



FUNDAMENTALS OF ECONOMICS



Malcolm Firdosh Homavazir

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CHAPTER 1

ROLE OF PRIVATE PROPERTY RIGHTS, ECONOMIC FREEDOM, AND SPECIALIZATION IN NATIONAL WEALTH DISPARITIES: A COMPREHENSIVE ANALYSIS

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ABSTRACT:

This study explores the critical role of private property rights and economic freedom in the economic development of nations. By examining historical and contemporary examples, the study argues that private ownership fosters economic prosperity by providing individuals with incentives to invest, innovate, and care for their property. The importance of private property rights is highlighted through case studies from different regions, demonstrating the correlation between economic freedom, private ownership, and overall well-being. Additionally, the study examines the concept of scarcity and the trade-offs involved in resource allocation, emphasizing the benefits of trade and specialization for individual and collective economic growth. The Index of Economic Freedom is introduced as a tool to assess and measure the impact of economic freedom on a country's standard of living. The study emphasizes the enduring relevance of private property rights and economic freedom in shaping the economic trajectory of nations. Overall, the study underscores the significance of private property rights and economic freedom as fundamental pillars for a nation's prosperity.

KEYWORDS:

Economic Freedom, Prosperity, Property Rights, Wealth.

INTRODUCTION

One of the first inquiries in the field of economics was the reason for the significant disparities in national wealth. Scottish moral philosopher Adam Smith made an effort to outline the circumstances necessary for a nation to become affluent in his 1776 book *The Wealth of Nations*. The significance of the subject has not changed since Smith's day. Looking across the globe today and seeing the stark disparities in income between countries is quite astounding. Figure 1.1 displays a map of gross domestic product per person (GDP; GDP is the total amount of money generated in a country in a given year). With a per capita GDP of above \$30,000, the dark blue countries are the wealthiest; lighter blue, turquoise, and so on up to red, the lowest countries, with a per capita GDP ranging from \$0 to \$500.

In Malawi, a person's daily income can be less than \$1, but the typical American has an annual income of over \$40,000. The living conditions of North America, Europe, and Latin America were essentially the same in 1800, making it difficult to tell where you were. The gap between rich and poor countries started to form around 1900, and it is still quite wide now. The Food and Agriculture Organization of the United Nations estimates that over 800 million people worldwide do not have enough to eat. In Malawi, thirty percent of children suffer from malnutrition, and almost two out of every ten will pass away before turning five.

Twenty families met in secret in 1978 in Xiaogang, Anhui province, the center of China's rice-growing area, to discuss measures to prevent hunger. The Communist regime across China was causing the food production system to collapse. Everyone had a part in the produce of the land and was jointly accountable for tilling it. People seldom worked since you received your portion of rice whether you worked hard or not. The people of Xiaogang

made the decision to split up the land and cultivate it separately, with each person retaining the produce from their own plot. They were afraid of the Communist authorities, so they had to keep their arrangement a secret. But the secret was discovered when Xiaogang's rice output increased [1], [2].

After learning the trade secret, other communities made their own plans. The Communist authorities quickly learned about it. The Communist Party agreed to permit some small-scale farming in 1982. The first colonies to be founded in North America, Jamestown and the Virginia colony, which were founded in 1607 and 1609, respectively, failed spectacularly. In every instance, at least half of the settlers perished from starvation within a year. Profit-driven organizations founded the colonies, and the indentured workers who settled there were taken from the poor and jobless on London's streets. The colonists had no financial interest in the colony's success. They had been granted free transportation to the new country and were expected to repay the Virginia Company for their services, so working harder or longer would not help them. The investors desired that all manufactured goods be shipped back to England after being sold in a corporate shop.

It was soon clear what the main problem was when government and investor officials arrived in the colonies to investigate why there were issues. Nobody was employed. Their own product could not sustain them, so it had to be sent back to England for the corporate shop. Consequently, settlers did not focus on growing and producing. When the issue was identified, it seemed that there was an easy fix: each settler was granted ownership of a few acres of land, and all that was needed for them to offer investors a profit was a tiny payment. From then on, the colonies experienced prosperity.

These tales imply that private ownership is a major factor in why some countries are wealthy while others are impoverished. It is evident that systems without private ownership perform worse than those that do. Take a look at Figure 1.3, which shows the per capita earnings of a number of nations in the years 1850, 1900, 1950, and 2000. The red bars show that there was not much of a difference in income in 1850. In 2000, however, the disparities are astounding (the cross-hatched bars). Nations with severely limited private ownership laws, including China, Albania, Hungary, Poland, and India, performed worse than those with more liberal private ownership laws. It's interesting to remember that Hong Kong, which was just a rock with no natural resources outside a port, became one of the richest "countries" in the world only because private ownership was permitted there.

When you possess anything in a rich country, you are free to do with it as you like, provided you don't damage other people. This concept sounds so straightforward. Consider renting a vehicle or a home. It is not cared for in the same manner as a home or a vehicle that you own. You receive nothing in return for investing the time, money, and energy to maintain or upgrade the home or automobile, so your only motivation is to avoid paying a charge for damages. You should anticipate receiving compensation for any enhancements you make when you own it.

We refer to this state of affairs as private property rights. People who have private property rights are able to possess property and use it for almost any purpose. No one else may harm or steal private property. Private property rights exist and are upheld in the wealthiest countries. Your property cannot be taken by individuals or governments without reasonable recompense. In impoverished countries, either private property rights do not exist or the government does not uphold the few that do. Individuals are free to attack you and steal or take stuff. To do business or use so-called private property in any other way, corruption and

bribery are required. People are unlikely to be able to sell their possessions, use them as security for a loan, or pass them on to relatives when private property rights are violated.

Additionally, they are far less motivated to make improvements to the property since they cannot be certain that their efforts will yield a profit. Life was cruel and short until 1800. In most countries, the expected longevity was only around 35. However, something happened at the start of the 19th century that caused living standards in Western countries to improve quickly. As you can see in Figure 1.4, the wealthiest country in the world at the time, the United Kingdom, did not start to increase its GDP per capita until 1800. What happened to cause the living standards to rise? In the field of economics, it is one of the most crucial issues we pose. And private property rights have a role in the solution. The Industrial Revolution was the cause. The short version of the lengthy narrative is that, starting in the 1700s, business owners could finally rest easy knowing that their inventions and creations would help them and allow them to keep their property and income. This private property rights framework established the groundwork for the Industrial Revolution [3], [4].

In Pakistan, nobody could be certain that whatever they claimed would be theirs, and in most of Latin America, the security of private property has not been established over extended periods of time. In China, everything was owned by the government until very recently. Private property has been seized by the Mexican government on many occasions. In a similar vein, private property has not been recognized or upheld in other Latin American countries. A nation cannot prosper if private property rights are not universally recognized among its citizens or if enforcement of those rights is not consistent and efficient. In Venezuela and Bolivia, for example, the governments have been taking what was once private property, and as a result, their economies are faltering and heading for serious trouble. For a period, an abundance of a natural resource, like oil, may obscure this truth, but only if private property is there can the abundance benefit all residents. The majority of countries that produce oil have government ownership of the resource, and relatively few people profit from it. However, countries that uphold private property rights flourish even in the absence of plentiful resources. With merely a harbor as its only natural resource, Hong Kong went from having nothing to being one of the richest nations in the world in a matter of decades. (Hong Kong was never an independent nation; it was first a part of the British Empire, which later became China.) People may own property and feel comfortable in their possession under the systems of private property rights found in the richest countries. Not even the poorest countries.

DISCUSSION

The GDP per capita over time of the US and a few Asian countries. As you can see, China and India did not start to advance until they started to permit private ownership, which was about 1990. China continues to permit just a limited amount of private property, but the sectors of the economy that have been allowed more freedom have prospered. Private property is not only permitted but also promoted in India. A billion people have moved from extreme poverty with a life expectancy of fewer than 35 years to a respectable existence with a life expectancy of more than 72 years as a consequence of India's and China's success.

Although it may seem that private property is just for the wealthy, the impoverished depend heavily on it. Without title, one cannot sell, rent, split, give to relatives, or use as collateral for other people's property. The Xiaogang farmers who consented to split up their land for agriculture were not allowed to sell it or even transfer it to family members. Even so, there was a lot more rice grown on the so-called private plots than there was when everything was common, but there might have been a lot more if the farmers had owned the land.

