blue Revolution
 - b) White Revolution
 - c) Green Revolution
 - d) Grey Revolution
6. _____ is the only state in India to adopt universal PDS.
 - a) Kerala
 - b) Andhra Pradesh
 - c) Tamil Nadu
 - d) Karnataka
7. _____ is the process of providing or obtaining the food necessary for health and growth.
 - a) Health
 - b) Nutrition
 - c) Sanitation
 - d) Security

II Fill in the blanks

1. _____ is an important indicator of nutrition deficiency.
2. In the year _____ National Food Security Act was passed by the Indian Parliament.
3. _____ play an important role in the supply of quality goods at responsible rates to common people.

III Match the following

- | | |
|-------------------------------|--|
| 1. Consumer cooperatives | – subsidized rates |
| 2. Public Distribution System | – 2013 |
| 3. UNDP | – least poor region |
| 4. National Food Security Act | – supply of quality goods |
| 5. Kerala | – United Nations Development Programme |

IV Assertion and Reason

1. **Assertion (A):** Purchasing power increases, price decreases and vice versa.
Reason (R): The production of goods decline, the price of goods increases and then the purchasing power is affected.
 - a) A is correct, R is false
 - b) Both A and R are false statements
 - c) A is correct but R is not a correct explanation
 - d) A is correct, R is the correct explanation of A

V Answer in short

1. Define food security according to FAO.
2. What are the basic three components of food and nutrition security?
3. What is the role of FCI in Green Revolution?
4. What are the effects of Green Revolution?
5. Write some name of the nutrition programmes in Tamil Nadu.

VI Answer in detail

1. Elucidate why the Green Revolution was born.
2. Explain Minimum Support Price.
3. Elaborate the Public Distribution System.
4. What are the factors affecting the purchasing power and explain them.
5. What are the main objectives of the new Agricultural Policy?

VII Activity and Project

1. Visit nearby “Uzhavar Sandhai” and collect the information about the functions of market.
2. Collect information about health centre functioning nearby your location.



REFERENCE BOOKS

1. Dr. S. Sankaran, *Indian Economy*, India.
2. Ministry of Agriculture & Farmers Welfare. Annual report 2016–17.
3. Nutrition & Food Security. UN India.
4. *Pratiyogita Darpan*–Indian Economy.
5. Economic Survey 2017–18.
6. *The Gazette of India*–“The National Food Security Act 2013”.



INTERNET RESOURCES

1. www.agricoop.nic.in
2. www.fci.gov.in
3. www.statistics.com



ICT CORNER

Food Security and Nutrition

Steps

- Open the browser and type the URL given below.
- Click on the left side menu to view the policies on food security, procurement data for current marketing season, minimum support price of food grains.
- For example, click on the minimum support price of paddy. You can see the yearwise minimum support price of paddy, wheat and coarsegrain.
- Likewise, you can view regionwise procurement also.

Website URL:

<http://fci.gov.in/procurements.php?view=51>



Unit - 4

Government and Taxes


 Learning Objectives

- To understand the role of the government and development policies
- To gain knowledge about tax and its types
- To study how is tax levied
- To gain insight into black money and tax evasion
- To know the difference between the tax and other payments
- To understand the taxes and its development



Introduction

Tax is levied by government for the development of the state's economy. The revenue of the government depends upon direct and indirect taxes. Direct taxes are levied on income of the persons and the indirect taxes are levied on goods and services by which the government mobilises its "financial resources".

4.1 Role of Government in Development Policies

1. **Defence:** This is an essential security function to protect our nation from our enemies. The Union government is responsible for creating and maintaining defence forces.
2. **Foreign policy:** In today's world, we need to maintain friendly relationships with all the other countries in the world. We should also maintain cordial economic relationships through exports and imports, sending and receiving investments and labour. This service is also provided by the Union government.
3. **Conduct of periodic elections:** India is a democratic country. We elect our representatives to Parliament and state assemblies. Similarly the state governments conduct elections to local bodies within the state.
4. **Law and order:** Both the Union and state governments enact numerous laws to protect our rights, properties and to regulate our economy and society. To settle disputes, the Union government has a vibrant judicial system. State governments take the responsibility for administering the police force in respective states.
5. **Public administration and provision of public goods:** The government generally administers the economy and society through various departments, for example, revenue department, schools, hospitals, rural development and urban development. The local governments provide public goods like local roads, drainage, drinking water and waste collection and disposal.

6. **Redistribution of income and poverty alleviation:** Governments collect various taxes to finance the various activities mentioned earlier. The taxes are collected in a way that the high-income people can bring in more tax revenue to the government than the poor. The governments also spend money such that the poor are given some basic necessities of life like food, shelter, clothing education, health care and monthly income to the very poor persons. Thus collecting taxes and spending for the poor to reduce poverty.
7. **Regulate the economy:** The Union government, through the Reserve Bank of India, controls money supply and controls the interest rate, inflation and foreign exchange rate. The main objective is to remove too much of fluctuation in these rates. The Union Government also controls the economy through various other agencies such as Securities Exchange Board of India and Competition Commission of India. All the governments in India run public sector enterprises to provide

important goods and services at affordable rates to the people.

4.2 Tax

The origin of the word "tax" is from "taxation," which means an estimate.



Taxation is a means by which governments finance their expenditure by imposing charges on citizens and corporate entities. The main purpose of taxation is to accumulate funds for the functioning of the government machinery. Tax has come into forefront on account of the new concept of "welfare state".

Taxes are compulsory payments to government without expectation of direct return (or) benefit to the tax payer. Prof. Seligman also defined a tax as "a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all, without reference to special benefits conferred."