Private property rights are important. They are important because they provide incentives for individuals to raise their living levels. Owning something gives you a motivation to care for it, which means you have an incentive to invest in it and raise its worth. Farmers are able to take their own corn to market and sell it if they are able to grow it and own it. They will make investments to improve the quality and make sure they have enough seeds left over to produce additional maize the next year. In a similar vein, when we volunteer, we are trading our own labor something we own for money. Our employers value us more and will pay us more if we produce work of a better quality.

Workers would come up for work and then laze about at Gdansk, Poland's shipbuilding facilities under the communist government. Since they were paid the same regardless of what they performed, they had no motivation to be productive. Owning your own labor or property gives you an incentive to maximize its value since you can then exchange it for other items that you want. Problems occur when something is owned by no one; for example, nobody owns the fish in the seas, thus nobody looks after them. Economics is the study of ownership and the issues that occur when there is no ownership or when ownership is common rather than private. The outcome of overfishing and, in some situations, the extinction of species.

How can you advance if you possess something but are unable to use it whatever you please? Furthermore, how can a country advance if its citizens are unable to progress? An significant factor in a country's prosperity is its economic freedom. The degree to which private persons are able to engage in voluntary transaction is referred to as economic freedom. Individuals are free to purchase or sell goods without the intervention of the government or the approval of a commission or monarch. Employees are free to work for any employer at a rate the business is both willing and able to pay.

The Index of Economic Freedom is an annual assessment of economic freedom that is co-authored by the Heritage Foundation and The Wall Street Journal. People are free to work, create, consume, and invest as they like in an economically free society, where their freedom is unrestricted and safeguarded by the government. Governments in economically free societies permit the free flow of products, wealth, and labor and abstain from using force or restricting people's freedoms beyond what is required to preserve and safeguard such freedoms. Less economic freedom is correlated with higher taxes, more rules and regulations, travel restrictions, international trade restrictions, the paperwork required to comply with government regulations, and so on.

Generally speaking, a country's level of life increases with its degree of economic freedom. The average income of those living in repressed and unfree economies is less than one-eighth that of those living in the most liberal countries. Financial Independence and Standard of Living More funds are available for improved health care, more educational opportunities, increased immunity to illness, and overall support of a better and longer life. The United Nations developed the Human Development Index to rank countries according to their standard of living. The substantial correlation between economic freedom and human growth. The nations that are "free".

The costs of opportunity and rarity

Why do certain nations have wealth while others have not? The main cause is that although some nations have systems of economic freedom and private property rights, others do not. People live in better circumstances when there is more economic freedom than when there is less. Economic freedom is the state in which people's free will and individual decisions control the course of an economy. However, why is ownership required? Is it not possible for everyone to have what they desire? Ownership wouldn't be required if there was enough of

everything for everyone to be able to have what they desire. In the event that someone takes anything from you, you just take it again. The issue is that not everyone succeeds in achieving their goals. Nothing is available in sufficient quantities to satisfy everyone. We refer to this as scarcity.

The rationale is because, in comparison to other materials, diamonds are comparatively scarcer; that is, more diamonds are desired than air or water. Water is obviously not free these days. The majority of homes must pay their local government for tap water, and some individuals routinely spend more than \$6 per gallon on bottled drinking water. The first concept in economics is scarcity. The concept of scarcity describes the state of not having enough of something to fulfill everyone's desire for it. Humans have limitless desires; they are always seeking things beyond their means or capacity to buy. It never seems to be enough for them, regardless of their financial situation. People must make the most of their limited time and resources to prioritize their desires and let go of the rest since they can never have all they want. A large portion of the reason the actual world is the way it is is explained by the decisions people make and the processes by which they make them [5], [6].

Missed Opportunities in Attending School

Let's say you choose to enroll in a school where the annual cost of tuition and other fees is \$4,290. Are these all of your expenses? You are neglecting opportunity costs if your response is yes. If you had opted to work full-time rather than attend school, then the advantages of working full-time are included in your opportunity costs. The real cost of education would have been \$25,090 (the \$20,800 in lost pay + \$4,290 in direct costs) if you could have found a job paying \$20,800 a year.

You have to choose whether to register for classes each semester. It is possible to work full-time and not go to school, work part-time and go to school, or attend school and not work. The more time you spend working, the less time you will have for education. You exchange hours spent in education for hours spent working. Should you attend school full-time, you may get the best marks. You may make more money working longer hours, but your grades may suffer as a result. We recommend that you swap off your income and grades if this happens. Like people, societies have limited resources and must make trade-off decisions. A country cannot create as much of everything as it wishes since resources are limited. It has to give up producing vehicles, military gear, or education in order to generate more health care. Fewer resources are available for consumer products, healthcare, or education when more of them are allocated to the military [7], [8].

Income and Resources

It takes some products to make other goods. For example, we need flour, sugar, butter, chocolate chips, our own effort, and an oven to bake chocolate chip cookies. We refer to an item's constituents as resources in order to separate them from the product itself. (The phrases inputs and components of production are synonymous with resources.) The resources are the ingredients, and the products are the cookies. Economists have divided resources into three broad groups: land, labor, and capital. Land is made up of the land itself as well as all natural resources including water, wood, and minerals. The term "labor" refers to the intellectual and physical services provided by people, as well as their skills, knowledge, and training within a community. Items like buildings and machines that are used in the production of other commodities and services are referred to as capital. The word "capital" is often used to refer to the funds supporting a project or company financing.

The money used to buy capital is referred to as financial capital by economists. People may make money by selling their resources or by using them. According to economists, payments made to capital owners are known as interest, payments made to labor service providers as salaries, and payments made to landowners as rent. The reason why Figures are related is because resource owners may purchase products and services with the money they earn from renting out their resources. Additionally, producers pay for the resource services with the proceeds from the sale of their items. The money movements are shown by the outer arrows, while the flows of resources or things are shown by the inner arrows. In exchange for revenue, resource owners provide resource services to producers of products, while producers of goods provide resources with items in exchange for financial compensation.

Comparative Advantage and Specialization

If Maria and Able worked independently, would it make more sense for them to swap answers and do more work? If so, what will someone do? The one who gives up the fewest math problems to solve math issues solves math problems, while the person who gives up the fewest math problems to solve economic problems solves economic problems. Put another way, the individual who can complete an action with the lowest opportunity cost does so. Able loses out on less by majoring in math, even if Maria is more proficient in economics and math than Able is. For every math problem that he completes, Able just has to give up or skip half of an economics task, but Maria must give up one economics problem for every math problem that she completes. They will thus benefit more from Maria specializing in economics. Because Able's opportunity cost in math is less than Maria's, we say that he has a comparative advantage in math, while Maria has a comparative advantage in economics because her opportunity cost is smaller than Able's[9], [10].

Benefits of Trade

Maria will need at least one economics response from Able before she will be prepared to give him one math answer since she can do one math problem at the same speed as she can complete one economics issue on her own. In order to offer Maria a math solution, Able has to get at least half of her economics response. Able can solve two math problems for every economics issue. This simple example demonstrates how the actual world works. People trade with one other after concentrating on their areas of expertise. You buy groceries while letting someone else produce the food; you work on computers and let someone else maintain your automobile; you cook and your roommate cleans. Why do trade and specialization happen? People tend to constantly desire more than they now have, and trading after specialization allows them to get more than they would if they did not trade after specialization. We must choose how to allocate the little resources we have. We have to decide where to focus our efforts. Not all of us are masters of all crafts. Similar to people, nations have limited resources and must decide where to allocate them.

CONCLUSION

This study underscores the critical importance of private property rights and economic freedom in shaping a nation's economic trajectory. The historical evidence presented, along with the analysis of economic indicators, supports the argument that countries recognizing and safeguarding private property rights tend to experience higher levels of prosperity. The Xiaogang case, the Industrial Revolution, and contemporary examples from China and India illustrate the transformative power of private ownership. Moreover, the positive correlation between economic freedom and human development emphasizes the broader societal benefits associated with allowing individuals to engage in voluntary transactions. As scarcity remains a fundamental economic challenge, the study highlights how ownership and economic

freedom provide incentives for individuals and societies to optimize resource allocation. Policymakers and nations, aspiring to enhance their citizens' quality of life, are encouraged to consider the pivotal role of private property rights and economic freedom in fostering sustainable economic development.