Tax system

Every type of tax has some advantages and some disadvantages. So we have a tax system, that is, a collection of variety of taxes. From Adam Smith, many economists have given lists of canons of taxation. It is important to recall those common among them for discussion here.

1. Canon of equity

Since tax is a compulsory payment, all economists agree that equity is the cardinal principle in designing the tax system. The rich should pay more tax revenue to government than the poor, because rich has more ability than the poor to pay the tax.

2. Canon of Certainty

Government should announce in advance the tax system so that every tax payer will be able to calculate how much tax amount one may have to pay during a year to the government.

3. Canons of Economy and Convenience

If the tax is simple, then the cost of collecting taxes (tax payer cost + tax collector cost) will be very low. Further, tax should be collected from a person at the time he gets enough money to pay the tax. This is called canon of convenience. A convenient tax reduces the cost of collecting tax.

4. Canons of Productivity and Elasticity

Government should choose the taxes that can get enough tax revenue to it. It should choose a few taxes that can fetch more tax revenue, instead of lots of taxes. This is canon of productivity. Tax is paid by the people out their incomes. Therefore the tax system should be designed in such a way that the people automatically pay more tax revenue if their incomes grow. This is called canon of elasticity.

Why Taxes?

States and their functional equivalents throughout history have used money provided by taxation to carry out many functions. Some of these include expenditures on economic infrastructure (transportation, sanitation, public safety, education, healthcare systems, to name a few), military, scientific research, culture and the arts, public works and public insurance and the operation of government itself. A government's ability to raise taxes is called its fiscal capacity.

When expenditures exceed tax revenue, a government accumulates debt. A portion of taxes may be used to service past debts. Governments also use taxes to fund welfare and public services. These services can include education systems, pensions for the elderly, unemployment benefits and public transportation. Energy, water and waste management systems are also common public utilities.



Taxation in India has its roots from the period of *Manu Smriti* and *Arthashastra*. The present Indian tax system is based on this ancient tax system.

4.3 Types of Taxes

Direct Taxes

A tax imposed on an individual or organisation, which is paid directly, is a direct tax. The burden of a direct tax cannot be shifted to others. J.S. Mill defines a direct tax as “one which is demanded from the very persons who it is intended or desired should pay it.” Some direct taxes are income tax, wealth tax and corporation tax.



In India, Income Tax was introduced for the first time in 1860 by Sir James Wilson in order to meet the losses sustained by the Government on account of the Mutiny of 1857.

Income tax

Income tax is the most common and most important tax levied on an individual in India. It is charged directly based on the income of a person. The rate at which it is charged varies, depending on the level of income.

Students are asked to search a Income Tax website and know the Income Tax slab for current year.

Corporate tax

This tax is levied on companies that exist as separate entities from their shareholders. It is charged on royalties, interest gains from sale of capital assets located in India and fees for a technical services and dividends.

Foreign companies are taxed on income that it arises in India.

Income	For Indian Companies	For Foreign Companies
Less than ₹ 50 crore	25%	40%
More than ₹ 50 crore	30%	40%

Wealth tax

Wealth tax is charged on the benefits derived from property ownership. The same property will be taxed every year on its current market value. The tax is levied on the individuals and companies alike.

In India taxes are collected by all the three tiers of government. There are taxes that can be easily collected by the Union government. In India almost all the direct taxes are collected by the Union governments. Taxes on goods and services are collected by both Union and State governments. The taxes on properties are collected by local governments.

In India we collect more tax revenue through indirect taxes than through direct taxes. The major indirect taxes in India are customs duty and GST.

Indirect Taxes

If the burden of the tax can be shifted to others, it is an indirect tax. The impact is on one person while the incidence is on the another person. Therefore, in the case of indirect taxes, the tax payer is not the tax bearer.

Some indirect taxes are stamp duty, entertainment tax, excise duty and goods and service tax (GST).

Stamp duty

Stamp duty is a tax that is paid on official documents like marriage registration or documents related to a property and in some contractual agreements.

Entertainment tax

Entertainment tax is a duty that is charged by the government on any source of entertainment provided. This tax can be charged on movie tickets, tickets to amusement parks, exhibitions and even sports events.

Excise duty

An excise tax is any duty on manufactured goods levied at the movement of manufacture, rather than at sale. Excise is typically imposed in addition to an indirect tax such as a sales tax.

Goods and service tax (GST)

The goods and service tax (GST) is one of the indirect taxes. The GST was passed in Parliament on 29 March 2017. The act came into effect on 1 July 2017. The motto is one nation, one market, one tax.



France was the first country to implement GST in 1954.

4.4 How Are Taxes Levied?

Tax is levied by the government progressively, proportionately as well as regressively.

Progressive tax

Progressive tax rate is one in which the rate of taxation increases (multiplier) as the tax base increases (multiplicand). In the case of a progressive tax, When income increases, the tax rate also increases.

Example:

Tax Base	Tax Rate	Amount of Tax
₹10,000	10%	₹1000
₹20,000	15%	₹3000
₹30,000	25%	₹7500

Proportionate taxes

Tax levied on goods and service in a fixed portion is known as proportionate taxes. All tax payers contribute the same proportion of their incomes.

Example:

Tax Base	Tax Rate	Amount of Tax
₹10,000	10%	₹1000
₹20,000	10%	₹2000
₹30,000	10%	₹3000

Structure of Goods and Service Tax (GST)

State Goods and Service Tax (SGST): Intra state (within the state)

VAT/sales tax, purchase tax, entertainment tax, luxury tax, lottery tax and state surcharge and cesses

Central Goods and Service Tax (CGST): Intra state (within the state)

Central Excise Duty, service tax, countervailing duty, additional duty of customs, surcharge, education and secondary/higher secondary cess

Integrated Goods and Service Tax (IGST): Inter state (integrated GST)

There are four major GST rates: (5%, 12%, 18% and 28%) Almost all the necessities of life like vegetables and food grains are exempted from this tax.

Regressive Taxes

It implies that higher the rate of tax lower the income groups than in the case of higher income groups. It is a very opposite of progressive taxation.

Progressive Tax	Proportional Tax	Regressive Tax
Income increase	Income Increase	Income change
Tax also Increase	Tax Decrease	Same Tax always
E.g. Income Tax	E.g. Corporate Tax	E.g. Sales Tax

4.5 Black Money

Black Money

Black money is funds earned on the black market on which income and other taxes have not been paid. The unaccounted money that is concealed from the tax administrator is called black money.

Causes of Black Money

Several sources of black money are identified as causes.

1. Shortage of goods
2. Licensing proceeding
3. Contribution of the industrial sector
4. Smuggling
5. Tax structure



4.6 Tax Evasion

Tax evasion is the illegal evasion of taxes by individuals, corporations and trusts. Tax evasion activities included

- Underreporting income
- Inflating deductions or expenses
- Hiding money
- Hiding interest in offshore accounts

Tax evasion penalties

- 1 If a person wilfully commits the act of tax evasion, he may face felony charges. Tax

evasion penalties include imprisonment of up to five years and high amount as fines.

- 2 The defendant may also be ordered to pay for the costs of prosecution.
- 3 Tax evasion penalties can be harsh, depending on the severity of the crime.

4.7 Taxes and Development

The role of taxation in developing economies is as follows.

1. **Resource mobilisation:** Taxation enables the government to mobilise a substantial amount of revenue. The tax revenue is generated by imposing direct taxes such as personal income tax and corporate tax and indirect taxes such as customs duty, excise duty, etc.
2. **Reduction inequalities of income:** Taxation follows the principle of equity. The direct taxes are progressive in nature. Also certain indirect taxes, such as taxes on luxury goods, is also progressive in nature.
3. **Social welfare:** Taxation generates social welfare. Social welfare is generated due to higher taxes on certain undesirable products like alcoholic products.
4. **Foreign exchange:** Taxation encourages exports and restricts imports, Generally developing countries and even the developed countries do not impose taxes on export items.
5. **Regional development:** Taxation plays an important role in regional development, Tax incentives such as tax holidays for setting up industries in backward regions, which induces business firms to set up industries in such regions.
6. **Control of inflation:** Taxation can be used as an instrument for controlling inflation. Through taxation the government can control inflation by reducing the tax on the commodities.

Difference between Tax and other Payments

Tax	Payments
Tax is compulsory to the government without getting any direct benefits	Fee is the payment for getting any service
If the element of revenue for general purpose of the state predominates, the levy becomes a tax	While a fee is a payment for a specific benefit privilege although the special to the primary purpose of regulation in public interest.
Tax is a compulsory payment	Fee is a voluntary payment.
If tax is imposed on a person, he has to pay it; otherwise he has to be penalised	On the other hand fee is not paid if the person do not want to get the service
In this case, tax payer does not expect any direct benefit. Example: Income tax, gift box, wealth tax, VAT etc.	Fee payer can get direct benefit for paying fee. Examples: stamp fee, driving license fee, government registration fee

SUMMARY

- Direct Tax is a tax paid directly to the Union government or to state or local governments, such as income tax and property tax.
- Income Tax is a tax paid by individuals and businesses based on earned and unearned income.
- Local Tax is a tax charged by a local government, such as a city or country.

A-Z GLOSSARY

Levied	To impose taxes	வரி (விதிக்கப்பட்ட)
Fluctuation	To change	ஏற்ற இறக்கம்
Defray	Meet the expenses	செலவை ஈடுகட்ட
Proponents	Person who advocates theory	கொள்கை மொழிவோர்
Progressive Tax	Happening or developing gradually or in stages	வளர்வீத வரி
Regressive Tax	Taking a proportionally greater amount from those on lower incomes.	குறைவுவீத வரி
Proportionate Tax	(of a variable quantity) having a constant ratio to another quantity.	ஒரேவீத வரி
Evasion	The action of evading something	ஏய்ப்பு



EXERCISE

I Choose the correct answer

- The three levels of governments in India are
 - Union, state and local
 - Central, state and village
 - Union, municipality and panchayat
 - None of the above
- In India, taxes are including
 - Direct taxes
 - Indirect taxes.
 - Both (a) and (b)
 - None of these
- Which is the role of government and development policies?
 - Defence
 - Foreign policy
 - Regulate the economy
 - all of above



4. The most common and important tax levied on an individual in India is
 - a) Service tax
 - b) Excise duty.
 - c) Income tax
 - d) Central sales tax
5. Under which tax one nation, one uniform tax is ensured
 - a) Value added tax (VAT)
 - b) Income tax
 - c) Goods and service tax
 - d) Sales tax
6. Income tax was introduced in india for the first time in the year _____.
 - a) 1860
 - b) 1870
 - c) 1880
 - d) 1850
7. _____ tax is charged on the benefits derived from property ownership.
 - a) Income tax
 - b) Wealth tax
 - c) Corporate tax
 - d) Excise duty
8. What are identified as causes of black money?
 - a) Shortage of goods
 - b) High tax rate
 - c) Smuggling
 - d) All of above

II Fill in the blanks

1. _____ is levied by government for the development of the state's economy.
2. The origin of the word 'tax' is from the word _____.
3. The burden of the _____ tax cannot be shifted to others.
4. The Goods and Service Tax act came into effect on _____.
5. The unaccounted money that is concealed from the tax administrator is called _____.