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CHAPTER 2

EXPLORING THE DYNAMICS OF MONEY, CREDIT AND FINANCIAL INCLUSION

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ABSTRACT:

This study explores the intricate relationship between contemporary forms of money and the banking system, emphasizing the role of credit in economic activities. It delves into the historical evolution of money, its various forms, and its connection to the financial system. The first section of the study focuses on the social context of money, particularly in the context of India's evolving financial sector. The second section delves into the conceptual understanding of credit, exploring factors influencing credit arrangements and the crucial role of credit in the economic progress of individuals, especially the impoverished. The study utilizes data from the National Sample Study Organization, newspaper articles, and internet sources to provide a comprehensive overview. It explains the functions of money, its evolution from barter systems to contemporary forms like coins, paper money, and bank deposits. Furthermore, it explores the functioning of the contemporary banking system, highlighting the pivotal role of banks in facilitating transactions and providing credit. The narrative then shifts to credit, illustrating its importance in daily activities through two distinctive credit circumstances one related to a festival season and the other involving crop production in rural areas. The study categorizes credit agreements, discusses interest rates, collateral, and terms of credit. It emphasizes the significance of formal and informal sector credit, using examples from rural and urban contexts in India. Examining credit sources, the study emphasizes the need for increased lending by banks and cooperative organizations to boost economic activities. It addresses the disparities in credit accessibility, especially for low-income households, and discusses the risks associated with informal credit sources. Finally, the study introduces innovative initiatives like Self Help Groups (SHGs) and explores success stories such as Bangladesh's Grameen Bank, showcasing how credit can be made available to the underprivileged.

KEYWORDS:

Banking System, Credit, Economy, Financial, Money.

INTRODUCTION

The topic of money is intriguing and full of oddities. For the benefit of the pupils, it is crucial to capture this factor. The intriguing tale of money's history is how different forms were employed at different eras. The goal at this point is to make pupils aware of the social context in which these forms were used. Contemporary money is interconnected with the financial system. This is the main topic covered in the chapter's first section. Students have plenty of opportunity to do independent research given the current state of affairs in India, where the computerization of the financial sector is gradually causing the proliferation of innovative forms of money. Let the topic of the "functions of money" come up; we don't need to have a formal conversation about it. Some topics are left out, such the "creation of money" (money multiplier) and the support for the current system, which might be explored if you'd want.

Given the importance of credit in the economy, it is critical to have a conceptual understanding of it first. The major topic of the second section of the chapter is what factors one looks at in any credit arrangement and how this impacts individuals. There is a huge

diversity of these arrangements in the world, therefore it would be best to use examples from real-world experiences to illustrate these features of credit to your pupils. The availability of credit to everyone, particularly the impoverished, on fair conditions is another important factor. We must emphasize that this is a fundamental human right, without which a sizable portion of the populace would be excluded from the process of progress. Students may be introduced to a variety of cutting-edge initiatives, like Grameen Bank's, but it's critical to acknowledge that not all of the issues can yet be answered. One of the societal difficulties that emerging nations confront is the need to create new approaches [1], [2].

Information Sources

The National Sample study Organization's study on rural debt provided the official and informal sector credit data utilized in this chapter. Newspaper articles and internet sources provide the facts and statistics about Grameen Bank. You may visit the websites of the Reserve Bank of India and the relevant banks to get specific information about a bank or data pertaining to banks. The website of the National Bank for Agriculture and Rural Development (NABARD) has information about self-help organizations.

We use money in many aspects of our daily lives. You might readily recognize many financial transactions occurring in a single day if you looked around. Could you enumerate these? It would be challenging in many of these situations if the shoe producer had to trade shoes for wheat directly, without using cash. He would need to locate a farmer cultivating wheat who is interested in selling wheat as well as products that are purchased and sold using cash. Money is exchanged for services in a few of these exchanges.

A holder of money may readily trade it for any product or service they may need. As a result, everyone desires to be paid in cash and then swap that cash for the items they desire. Consider the situation of a shoe producer. He wants to purchase wheat and sell shoes in the marketplace. The shoemaker will first trade his manufactured shoes for cash, and then he will trade the cash for wheat. Just think about how many more people would purchase and sell one other's goods.

The term "double coincidence of wants" describes this. One person wants to sell something, and the other wants to purchase it. A crucial component of a barter system, which involves the direct exchange of items without the need for money, is the double coincidence of desires. On the other hand, when money is used in an economy, it removes the need for two desires to coincide by acting as the necessary intermediary. The shoemaker no longer has to search for a farmer who would purchase his shoes and simultaneously sell him.

Credit and money

Contemporary coin

As shown, money has the ability to serve as a medium of exchange in transactions. Before coins were invented, money could be made out of many different items. For instance, Indians have utilized animals and wheat as currency from very ancient times. The usage of metallic coins gold, silver, and copper coins followed, and this trend lasted long into the previous century.

Money

Coins and paper money are examples of contemporary money. Modern money is not constructed of precious metals like gold, silver, or copper, unlike items that were formerly

used as money. Additionally, they are not used on a daily basis as grain and livestock are. The money of today has no inherent value.

So why is it acknowledged as a means of payment? Because the country's government has authorized the money, it is recognized as a legitimate means of trade. The federal government of India issues currency notes via the Reserve Bank of India. No other person or entity is permitted by Indian law to print money. Additionally, the bill makes it lawful to utilize rupees as an irreversible form of payment for business transactions in India. It is illegal for anybody in India to reject a payment made in rupees. As a result, many people accept the rupee as a form of payment.

Bank deposits

Deposits made with banks are the other way that individuals keep money. People eventually only need a little amount of cash to cover their daily expenses. Employees who are paid at the end of each month, for example, have additional money at the start of the month. With this more money, what do individuals do? They create a bank account in their name and deposit it with the banks. In addition to accepting deposits, banks also charge interest on such deposits. People's money is therefore secure and accrues interest at the banks. Additionally, they are able to take money out whenever they need to. The deposits in bank accounts are referred to as demand deposits since they are refundable upon demand.

Another fascinating feature is that of demand deposits. Its ability to serve as a medium of trade gives it the fundamental qualities of money. You've probably heard of people paying with checks rather than cash. When making a payment by check, the payer, who has a bank account, writes out a check for the specified amount. A check is a document that gives the bank instructions on how much money to take out of an individual's account and give it to the person whose name it is created.

Payments via Cheque

A shoe producer named M. Salim has to write a check for a certain amount in order to pay the leather supplier. This indicates that the shoe maker gives his bank the order to pay the leather supplier this sum. This check is taken by the leather supplier, who transfers it into his own bank account. It takes a few days for the money to be moved from one bank account to another. Without receiving any financial payment, the deal is over.

As a result, it is clear that demand deposits and money have similar qualities. Direct payment settlement without the need for cash is made feasible by the availability of demand deposit checks. Demand deposits are considered money in the contemporary economy since they are generally recognized as a form of payment alongside cash. You have to keep in mind the part the banks play in this. Without the banks, demand deposits and check payments against these deposits would not exist. The operation of the contemporary banking system is intimately connected to the types of money that exist today: deposits and currency.

Let's continue the banks' narrative. What happens to the deposits that banks take from the general public? This is an intriguing system in action. Only a tiny percentage of deposits are held in cash by banks. In India, for instance, banks now retain around 15% of their deposits in cash. This is retained as a contingency to cover potential depositors who may visit the bank on any given day to withdraw cash. The bank is able to cope with this cash since only a small portion of its many depositors come to withdraw money on any given day.

The majority of deposits are used by banks to make loan extensions. Loans are highly sought after for a variety of economic endeavors. The sections that follow will have extra reading on

this topic. Deposits are used by banks to satisfy customers' borrowing needs. Banks act as a middleman in this relationship between those who need money and others who have extra money (the depositors and borrowers). When it comes to interest rates, banks charge more for loans than for deposits. Their primary source of revenue is the gap between what they charge borrowers and what they pay depositors.

Two Distinctive Credit Circumstances

Our daily activities entail a lot of transactions using credit in one way or another. A credit arrangement, sometimes known as a loan, is one in which the lender grants the borrower access to funds, products, or services in exchange for the borrower's pledged future payment. Let's see how credit works using the next two instances.

First Of All, Festival Season

Two months from now comes festival season, and he pledges to compensate him then. Additionally, Salim, the shoe maker, acquired a financial loan from a big trader after receiving an order for 3,000 pairs of shoes, which he increased to 1000 pairs with the promise that they would be delivered in a month. Salim has to employ a few months in order to finish and deliver the whole order before the conclusion of production on schedule [3], [4].