III Choose the correct statement

1. Which of the following statement is correct about GST?
 - (i) GST is the 'one point tax'.
 - (ii) This aims to replace all direct taxes levied on goods and services by the Central and State governments.
 - (iii) It will be implemented from 1 July 2017 throughout the country.

- (iv) It will unified the tax structure in India.
 - a) (i) and (ii) are correct
 - b) (ii), (iii) and (iv) are correct
 - c) (i), (iii) and (iv) are correct
 - d) All are correct

IV Match the following

- | | | |
|----------------|---|-----------------|
| 1. Income Tax | - | Value added tax |
| 2. Excise duty | - | 1 July 2017 |
| 3. VAT | - | Smuggling |
| 4. GST | - | Direct tax |
| 5. Black money | - | Indirect tax |

V Give Short Answers

1. Define tax.
2. Why we pay tax to the government?
3. What are the types of tax? Give examples.
4. Write short note on Goods and Service Tax.
5. What is progressive tax?
6. What is meant by black money?
7. What is tax evasion?
8. write any two difference between tax and payments?

VI Brief Answer

1. Explain some direct and indirect taxes.
2. Write the structure of GST.
3. What is black money? Write the causes of black money.

VII Activity and Projects

1. Collect information about the local taxes (water, electricity and house tax etc).
2. Students purchase some goods on the shop. The teacher and students discuss those goods, maximum retail price, purchasing price or GST.



REFERENCE BOOKS

1. Gaurav Aklani, Role of Taxation in Developing Country in India.
2. Sankaran, Fiscal Economics.
3. Dr.U.K. Sudha Nayak, B.P. Tygai, and Dr.H. Girija, Public Finance.



INTERNET RESOURCES

1. World Bank Report in 2018
2. www.GST.in

Unit - 5

Industrial Clusters in Tamil Nadu



Learning Objectives

- To know the historical development of Industrial Clusters in Tamil Nadu
- To know the Tamil Nadu government policies and Industrial development Agencies
- To understand the impact of Government policies
- To know the role of the Entrepreneur



Introduction

Generally, “any human activity which is engaged in the conversion of raw materials into readily usable materials is called an industry”. Industrialisation refers to the process of using modern techniques of production to produce goods that are required by both consumers and other producers on a large scale. In this chapter we will learn the nature of industrialisation of Tamil Nadu, importance of industrial clusters, how industrial clusters have developed in Tamil Nadu and the role of government initiatives in promoting industries.

5.1 Importance of Industrialisation

To understand importance of industries, we need to understand why the share of agriculture in an economy's income and employment decreases with development. First, demand for food remains constant with regard to income. Therefore, as an economy grows and incomes increase, consumers tend to spend a lesser share of their income on products from the agricultural sector.

Second, even the food that is consumed is subject to more transformation. Food products are taken over longer distances, processed and branded. This also requires that food products have to be preserved. As a result, the prices that farmers get tend to be much less compared to the prices at which consumers buy.

Third, there are limits to the ability of agriculture to absorb labour due to the declining marginal productivity of land. Wages too cannot therefore increase and as a result poverty levels may remain high, especially when more and more people continue to rely on agriculture for their livelihood.

Due to all these factors, there is a need for an economy's production and employment base to diversify away from agriculture.

What benefits does industrialisation bring to an economy?

As stated earlier, it is essential to produce inputs to other producers in an economy. Even agriculture requires inputs from industry such as fertilisers and tractors to increase productivity.

Second, a market exists for both producers and consumer goods. Even services like banking, transport and trade are dependent on production of industrial goods.

Third, by using modern methods of production, industries contribute to better productivity and hence lower cost of production of all goods produced. It therefore helps people to buy goods at a cheaper rate and help create demand for more products.

Fourth, through such expansion of production, industrialisation helps to absorb the labour force coming out of agriculture. Employment generation is therefore an important objective of industrialisation.

Fifth, a related advantage of industrialisation is therefore technological change. Through use of modern techniques, industrialisation contributes to learning of such methods and their improvement. As a result labour productivity, ie, output per unit of labour input increases, which can help workers earn higher wages.

Sixth, expanding incomes lead to more demand for goods and services.

5.2 Types of Industries

Industries can be classified on the basis of

(a) **Users:** If the output is consumed by the final consumer, it is called a consumer goods sector. If the output is consumed by another producer, it is called a capital goods sector. There are industries that produce raw materials for other industries such as cement and steel. Such industries are called basic goods industries.

(b) **Type of Inputs Used:** Industries are also classified based on the kind of raw material used such as agro-processing, textiles sector, rubber products, leather goods, etc.

(c) **Ownership:** Firms may be privately owned, publicly owned (by the government, central or state), jointly owned by the private and public sector, joint sector or cooperatively owned (cooperatives).

(d) **Size:** Firms may be large, small or medium based on their volume of output, sales or employment or on the basis of the amount of investments made. There are also micro or tiny enterprises that are smaller than even small firms.

The small sector is seen as important for two reasons. One, it is believed to generate more employment than the large-scale sector, which is likely to use more advanced and automated technologies and therefore may not generate enough employment. Second, the small scale sector allows for a larger number of entrepreneurs to emerge from less privileged backgrounds.

Based on experiences of industrialisation in different parts of the world, it is believed that when small firms specialising in one sector are geographically concentrated in specific locations, and linked to one another through production and learning, they tend to be equally if not more efficient than large scale enterprises. Such agglomerations of small firms are called industrial clusters.