Second, Swapna's Issue

Groundnuts are grown on Swapna's three acres of land as a small farmer. In the hopes that her produce would help her repay the moneylender, she takes out a loan from him to cover the costs of cultivation. Pests attack the crop in the middle of the season, causing it to fail. Even though Swapna uses pricey insecticides to spray her crops, hardly much changes. She is unable to pay back the moneylender, and the debt balloons to a significant sum over the course of the year. Swapna takes out a new loan for agriculture the next year. This year's harvest is typical. However, the income is insufficient to pay off the previous debt. She's got debt. To settle the loan, she must sell a portion of the property.

DISCUSSION

Crop production is the primary reason for loan demand in rural regions. Significant expenditures are incurred during crop production for things like seeds, fertilizer, insecticides, water, energy, equipment maintenance, etc. The delay between when the farmers purchase these inputs and when they sell the product is at least three to four months. Typically, farmers take out crop loans at the start of the growing season and pay them back after the harvest. The revenue from farming is a critical factor in debt repayment.

In Swapna's situation, the crop's failure prevented loan repayment. To cover the debt, she had to sell a portion of the property. Credit made Swapna's situation worse rather than better by increasing her income. This is an illustration of a situation known as a "debt-trap." In this instance, credit forces the borrower into a very difficult recovery scenario. In one scenario, credit increases wages, making the individual wealthier than they were before. In a different scenario, credit forces the individual into a debt trap due to crop failure. She must sell a section of her property in order to pay back her debt. It is obvious that her situation has become worse. Therefore, the risks involved and the availability of assistance in the event of a loss determine whether or not credit would be helpful.

Along with the principal payments, each loan agreement stipulates an interest rate that the borrower must pay the lender. Lenders may also want security or collateral in exchange for loans. An item that the borrower holds and serves as security to a lender until the loan is

returned is known as collateral. Examples of such assets include land, buildings, cars, animals, and bank accounts. The lender has the right to sell the asset or collateral to recoup costs if the borrower defaults on the loan. Assets like bank savings, property titles, and livestock are a few typical instances of collateral used for loans.

A Home Loan

Megha has obtained a Rs 5 lakh loan from the bank in order to buy a home. The loan has a 12-percent annual interest rate and must be repaid in ten years with monthly installments. Before the bank would approve Megha's loan, it required her to provide documentation of her job history and pay. The new home documents were held as collateral by the bank and would only be given back to Megha upon full repayment of the loan, interest included. Please fill out the housing loan information for Megha. The terms of credit are made up of the interest rate, the amount of collateral needed, the paperwork requirements, and the repayment plan. From one credit agreement to another, the terms of credit differ significantly. These might change based on the borrower's and lender's characteristics. Examples of the various terms of credit under various credit agreements are given in the next section.

Different Types of Credit Agreements

A Village Example

Ranjan and Rohit have completed their class reading on credit terms. They were curious in the many credit arrangements that were available in their community and the identities of the credit providers. The borrowers were who? Which terms applied to the credit? They made the decision to speak with a few villagers.

According to Shyamal, he needs loans each season in order to cultivate his 1.5 acres of property. He used to borrow money from the local moneylender for five percent a month (sixty percent annually) until a few years ago. Shyamal has been borrowing money from a local agricultural merchant for the last five years at a monthly interest rate of three percent. The dealer provides agricultural inputs on credit at the start of the cropping season, with repayment due when the crops are ripe for harvest.

The dealer demands a pledge from the farmers to sell him the produce in addition to the interest charged on the loan. The trader may then make sure that the funds are returned on time. Additionally, the trader might benefit by purchasing the product at a discount from the farmers and selling it at a higher price later on since crop prices are low after harvest. Next, we encounter Arun, who is overseeing one agricultural laborer's job. Arun's land area is seven acres. He is among the few people in Sonpur to have received a bank loan for farming. The loan has an annual interest rate of 8.5% and may be returned at any point throughout the next three years. After the crop is harvested, Arun intends to sell some of the produce to pay back the debt. After that, he plans to put the remaining potatoes in a cold storage facility and apply for a new bank loan using the cold storage receipt as collateral. The farmers who have taken out crop loans from the bank are eligible for this program [5], [6].

India's Formal Sector Credit

The aforementioned instances demonstrate how individuals may get loans from a variety of sources. Formal sector loans and informal sector loans are a useful way to categorize the many kinds of loans. Bank and cooperative loans are included in the former category. Moneylenders, dealers, employers, friends, and family are examples of informal lenders. The several sources of credit available to Indian rural families are shown in Graph 1. The Reserve Bank of India keeps close eye on how the official lending sources operate. For example,

we've seen that banks use the deposits they receive to maintain a minimum cash balance. The RBI keeps an eye on whether the banks are really maintaining the cash balance. In a similar vein, the RBI observes that banks provide money to small farmers, small-scale manufacturers, small borrowers, and other non-profit entities in addition to profitable companies and dealers. Banks are required to report to the RBI on a regular basis detail on the amount, recipient, interest rate, and other details of the loans they make.

The loan operations of informal sector lenders are not supervised by any organization. Any interest rate they choose may be applied to their loans. Nobody is there to prohibit them from recouping their money via unethical tactics. The majority of informal lenders demand far higher interest rates on loans than do professional lenders. Thus, taking out an informal loan comes at a substantially greater cost to the borrower. A higher cost of borrowing indicates that a greater portion of the borrower's income is allocated to loan repayment. As a result, debtors have less money available to them (as shown by Shyamal in Sonpur). In certain circumstances, a high interest rate on a loan may indicate that the repayment obligations exceed the borrower's income. This might result in a financial trap and rising debt (as we seen with Rama in Sonpur). Furthermore, the high cost of borrowing may deter individuals from starting a business via borrowing.

These factors need more lending by banks and cooperative organizations. Higher wages would result from this, enabling many individuals to borrow money at low rates for a range of purposes. They could establish small-scale companies, conduct commerce, and cultivate crops. They might start new businesses or engage in merchandise commerce. Accessible and reasonably priced credit is essential for the nation's development.

Credit, Both Formal and Informal:

The significance of both official and informal loan sources for urban dwellers. As shown in the image, the population is split into four categories, ranging in wealth from low to prosperous. As you can see, 85% of the loans that low-income people in cities take out come from unofficial sources. In contrast, consider the wealthy urban homes. What have you discovered? Ninety percent come from official sources, whereas just ten percent come from unofficial sources. In rural regions, a similar tendency is also seen. Rich families get low-cost loans from official lenders, but low-income households must pay high borrowing costs!

First, the formal sector still only provides for around half of rural residents' entire credit requirements. The remaining credit requirements are satisfied via unofficial means. The majority of loans obtained from unofficial lenders have very high interest rates and don't significantly raise the borrowers' incomes. Therefore, in order to lessen reliance on unofficial sources of credit, banks and cooperatives must boost their lending, especially in rural regions.

Second, more loans from the formal sector are required, but they also need to go to everyone. Richer families now obtain legitimate credit, but the impoverished must rely on unofficial sources. For the impoverished to take advantage of the lower interest rates on loans, it is critical that formal credit be dispersed more fairly [7], [8].

Groups That Assist the Impoverish

As seen in the last section, low-income households persist in depending on unofficial credit sources. Why is it the case? In India, not every isolated place has a bank. Getting a loan from a bank is much more difficult than getting one from unofficial sources, even if they exist. Like with Megha, bank loans need the proper paperwork and collateral. One of the main things that keeps the impoverished from acquiring bank loans is the lack of collateral. On the

other hand, informal lenders such as moneylenders are usually prepared to give a loan without security since they know the borrowers personally. In the unlikely event that borrowers are unable to repay their prior debts, they may still get in touch with moneylenders. But the moneylenders harass the poor borrowers, charge exorbitant interest rates, and fail to keep any documentation of the transactions.

People have experimented with different methods of lending money to the underprivileged in recent years. The plan is to gather the savings of rural impoverished people, especially women, and organize them into tiny Self-Help Groups (SHGs). A typical SHG consists of 15 to 20 people who meet and save on a regular basis, generally from the same neighborhood. Each member may save anywhere from Rs 25 to Rs 100 or more, depending on their level of savings capacity. To suit their requirements, members might borrow modest amounts from the group itself. The interest that the organization charges on these loans is still lower than what the moneylender charges. If the organization consistently saves money after a year or two, it may apply for a bank loan.

The loan is approved in the group's name and is intended to provide members the opportunity to work for themselves. To satisfy working capital requirements (such as purchasing seeds, fertilizer, raw materials like bamboo and textiles), purchase house materials, release mortgaged land, purchase assets like sewing machines, handlooms, animals, etc., modest loans are given to the members.

Members of the group make the majority of the significant decisions pertaining to the lending and savings operations. The committee makes decisions on the loans that will be given, including their purpose, size, interest rate, and repayment plan. Furthermore, the group bears the responsibility for debt repayment. When a member of the organization fails to return a debt, other members take the matter seriously. This characteristic makes banks want to lend to low-income women when they organize into Self-Help Groups (SHGs), even if these women don't have any actual collateral.

As a result, the SHGs assist borrowers in resolving the issue of collateral shortage. They may get loans at fair interest rates and in a timely manner for a range of uses. SHGs also serve as the foundation for the rural poor's organizational structure. In addition to assisting women in achieving financial independence, the group's monthly meetings provide a forum for conversation and action on a range of social concerns, including domestic abuse, nutrition, and health.

Bangladesh's Grameen Bank

One of Bangladesh's greatest success stories in providing credit to the underprivileged is Grameen Bank, "If credit can be made available to meet their credit needs at reasonable rates." the underprivileged individuals on conditions and Beginning as a modest enterprise in the 1970s, Grameen Bank presently has over 6 million reasonable small borrowers in roughly 40,000 villages dispersed among people in Bangladesh with their millions of little loans. Nearly majority of the borrowers who contribute to the largest development marvel are women who come from the weakest socioeconomic strata. We have examined contemporary forms of money and their connections to the banking system in this chapter. Depositors, who hold their money in banks, and borrowers, who get loans from these institutions, are the two groups involved. Credit or loans are necessary for economic activity. Credit, as we have seen, may be advantageous or disadvantageous to the borrower depending on the circumstances [9], [10].

There are several avenues from which to get credit. These may be from official or unofficial sources. The terms of loans offered by official and informal lenders differ significantly. Richer families now obtain credit from official sources, while those in poverty must rely on unofficial ones.

To reduce reliance on the more costly informal credit, it is imperative that the overall amount of credit in the official sector rises. Additionally, a larger portion of official loans from banks, cooperative societies, etc. should go to the needy. These two actions are crucial for growth.

CONCLUSION

This study provides a comprehensive understanding of the intricate relationship between money, credit, and economic activities. It highlights the historical evolution of money, its contemporary forms, and the vital role of credit in fostering economic development. By examining credit circumstances, sources, and disparities, the study emphasizes the need for a more inclusive and accessible formal credit sector.

The discussion on innovative initiatives like Self Help Groups and success stories like Grameen Bank suggests that alternative approaches can address the challenges associated with collateral shortages and promote financial independence among the underprivileged.

The study concludes by emphasizing the importance of enhancing formal sector credit, making it more accessible to all, and addressing the unique needs of different economic strata. Overall, the findings contribute valuable insights to the fields of economics, finance, and social development.

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CHAPTER 3

ECONOMIC SECTORS AND EMPLOYMENT DYNAMICS: A COMPREHENSIVE ANALYSIS AND POLICY PERSPECTIVES

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ABSTRACT:

This study explores the three sectors of economic activity primary, secondary, and tertiary and their evolution over time. It examines the production processes involved in each sector, the interdependence between them, and their contributions to overall economic output. Additionally, the study delves into the historical changes in sectoral prominence, with a focus on the growing importance of the tertiary sector. A comparative analysis is conducted to understand the volume of products and services produced and the corresponding employment levels in each sector. The study also highlights the issue of underemployment in the agricultural sector and proposes strategies to address this challenge. Furthermore, it discusses the organized and unorganized sectors, emphasizing the need for protection and support for workers in the latter. The study concludes by emphasizing the importance of government intervention in sectors vital for societal well-being, such as healthcare, education, and infrastructure. This study examined strategies for improving the nation's ability to categorize economic activity into various job prospects in this chapter. Significant clusters. One method of accomplishing this is to classify the activity by looking at whether it is related to persons working in the primary, secondary, or tertiary sectors or in organized labor, unstructured industries. The statistics for India during the previous thirty years indicate that the majority of people labor in the unorganized sectors, even though they still need protection for their products and services. Additionally, we looked at how much the tertiary sector contributes to GDP and how much is private. We also looked at how public operations continue to employ people and why this is crucial for the primary sector. Additionally, there have been public events that highlight certain topics.

KEYWORDS:

Education, Economic, Employment, Government, Health.

INTRODUCTION

A portion of them involve the production of commodities. A few more people are creating services. Even as we speak, these actions are taking place all around us every minute. In what way do we interpret these actions? Grouping them (classifying them) according to some significant criteria is one method of doing this. Another name for these groupings is sectors. Various categorization schemes might be used, based on the intended use and the significance of each criterion. Numerous tasks involve the direct use of natural resources. For instance, consider the growing of cotton. It happens throughout the growing season. We rely mostly, but not totally, on environmental elements like rainfall, sunlight, and climate for the development of the cotton plant. Cotton, the end result of this action, is a natural product. Comparably, when it comes to an activity like dairy, we rely on the animals' biological processes as well as the availability of fodder and other resources. Here, the product is milk, which is likewise a natural product. Ores and minerals are also examples of natural goods. The primary sector is involved when we use natural resources to manufacture a product. For what reason is primary? This is because it serves as the foundation for every other product, we go on to create. This sector is sometimes known as agricultural and associated sector

because the majority of the natural items we use come from forestry, dairy, fishery, and agriculture. Activities that transform natural goods into various forms via manufacturing processes that are often associated with industrial activity fall within the purview of the secondary sector. It comes after basic education. Since the product cannot be created by nature, some kind of manufacturing method is necessary. This may take place at home, at a workshop, or in a factory. For instance, we spin yarn and make fabric using the plant's cotton fiber. We produce sugar, or gur, from sugarcane as a raw material. We turn dirt into bricks, which we then utilize to construct homes and other structures. This sector is sometimes known as the "industrial sector" since it progressively grew to be connected with the many industries that emerged[1], [2].

Following basic and secondary education, the tertiary sector encompasses a third category of activity that differs from the first two. The growth of the elementary and secondary sectors is aided by these activities. These actions assist or help the manufacturing process rather than producing a thing on their own. For instance, products produced in the primary or secondary sector would need to be shipped by rail or trucks before being offered for sale in stores that sell wholesale and retail. These can sometimes need to be kept in godowns for storage. To support commerce and manufacturing, we could also need to communicate with people via phone, write letters, or take out bank loans. Tertiary activities include things like banking, trading, transportation, storage, and communication. The tertiary sector is often known as the service sector since these industries provide services rather than products.

Certain necessary services that may not directly aid in the creation of commodities are also included in the service industry. For instance, we need instructors, physicians, personal service providers like washers, barbers, and shoemakers, as well as personnel to handle financial and administrative tasks. Some innovative, information-technology-based services have gained importance recently. Examples include internet cafes, ATM booths, contact centers, software firms, etc.

A Comparative Analysis of the Three Sectors

Many commodities and services are produced by the many production activities in the primary, secondary, and tertiary sectors. In order to generate these products and services, a sizable workforce is employed by the three industries. Hence, the next stage is to determine the volume of products and services produced as well as the number of employees in each industry. One or more sectors may dominate an economy in terms of overall output and employment, whereas other sectors may be smaller in scope. Given the sheer volume of products and services produced, one may assume that this is an unattainable goal! The effort would be immense, and you may be wondering how we could figure out how much automobiles, laptops, furniture, and nails sum up to. That will not make sense!

You are correct to believe that. Economists advise using the values of commodities and services as an alternative to totaling the actual quantities in order to avoid this issue. For instance, the worth of 10,000 kg of wheat would be Rs 80,000 if it were sold for Rs 8 per kg. 5000 coconuts at a price of Rs 10 each equal Rs 50,000. In a similar manner, the total value of the commodities and services in each of the three sectors is determined.

Always keep in mind that there is one safety measure to take. It is not necessary to tally every commodity (or service) that is created and sold. Only include the finished products and services makes sense. Consider a farmer who receives Rs 8 per kilogramme from a flour mill for his wheat. The wheat is ground in the mill, and the flour is sold for Rs 10 per kilogram to a biscuit maker. The biscuit manufacturer makes four packages of biscuits using flour, sugar, and oil, among other ingredients. Customers may get cookies from it on the market for Rs 60

(Rs 15 each packet). The finished product, or the product that is purchased by people, is biscuits. Why is the count limited to "final goods and services"? products like wheat and the wheat flour in this example are intermediate products, as opposed to final commodities. In the process of creating final products and services, intermediate commodities are used. All of the intermediate products required to create the final good are already included in the value of the final goods. Therefore, the final good's worth of Rs 60 already contains Rs 10 for the value of the flour.