5.3 Industrial Clusters

Industrial clusters are groups of firms in a defined geographic area that share common markets, technologies and skill requirements. The advantages of industrial clusters or districts was first observed by the famous economist Alfred Marshall in the 1920s when he tried to understand the working of clusters of small firms in the metal-working and textile regions in England. While the notion of an 'industrial district' was developed by Marshall, it was only after the success of small firms in Italy in the 1980s that it became popular. Policy-makers in developing countries like India began to promote them actively as they realized that there several such small firm clusters in the country.

The following are the chief characteristics of a successful cluster.

- geographical proximity of small and medium enterprises (SMEs)

- sectoral specialisation
- close inter-firm collaboration
- inter-firm competition based on innovation
- a socio-cultural identity, which facilitates trust
- multi-skilled workforce
- active self-help organisations, and
- supportive regional and municipal governments.

Firms are therefore expected to collaborate and compete with one another at the same time. By collaborating, they can expand their capacity and also learn from one another. Through competition, they are forced to become more efficient.

How Do Clusters Originate?

Clusters may arise due to many factors. Certain clusters evolve over a long time in history when artisans settle in one locality and evolve over centuries. Handloom weaving clusters are one examples of this development. Or else, in some sectors, when a large firm is established, a cluster of firms may emerge to take care of its input and service requirements. At times, governments may decide to encourage manufacturing using raw materials from a region, which may also lead to emergence of clusters.

5.4 Historical Development of Industrialisation in Tamil Nadu

There is lot of evidence for presence of industrial activities such as textiles, ship-building, iron and steel making and pottery in precolonial Tamil Nadu. Given the vast coastline, the region has been involved in trade with both South-East and West Asia for several centuries. Colonial policies also contributed to the decline of the handloom weaving industry due to competition from machine-made imports from England. But some industries also developed during the colonial period.

Industrialisation in the Colonial Period

There are two sets of factors that have contributed to the process. The introduction of cotton cultivation in western and southern Tamil Nadu by the colonial government led to the emergence of a large-scale textile sector in these parts.

Second, increase in trade during this period led to industrial development around two of the most active ports in the region, Chennai and Tuticorin. Match factories too emerged during the colonial period in the Sivakasi region, which later on became a major centre for fireworks production and printing. Port-related activity too contributed to the growth of the region. Leather production was also taking place in Dindigul, Vellore and Ambur areas.

In Western Tamil Nadu, the emergence of textiles industries also led to demand and starting of textile machinery industry in the region. This textile machinery industry in turn led to the rise of a number of small workshops for repair and producers of machinery components. Another major development in the western region is the introduction of electricity from hydro-electric power in 1930s. Availability of electricity allowed for use of oil engines for drawing ground water. This led to both expansion of agriculture as well as increase in demand for oil engines. In turn, it led to emergence of workshops for servicing engines and also for addressing the demand for spare parts. Foundries began to be set up and agricultural machinery began to be produced.

Post-Independence to early 1990s

Soon after independence, several large enterprises were set up by both the central and state governments in different segments such as the Integral Coach Factory in Chennai to make railway coaches and the Bharat Heavy Electricals Limited (BHEL) in Tiruchirapalli manufacture to boilers and turbines. BHEL in turn led to the emergence of an industrial cluster of several small firms catering to its

input requirements. Heavy Vehicles Factory was set up to manufacture tanks in Avadi on the outskirts of Chennai. Standard Motors too started manufacturing cars in Chennai. Ashok Motors (later Ashok Leyland) and Standard Motors together helped form an automobile cluster in the Chennai region. The Avadi industrial estate was established in the 1950s to support the small and medium companies supplying to the large firms in the region. More hydro-electric power projects in the state were also initiated to increase the spread of electrification. The government played a major role in all these processes. The Salem Steel Plant was set up in 1973 to produce stainless steel.

The 1970s and 1980s saw the setting up of emergence of powerloom weaving clusters in the Coimbatore region as well as expansion of cotton knitwear cluster in Tiruppur and home furnishings cluster in Karur. This period also saw more encouragement of the small and medium sector with setting up of industrial estates by the state government in different parts. The Hosur industrial cluster is a successful case of how such policy efforts to promote industrial estates helped to develop industries in a backward region.

Industrialisation in Tamil Nadu – Liberalization Phase

The final phase of industrialisation is the post-reforms period since the early 1990s. The reforms made the state governments more responsible for resource mobilisation and they were forced to compete with each other to attract private investments for industrialisation. Incentives such as cheap land, tax concessions and subsidised but quality power were all offered to woo investors. Trade liberalisation and currency devaluation also helped open up export markets. This led to two major developments.

The important industries in the state that evolved over a much longer period include sugar, fertilizers, cement, agricultural implements, iron and steel, chemicals, transformers and paper.

Because of all these factors, Tamil Nadu at present has the largest number of factories among all states in India and also has the largest share of workforce employed in manufacturing. Importantly, it is more labour intensive compared to other industrially advanced states like Maharashtra and Gujarat. The major industries are automobiles, auto-components, light and heavy engineering, machinery, cotton, textiles, rubber, food products, transport equipment, chemicals, and leather and leather goods. Unlike other states, the industries are spread across all regions of the state (there are 27 clusters in 13 districts) with many of them being export oriented as well. The state has a well-developed network of roads, rail, air and major ports.

5.5 Major Industrial Clusters and Their Specialisation in Tamil Nadu

Automotive Clusters

Chennai is nicknamed as "The Detroit of Asia" because of its large auto industry base. Chennai is home to large number of auto assembly and component making firms. While there were a few domestic firms like TVS, TI Cycles, Ashok Leyland and Standard Motors earlier, in the post-reform period, several MNC firms like Hyundai, Ford, Daimler-Benz and Renault-Nissan have opened factories in the region. This in turn has attracted a number of component suppliers from foreign countries. Many local firms too cater to component production for all these firms.