The total would have included the worth of all other intermediary items. Because we would be calculating the value of the identical items several times, it is incorrect to count the value of the flour and wheat individually. first as wheat, then as flour, and lastly as biscuits. The total output of a sector for a given year is determined by the value of the final products and services produced in that sector during that year. The Gross Domestic Product (GDP) of a nation is determined by adding the total output in the three sectors. It is the total value of all finished products and services generated in a nation in a certain year. GDP demonstrates the size of the economy. In India, a central government ministry is in charge of the enormous responsibility of estimating GDP. This Ministry gathers data on the overall amount of products and services and their pricing, and then calculates the GDP with the assistance of several government agencies from all of the Indian states and union territories.

Historical Sectoral Change

Generally speaking, the primary sector was the most significant area of economic activity in the early phases of development, as has been seen from the history of many currently industrialized nations. Agriculture generated a lot more food than it had before as agricultural techniques improved and the industry started to thrive. Now, a lot of people may start new hobbies. The quantity of artisans and merchants was rising. The amount of buying and selling has multiplied. In addition, there were administrators, army personnel, transporters, etc. But at this point, the majority of people were worked in the primary sector, which generated the majority of the natural products.

Over an extended period (more than a century), factories emerged and began to grow, mostly due to the introduction of new production techniques. Many of the individuals who had previously worked on farms started working in industries. More commodities that could be manufactured at low cost in factories were used by people. With time, the secondary sector surpassed the primary sector in terms of overall output and employment. Thus, there has been a change throughout time. This indicates a shift in the sectors' relative prominence. In affluent nations, the secondary to tertiary sectors have further shifted in the last 100 years. In terms of overall output, the service sector has emerged as the most significant. The majority of those in the workforce work in the service industry. This is the typical trend seen in wealthy nations [3], [4].

Growing Production Importance of the Tertiary Sector

Production has grown in all three sectors throughout the thirty years between 1973 and 2003, although it has expanded more in the tertiary sector. Consequently, the primary sector was replaced by the tertiary sector in 2003, which became India's biggest producing sector. First, a number of services are necessary in every nation, including banks, insurance firms, police stations, courts, hospitals, educational institutions, post and telegraph services, municipal corporations, defense, and village administration offices. These might be categorized as essential services. In developing nations, it is the duty of the government to provide these services. Second, as we've previously seen, the growth of industry and agriculture promotes

the development of services like commerce, transportation, storage, and so on. The need for these services would increase with the growth of the primary and secondary sectors.

Certain groups of individuals begin to demand more and more services as income levels grow, such as dining out, travel, shopping, private hospitals, private schools, professional training, etc. In cities, particularly large cities, this shift is fairly noticeable. Some new services, including those based on information and communication technology, have grown in importance during the last ten or so years. These services are being produced at a very fast rate. But keep in mind that not all segments of the service industry are expanding at the same rate. India's service industry employs a wide range of individuals. There are just a few services at one end that hire highly qualified and educated personnel. On the other hand, a sizable workforce provides services; these workers include small business owners, repairers, drivers, etc. These individuals work as service providers while barely making ends meet and having no other options for employment. As a result, the significance of this industry is only increasing in part. You'll learn more about this in the section that follows.

One interesting thing about India is that while the three sectors' proportion of GDP has changed, employment has not changed in a way that is comparable. The employment percentages in the three industries in 1973 and 2000 are shown in Graph 3. Even in 2000, the primary sector remained the leading employer. The reason for this is that the secondary and tertiary industries did not generate enough employment. During the era, employment in the industry increased by just 2.5 times, despite an eight-fold increase in industrial output, or the creation of commodities. The tertiary sector is similarly affected. Employment in the service industry increased by fewer than three times, despite an eleven-fold increase in output.

Because of this, just 25% of the nation's GDP is produced by the primary sector, which employs more than half of its workforce and is mostly focused on agriculture. On the other hand, fewer than half of the workforce is employed in the secondary and tertiary sectors, which generate three-fourths of the output. It simply indicates that there are more individuals working in agriculture than is required. So, productivity won't be impacted even if you fire a few employees. Put another way, there is underemployment in the agriculture industry.

Consider Laxmi, a tiny farmer who grows crops like jowar and arhar on her two hectares of unirrigated land that is solely reliant on rain. Throughout the year, all five of her family members are employed on the plot. Why? There is nowhere else they can go to work. You'll notice that although everyone is working and not sitting about, their labor is really distributed among them. Everyone is working to some extent, but nobody is working full-time. Underemployment is the state in which individuals seem to be working but are all forced to labor below their capacity. Unlike someone without a job who is conspicuously jobless, this kind of underemployment is concealed. It is thus sometimes known as "disguised unemployment."

Now, imagine that Sukhram, a landlord, shows up and employs a family member or two to work on his property. With salaries, Laxmi's family may now make a little more money. Their farm produces enough food even without the two individuals going away, as you don't need five workers to maintain that little plot. Two persons may relocate in the case above in order to work at a manufacturing. The family's income would rise once again, and they would keep harvesting as much from their farm. In India, there are countless farmers much like Laxmi. This implies that agricultural output won't decrease even if we remove a large number of people from the agriculture sector and provide them suitable employment elsewhere. The income of those who take up additional employment would raise the family's overall income.

Other industries may also experience underemployment. For instance, thousands of temporary employees look for permanent jobs in the urban service industry. They work as repairmen, painters, plumbers, and in other odd tasks. Many of them don't always have jobs. In a similar vein, we see other workers in the service industry on the street pushing a cart or making little sales, where they may work all day for very little pay. They don't have other opportunities; therefore, they are working on this project.

It's clear from the discussion above that there is still a significant underemployment rate in agriculture. Some folks do not have any employment at all. How can employment for individuals be increased? Let's examine a few of them. Consider Laxmi and her two-hectare unirrigated tract of land. To build a well so that her family can irrigate the land, the government may spend money or banks can lend money. After that, Laxmi will have the ability to water her field and harvest wheat as a second crop during the rabi season. Assume that two workers can work from one hectare of wheat for fifty days (sowing, watering, fertilizer application, and harvesting). Consequently, she may hire two additional family members in her line of work. Let's say that a new dam is built and that canals are excavated to irrigate several farms of this kind. This may result in the creation of several jobs within the agriculture industry, which would help to lessen the issue of underemployment.

DISCUSSION

Let's say Laxmi and the other farmers now produce a lot more than they did before. They would have to sell a portion of this as well. They may have to deliver their goods to a neighboring town for this. Should the government provide funds for agricultural transportation and storage, or improve rural roads to enable mini-trucks to visit all areas, several farmers, like Laxmi, who now have access to water, will be able to persist in cultivating and marketing these products. Not only may farmers benefit from this activity, but so can other workers in industries like commerce or transportation.

Laxmi needs more than just water to survive. She also requires pumpsets to take water from the land, seeds, fertilizer, and agricultural equipment. She can't afford many of them since she's a poor farmer. She will thus have to pay a high interest rate and borrow money from moneylenders. She will be able to purchase all of them in due course and cultivate her property if the neighborhood bank extends credit to her at a fair interest rate. This implies that in order for farming to advance, we also need to provide farmers access to affordable agricultural loans in addition to water.

Locating companies and services in semi-rural locations where a big number of people may be engaged is another method, we might address this issue. Let's say a large number of farmers choose to plant pulse crops like chickpea and arhar. One such example would be to set up a dal mill to get, process, and sell these in the cities. Farmers may be able to preserve their produce, such as potatoes and onions, and then sell it when the market is favorable by opening a cold storage. We may establish honey gathering centers where farmers can come and sell wild honey in communities close to forest regions. Establishing enterprises that process agricultural products such as potatoes, sweet potatoes, rice, wheat, tomatoes, and fruits for sale in external markets is another possibility. Instead of necessarily occurring in major metropolitan centers, this will create jobs in industries situated in semi-rural locations.

Did you know that there are over 200 million school-age children in India? Just over two thirds of them are enrolled in school. The others may be at home or working as child labor, but they're not. More facilities, instructors, and other personnel will be needed if these kids are to attend school. According to a Planning Commission report, the education sector alone has the potential to generate close to 20 lakh new employment. Likewise, an increase in the

number of physicians, nurses, and other health professionals working in rural regions is necessary to enhance the state of health. These are a few methods via which employment may be generated, and we could also solve the crucial development-related issues covered. Every state or location has the capacity to increase local residents' income and employment. It can be the tourist sector, the local handicraft business, or emerging IT services. A few of these would need careful planning and government assistance. For instance, the Planning Commission's analysis claims that if the tourist industry is developed, we might create over 35 lakh new jobs annually.

We have to acknowledge that putting some of the above-discussed recommendations into practice would require some time. We need to take some immediate action in the near future. Acknowledging this, the Indian federal government recently passed a legislation enforcing the Right to Work in 200 Indian districts. The National Rural Employment Guarantee Act of 2005 is the name of the law (NREGA 2005). Under NREGA 2005, the government has promised 100 days of employment per year to everyone who can work and needs to work. The government will pay individuals with unemployment benefits if it is unable to fulfill its obligation to create jobs. The Act will give precedence to the kinds of operations that will assist boost land output in the future.

Kanta is employed in the formal economy. The word "organized sector" refers to businesses or workplaces where employees have regular working conditions and are consequently guaranteed a job. The government has registered them and requires them to abide by its rules and regulations, which are outlined in a number of laws, including the Shops and Establishments Act, the Minimum Wages Act, the Factories Act, and the Payment of Gratuity Act. Because it follows certain formal processes and procedures, it is said to be organized. While working independently and without being hired by anybody, some of these individuals nonetheless need to register with the government and abide by its laws.

Employees in the organized industry are guaranteed a job. They have a certain amount of hours that they are required to work. The company must provide them extra pay if they put in additional hours. The companies also provide them with a number of other advantages. They get paid time off, holiday pay, a provident fund, gratuities, and other benefits. In addition to receiving medical benefits as required by law, the factory manager is also responsible for making sure that the workplace is safe and has access to drinking water. These workers also get pensions upon retirement. On the other hand, Kamal is employed in the unorganized sector. Small, dispersed organizations that are mostly independent of the government define the unorganised sector. Although there are laws and guidelines, they are not observed. These are low-paying, often irregular jobs. There are no provisions for paid time off, holidays, sick leave, overtime, or other benefits. There is no job security. Requests for someone to leave may be made for any reason. In times of low work volume, like certain seasons, certain employees could be requested to quit. A lot is also dependent on the employer's whims. Many workers in this industry work for themselves, doing menial tasks like selling goods on the street or performing repairs. In a similar vein, farmers employ laborers only when needed and work alone [5], [6].

The most sought-after employment are offered by the organized sector. However, the organized sector's job prospects have been growing relatively slowly. Numerous organized sector businesses are often found in the unorganized sector as well. They utilize these tactics to avoid paying taxes and disobey the rules that safeguard workers. Because of this, a lot of individuals are compelled to choose employment in the unorganised sector, which often pay very little. They often get unfair pay and are taken advantage of. Their pay is irregular and meager. There are no perks or security associated with these positions.

A significant proportion of individuals in the organized sector have often lost their employment during the 1990s. These people are compelled to accept low-paying occupations in the unorganized economy. Thus, in addition to the demand for more labor, the unorganised sector's workers also need protection and assistance. Landless agricultural laborers, small-scale and marginal farmers, sharecroppers, and craftsmen (such as weavers, blacksmiths, carpenters, and goldsmiths) make up the majority of the unorganized sector in rural regions. Approximately 80% of Indian rural families belong to the group of small and marginal farmers. Enough infrastructure must be in place to enable the prompt supply of seeds, agricultural supplies, financing, storage spaces, and marketing channels to these farmers.

The unorganized sector in metropolitan regions is mostly made up of people who work in small-scale industries, temporary workers in the construction, commerce, and transportation sectors, as well as those who work as street sellers, head load laborers, garment manufacturers, rag pickers, and other jobs. The government must assist small-scale industries in obtaining raw materials and promoting their products. There is a need to safeguard casual workers in both rural and urban locations. Additionally, we discover that the bulk of laborers from tribes, scheduled castes, and underdeveloped areas are employed in the unorganized sector. In addition to receiving sporadic and low-paying employment, these workers experience societal prejudice. Therefore, it is essential for both social and economic growth to provide protection and assistance to the unorganized sector workers.

Many former regular workers might be found selling items, pushing carts, or doing other odd jobs after factories shut. Separating economic activity into sectors based on who is in charge of providing services and owns the assets is another method. The majority of the assets and services in the public sector are owned by the government. Private persons or businesses are in charge of providing services and owning assets in the private sector. Public sector organizations include the post office and railroads, whilst privately held businesses include Reliance Industries Limited (RIL) and Tata Iron and Steel Company Limited (TISCO).

Profit maximization serves as the driving force behind activities in the private sector. We must give these people and businesses money in order to get such services. The public sector exists for reasons other than profit-making. To cover the costs of the services it provides, governments levy taxes and use various means of raising revenue. Governments in the modern day spend money on many different things. The private sector will not provide the needs of society as a whole for a number of reasons, including cost. Why? The private sector is unable to fund some of these, which require significant financial outlays. Furthermore, it is difficult to get money from the thousands of users of these services. Even if they did provide these items, the cost of using them would be expensive. Building roads, bridges, railroads, harbors, producing power, supplying irrigation via dams, and so on are a few examples. Governments must thus invest a great deal of money and make sure that these resources are accessible to everybody [7], [8].

There are some endeavors that need government backing. The government must provide encouragement for the private sector to continue producing and doing business. For instance, charging what it costs to generate power can increase an industry's manufacturing expenses. It may be necessary for many units especially small-scale units to close. Here, the government intervenes by generating and supplying power at prices that these sectors can pay. The government must contribute to the expense. Similar to this, the Indian government pays farmers a "fair price" for their wheat and rice. It keeps this in its godowns and sells it to customers via ration shops for less money. The government must pay a portion of the expenses, as you have read in Class IX's chapter on food security. The government helps consumers and farmers in this manner.

Numerous tasks are within the purview of the government's principal duty. On them, the government must spend money. Providing facilities for everyone's health and education is one example. A few of these topics were covered in the first chapter. The government is responsible for maintaining appropriate educational systems and offering high-quality education, especially in the primary grades. India has one of the highest rates of illiteracy in the world [9], [10].

In a similar vein, 25% of Indian youngsters are dangerously unwell and almost half of them suffer from malnutrition. We've read about the rates of infant mortality. Orissa (87) and Madhya Pradesh (85) have higher infant mortality rates than some of the world's poorest nations, including those in Africa. The government must also focus on issues related to human development, such as access to clean drinking water, affordable housing for the underprivileged, and enough food and nutrition. It is also the government's responsibility to address the nation's poorest and most neglected regions by increasing funding in such areas.

CONCLUSION

This study provides a comprehensive analysis of the economic sectors, shedding light on their historical evolution and current dynamics. The primary sector, once dominant, has given way to the tertiary sector as the largest contributor to India's overall production. The issue of underemployment in agriculture underscores the need for strategic interventions, including infrastructure development, access to credit, and diversification of economic activities. The organized and unorganized sectors present distinct challenges, with a call for enhanced protection and assistance for workers in the latter. Moreover, the study emphasizes the critical role of government intervention in sectors that serve broader societal goals, such as education and healthcare.

As the nation progresses, ensuring inclusive growth and addressing the needs of marginalized populations become imperative. The recent enactment of the National Rural Employment Guarantee Act (NREGA) is a step in the right direction, promising 100 days of employment per year for those in need. Overall, this study underscores the complexity of India's economic landscape and the multifaceted strategies required for sustained and inclusive development.