Hosur is another auto cluster with firms like TVS and Ashok Leyland having their factories there. Coimbatore region is also developing into an auto component cluster.

Truck and Bus Body Building Industry Clusters

The Namakkal-Tiruchengode belt in western Tamil Nadu is known for its truck body building industry. Karur is another major hub with more than 50 units. Many entrepreneurs

were previous employees in a big firm involved in body building who came out to set up their own units.



Textile Clusters

Tamil Nadu is home to the largest textiles sector in the country. Because of the development of cotton textile industry since the colonial period, Coimbatore often referred as the "Manchester of South India". At present, most of the spinning mills have moved around the Coimbatore city. Tamil Nadu is the biggest producer of cotton yarn in the country.

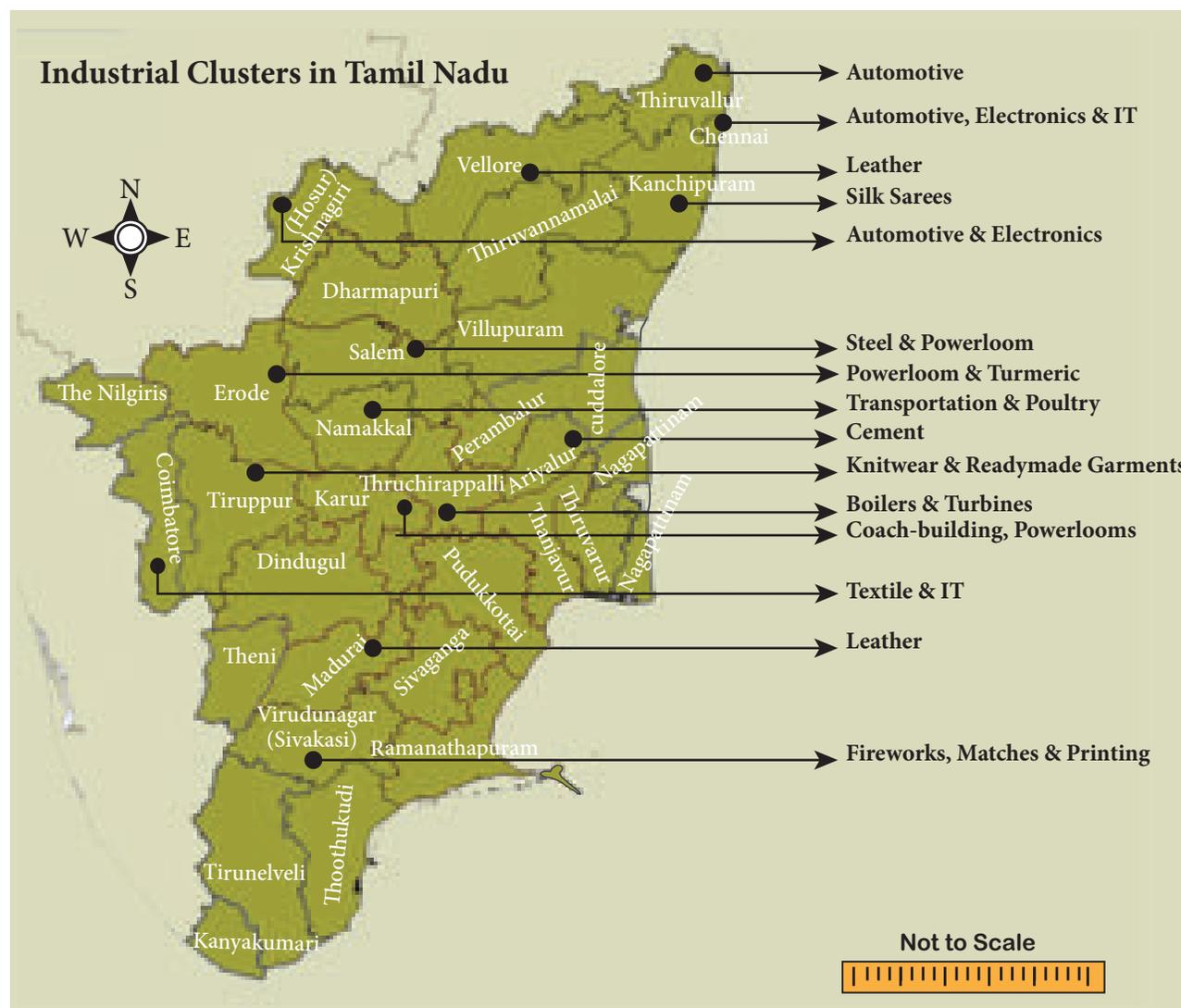
Powerloom is however more widespread with Erode and Salem region too having a large number of power loom units.

Tiruppur is famous for clustering of a large number of firms producing cotton knitwear.



Textile Industry

It accounts for nearly 80% of the country's cotton knitwear exports and generates employment in the range of over three lakh people since the late 1980s. It is also a major producer for the domestic market. Because of its success in the global market, it is seen as one of the most dynamic clusters in the Global South. While initially most firms were run by local entrepreneurs, at present, some of the leading garment exporters in India have set up factories here.¹



Countries in the southern hemisphere are called Global South countries

Apart from body building, Karur is a major centre of exports of home furnishings like table cloth, curtains, bed covers and towels. Bhavani and Kumarapalayam are again major centres of production of carpets, both for the domestic and the global markets.

Apart from such modern clusters, there are also traditional artisanal clusters such as Madurai and Kanchipuram that are famous for silk and cotton handloom sarees.

Leather and Leather Goods Clusters

Tamil Nadu accounts for 60 per cent of leather tanning capacity in India and 38 per cent of all leather footwear, garments and components. Hundreds of leather and tannery facilities are located around Vellore and its nearby towns, such as Ranipet, Ambur and Vaniyambadi. The Vellore district is the top exporter of finished leather goods in the country. Chennai also has a large number of leather product making units involved in exports. There is another clustering of leather processing in Dindigul and Erode. The leather products sector too is a major employment generator.

Fireworks, Matches and Printing Cluster

Sivakasi region, once famous for its match industry has now become a major centre for printing and fireworks in the country. It is believed to contribute to 90% of India's fireworks production, 80% of safety matches and 60% of offset printing solutions. The offset printing industry has a high degree of specialisation among firms with several of them undertaking just one operation required for printing. All these industries have their origin in the colonial period and at present offer employment to a large number of workers.



Fireworks Industry

Electronics and Information Technology (IT) Clusters

After the economic reforms started in the early 1990s, the state has seen the entry of hardware and electronics manufacturers like Nokia, Foxconn, Motorola, Sony-Ericsson, Samsung and Dell making cellular handset devices, circuit boards and consumer electronics. They have all been set up in the Chennai region.

Information Technology Specific Special Economic Zones :

In order to make development more inclusive, Tier II cities such as Coimbatore, Madurai, Trichy, Tirunelveli, Hosur and Salem have been promoted as IT investment destinations apart from the Chennai region. To facilitate this, ELCOT has established ELCOSEZs (IT Specific Special Economic Zones) in the following eight locations:

- Chennai – Sholinganallur
- Coimbatore – Vilankurichi
- Madurai – Ilandhaikulam
- Madurai – Vadapalanji-Kinnimangalam
- Trichy – Navalpattu

Companies desiring to set up units in the state can avail themselves of the facilities provided in ELCOSEZs. The possibility of setting up ELCOSEZs in new locations will be explored based on demand and viability. (Map Information Communication Technology Policy - 2018-19)

- Tirunelveli – Gangaikondan
- Salem – Jagirammalayam
- Hosur – Viswanathapuram

5.6 The Policy Factors that Helped the Industrialisation Process in Tamil Nadu

Policy factors can be divided into three aspects:

Education

Industries require skilled human resources. Apart from a lot of attention to primary education to promote literacy and basic arithmetic skills, the state is known for its vast supply of technical human resources. It is home to one of the largest number of engineering colleges, polytechnics and Industrial Training Centres in the country.

Infrastructure

The widespread diffusion of electrification has contributed to the spread of industrialisation to smaller towns and villages in the state. Along with electrification, Tamil Nadu is known for its excellent transport infrastructure, especially minor roads that connect rural parts of the state to nearby towns and cities. A combination of public and private transport has also facilitated

rural to urban connectivity and therefore connect small producers to markets better.

Industrial Promotion

Apart from investments in education and transport and energy infrastructure, active policy efforts were made to promote specific sectors and also industrialisation in specific regions. Policies to promote specific sectors like automobile, auto components, bio technology and Information and communication Technology sectors have been formulated in the post reform period. In addition, the state has put in place several industrial promotion agencies for both large enterprises and the small and medium segments, as well as to provide supporting infrastructure.

The following are some agencies that have played a key role in industrialization in the state

SIPCOT (State Industries Promotion Corporation of Tamil Nadu) - was formed in the year 1971 to promote industrial growth in the state by setting up industrial estates.

Special Economic Zones (SEZs)

A policy was introduced in April 2000 for the settling up of special Economic Zones in the country with a view to a hassle-free environment for exports.

Accordingly, the government has converted Export Processing Zones located at following places.

Nanguneri SEZ	-	A multi product SEZ, Thirunelveli
Ennore SEZ	-	Thermal power project, Vayalur
Coimbatore SEZ	-	IT Parks
Hosur SEZ	-	Auto Engineering, Electronics, Defence and Aerospace
Perambalur SEZ	-	Multi product SEZ
Autocity SEZ	-	Automobile/Auto Components, Tiruvallur
India-Singapore SEZ	-	IT & ITES, Electronic Hardware, Logistics and Warehousing – Thiruvallur District
Bio-Pharmaceuticals SEZ	-	Clinical Research Organisation, Poison Control Centre, Centre for Regenerative Medicine, Medicine Research

Madras Export Processing Zone (MEPZ)

MEPZ is a Special Economic Zone in Chennai. It is one of the seven export processing zones in the country set up the central government. It was established in 1984 to promote foreign direct investment, enhance foreign exchange earnings and create greater employment opportunities in the region. The MEPZ headquarters is located on GST Road in Tambaram, Chennai.



SIPCOT

TANSIDCO (Tamil Nadu Small Industries Development Corporation) - is a state-agency of the state of Tamil Nadu established in the year 1970 to promote small-scale industries in the state. It gives subsidies and provide technical assistance for new firms in the small scale sector.

TIDCO (Tamil Nadu Industrial Development Corporation), 1965 - is another government agency to promote industries in the state and to establish industrial estates.

TIIC (Tamil Nadu Industrial Investment Corporation Ltd.), 1949- is intended to provide low-cost financial support for both setting up new units and also for expansion of existing units.

TANSI (Tamil Nadu Small Industries Corporation Ltd.), 1965 - It is supposed to be the first industrial corporation operating in the domain for small enterprises.

Issues with Industrialisation

Though Tamil Nadu has emerged as a relatively highly industrialised state in the country, the state faces a few issues in sustaining the process. To begin with, some clusters, especially chemicals, textiles and leather clusters, tend to generate a lot of polluting effluents that affect health. The effluents also pollute water bodies into which effluents are let into and also adjoining agricultural lands. Second, employment generation potential has declined because of use of frontier technologies because of the need to compete globally. Quality of employment also has suffered in recent years as most workers are employed only temporarily.

Startup India Scheme (Launched 16-Jan-2016):

Startup India Scheme is an initiative of the Indian government, the primary objective of which is the promotion of startups, generation of employment and wealth creation.

Standup India Scheme (Launched 5-April-2016):

Standup India Scheme is to facilitate bank loans between ₹10 lakh and ₹1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and one woman borrower per bank branch for setting up a greenfield enterprise.

5.7 Entrepreneur

Entrepreneur is an innovator of new ideas and business processes. He possesses management skills, strong team building abilities and essential leadership qualities to manage a business.

Entrepreneurship

Entrepreneurship is a process of a action of an entrepreneur who undertakes to establish his enterprise. It is the ability to create and build something.

Role of an Entrepreneur

Entrepreneurs play a most important role in the economic growth and development of a country's economy.

1. They promote development of industries and help to remove regional disparities by industrialising rural and backward areas.
2. They help the country to increase the GDP and Per Capita Income.
3. They promote capital formation by mobilising the idle savings of the citizens and country's export trade.
4. Entrepreneurs provide large-scale employment to artisans, technically qualified persons and professionals and try to maximise profits by innovations.
5. They enable the people to avail better quality goods at lower prices, which results in the improvement of their standard of living.

SUMMARY

- Industrial clusters are groups of firms in a defined geographic area that share common markets, technologies and skill requirements.
- Clusters may arise due to many factors. Certain clusters evolve over a long time in history when artisans settle in one locality and evolve over centuries.
- The Coimbatore region also witnessed diversification from textiles to textile machinery as well as agricultural machinery like electric motors and pumpsets for drawing ground water.
- Chennai is nicknamed as "The Detroit of Asia" because of its large auto industry base.

A-Z GLOSSARY

agglomerations	a mass or collection of things	திரட்சிகள்
Industrial Clusters	Relating to or characterised by industry.	தொழில் உற்பத்தி தொகுப்புகள்
Emergence	the process of coming into existence	தோற்றம்
diffusion	the spreading of something more widely	பரவல்
Artisanal	relating to or characteristic of an artisan	கைவினை சார்ந்த



EXERCISE

I Choose the correct answer

- 'The Detroit of Asia' is _____.
a) Tuticorin b) Coimbatore
c) Chennai d) Madurai
- Pumpsets and motors are produced mostly in
a) Salem b) Coimbatore
c) Chennai d) Dharampuri
- _____ are an essential aspect of a nation's development.
a) agriculture b) industry
c) railway d) none of these
- Tiruppur is known for
a) Leather tanning
b) Lock making
c) Knitwear
d) Agro-processing



EW6RPJ

- A successful industrial cluster entirely created by the Tamil Nadu is
a) Hosur b) Dindigul
c) Kovilpatti d) Tirunelveli

II Fill in the blanks

- Hundred of leather and tannery facilities are located around _____ District in Tamil Nadu.
- Special Economic Zones policy was introduced on in _____.
- _____ is an innovator of new ideas and business processes.

III Pick out odd one

- Which one of the following is not having leather factories?
a) Ranipet b) Dharmapuri
c) Ambur d) Vaniyambadi
- Which one of the following is not a industrial developing agency?
a) TIDCO b) SIDCO
c) MEPZ d) SIPCOT

IV Match the following

1. Entrepreneur - Export Processing Zone
2. MEPZ - Coimbatore
3. Indian Ordnance Factory - Organizer
4. TNPL - Aravankadu
5. Machester of south India - Karur

V Write Short Answer

1. Why are wages low in the agricultural sector?
2. What is meant by an industrial cluster?
3. What are the routes for cluster formation?
4. Mention any three industrial development agencies in Tamil Nadu and their role
5. What are the problems of industrialization currently in Tamil Nadu?
6. What is Meant by Entrepreneur?
7. What is Entrepreneurship?

VI Write Brief Answer

1. What are the important characteristics of successful industrial clusters?
2. Write about the Textile industry cluster in Tamil Nadu?.
3. Write in detail about the types of policies adopted by the Tamil Nadu government to industrialise.
4. Explain the role of Entrepreneur?

VII Case studies

1. Choose a cluster in Tamil Nadu based on online research and write a note on it.

VIII Activity and Project

1. Write a note on a cluster or a firm near your school/home based on your observations.

IX Life Skills

1. Teacher and Students discuss about the entrepreneurs and their activities and Write an a essay in the topic of "If you are like a Entrepreneur".

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1. Role of Entrepreneurship in economic development, D.K.Sinha
2. The Productivity Analysis of Industrial Clusters in India - Department of Industries & Commerce (Government of Tamil Nadu)
3. State Industrial Profile - Tamil Nadu
4. Indian Industrial Clusters - Keshab Das

**INTERNET RESOURCES**

1. www.tn.gov.in
2. www.msmedi-chennai.gov.in
3. www.data.gov.in

**ICT CORNER****Industrial Clusters in Tamil Nadu****Steps**

- Open the Browser and type the URL given below.
- You can see the list of SIPCOT in Tamil Nadu. When you click anyone in the list, you will get the details of SIPCOT in new tab.
- For example, click on the minimum support price of paddy. You can see the yearwise minimum support price of paddy, wheat and coarsegrain.
- Likewise, you can view regionwise procurement also.

Website URL:

https://www.sipcot.com/guide_tour



B376_10_SOCIAL_EM

Social Science – Class X

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