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CHAPTER 4

MULTINATIONAL CORPORATIONS, GLOBALIZATION, AND ECONOMIC INTEGRATION

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ABSTRACT:

This study explores the multifaceted nature of globalization with a specific focus on the role of multinational corporations (MNCs) in shaping interconnectedness among nations. Over the past three decades, MNCs have played a pivotal role in driving the globalization process by expanding manufacturing operations across borders. The study delves into the methods employed by MNCs for international expansion, emphasizing real-world examples, particularly from the Indian context, to elucidate broader concepts. Understanding the intricate dynamics of globalization necessitates a comprehensive examination of market and production integration, where MNCs play a central role. The chapter underscores the facilitators of globalization, such as pressure from global organizations, trade and investment policy liberalization, and rapid technological advancements. It encourages an interactive approach to education, involving students in activities like role-plays and debates to enhance comprehension. The study also examines the consequences of globalization, questioning its impact on development goals and urging a nuanced analysis that includes real-world examples and group discussions. It highlights the influence of MNCs on global production networks and the interconnectedness of widely separated regions through alliances, competition, and outright acquisitions. In conclusion, the study underscores the transformative effects of globalization on consumer choices, marketplaces, and production processes. The implications of globalization on various sectors, including agriculture, small industries, and the labor market, are examined, revealing both positive and negative outcomes. The study concludes with a call for policies that ensure fair globalization, safeguard workers' rights, and promote equitable distribution of benefits, recognizing the potential for governments and collective action to shape a more inclusive globalized world.

KEYWORDS:

Economic, Government, Globalization, Multinational Corporations, Market.

INTRODUCTION

The majority of the world's regions are becoming more linked. This chapter examines globalization in a narrower sense, even though there are numerous elements to this interconnectivity between nations, including cultural, political, social, and economic ones. Globalization is defined as the process of nations becoming more integrated via international commerce and investments made by multinational companies (MNCs). The more intricate aspects of portfolio investing have been omitted, as you shall see.

Looking back around thirty years, multinational corporations (MNCs) have played a significant role in the globalization process that has connected remote parts of the globe. What are the methods used by MNCs to expand their manufacturing to other nations, and why are they doing so? This is covered in the first section of the chapter. Various instances, mostly from the Indian context, have shown the MNCs' quick expansion and impact instead of depending only on quantitative estimations. Keep in mind that the examples are meant to help clarify a broader concept. When instructing, the concepts should be the main focus, and

examples should be utilized to illustrate the points. Comprehending sections such as the one following Section II may also be used creatively to assess and reaffirm new ideas [1], [2].

Knowledge the process of globalization and its effects requires a knowledge of the integration of markets and production. This chapter has addressed this in great detail, emphasizing the role that MNCs play in the process. Before going on to the next subject, make sure the kids understand this one enough. Many things have contributed to the facilitation of globalization. Three of them have been emphasized: pressure from global organizations like the WTO, trade and investment policy liberalization, and quick advancements in technology. Students find technological advancement to be a fascinating subject, and you may encourage them to do their own research by giving them some guidance. It's important to remember that kids have no idea what life was like in India before to liberalization while you're talking about it. It is possible to create a role-play that contrasts and compares the pre- and post-liberalization periods. Similar to how important topics like unequal power balances and international negotiations under the WTO may be discussed in a debate format as opposed to a lecture one.

The effects of globalization are discussed in the last section. How much has globalization aided in the process of development? You may refer to Chapters 1 and 2 for themes such as "What is a fair development goal" that are discussed in this part. When addressing this area, real-world examples and exercises are essential. This might incorporate situations not discussed in the chapter, such how imports affect regional farmers, etc. Analyzing such problems may be done via group brainstorming sessions.

Some of us have a large selection of products and services available to us as consumers in the modern world. We have access to the newest models of digital cameras, cell phones, and TVs produced by top global manufacturers. New car models appear on Indian roads with each season. The days of Fiat and Ambassador being the sole vehicles on Indian roads are long gone. Indians now purchase automobiles made by almost all of the world's leading manufacturers. There has been a comparable brand explosion for a wide range of other products, including TVs, fruit juice processors, and clothes. The variety of commodities available in modern marketplaces is a relatively new development. Even twenty years ago, the range of products available in Indian marketplaces would not have been possible.

Production was mostly organized inside nations until the middle of the 20th century. Raw materials, food, and completed goods were transported across national borders. Colonies like India imported finished items and exported food and raw resources. The primary means of communication between far-off nations was trade. This was prior to the emergence of huge businesses known as multinational corporations (MNCs). Any business that owns or manages production across many countries is considered an MNC. MNCs locate their headquarters and manufacturing facilities in areas with inexpensive labor and other resources in order to support their operations. This is carried out in order to minimize manufacturing costs and increase revenues for multinational corporations. Think about the example that follows.

Not only is the multinational corporation (MNC) selling its final products worldwide, but it's even more significant because the goods and services are being created worldwide. Production is thus arranged in ever more intricate ways. The manufacturing process is broken down into smaller components and dispersed around the world. China offers the benefit of being a low-cost manufacturing site in the case above. Because of their proximity to the US and European markets, Mexico and Eastern Europe are valuable regions. India produces highly qualified engineers who are knowledgeable about the intricate details of manufacturing. Additionally, it has trained young people who know English and are able to

provide customer assistance. And all of this may result in cost savings for the MNC of between 50 and 60 percent! For multinational corporations, extending manufacturing across international boundaries may have very significant benefits.

MNCs often locate their manufacturing facilities near markets, with cheap labor costs for both skilled and unskilled labor, and with guaranteed access to other production-related resources. Furthermore, multinational corporations may search for rules that protect their interests. Later in the chapter, you will learn more about the policies. MNCs established factories and offices for manufacturing after reassuring themselves of these circumstances. Investments are sums of money used to purchase real estate, buildings, machinery, and other equipment. Foreign investment is what is referred to as MNC investment. The intention behind any investment is for these assets to generate income.

MNCs sometimes establish manufacturing in tandem with a few indigenous businesses in these nations. Such collaborative manufacturing has two advantages for the local business. First, MNCs may provide funding for supplementary expenditures, such as the purchase of new equipment to enable speedier manufacturing. Second, multinational corporations may bring the newest industrial technologies with them. However, MNC acquisitions of local businesses followed by production expansion are the most typical investment strategy. MNCs with enormous money have little trouble doing so. For instance, smaller Indian businesses like Parakh Foods have been acquired by the massive American multinational corporation Cargill Foods. Parakh Foods had established a sizable marketing network across India, where its name was well-known. Additionally, Parakh Foods had four oil refineries, which Cargill now controls. Now, with the ability to produce 5 million pouches per day, Cargill is the biggest edible oil manufacturer in India!

The wealth of several of the leading multinational corporations really exceeds the combined government budgets of the developing world. Imagine these MNCs' strength and influence given their immense money. Multinational corporations also regulate manufacturing in another manner. Major multinational corporations (MNCs) in industrialized nations get goods from small manufacturers. Sports goods, clothing, and footwear are a few examples of sectors where a vast number of small manufacturers across the globe are involved in the manufacturing process [3], [4].

Ludhiana women at home creating footballs for big MNCs. The goods are provided to multinational corporations (MNCs), who resell them to consumers under their own brand names. These big MNCs have a great deal of influence on these far-off manufacturers' labor conditions, delivery, quality, and pricing. It is evident from this that multinational corporations (MNCs) are using many strategies to expand their output and engage with local producers in different parts of the world. MNCs are having a significant impact on production in these remote areas via forming alliances with local businesses, utilizing them as suppliers, fiercely competing with them, or purchasing them outright. Production is becoming more connected in these widely separated sites as a consequence.

DISCUSSION

One of the biggest automakers in the world, Ford Motors is an American corporation that produces cars in 26 different nations. When Ford Motors first arrived in India in 1995, it invested Rs. 1700 crore to build a sizable facility close to Chennai. This was carried out in association with Mahindra & Mahindra, a significant truck and jeep manufacturer in India. By 2004, Ford Motors was exporting 24,000 vehicles from India to South Africa, Mexico, and Brazil in addition to selling 27, 000 vehicles in Indian markets. The company's goal is to establish Ford India as a global supplier of components for its other facilities.

Foreign commerce has traditionally been the primary means of international trade. You have probably studied history and heard about the vast amount of commerce that occurred along the trade routes that connected markets in the East and West with South and India. You would also recall that the East India Company and other trading firms were drawn to India by trade interests. To put it another way, commerce with other nations gives manufacturers the chance to access consumers outside of their own borders. Producers have the opportunity to sell their goods not only in domestic markets but also in international markets. Similar to this, imports of goods from other nations allow consumers to choose from a wider variety of products than those made in their own country.

Chinese Playthings in India

Chinese producers discover that there is a market for their high-priced toys in India. They begin shipping toys made of plastic to India. Indian consumers now have the choice between Chinese and Indian toys. Chinese toys are becoming more and more well-liked in Indian marketplaces due to their novel designs and lower pricing. In a year, 70–80% of toy stores had switched out their Indian toys with Chinese ones. In the Indian marketplaces, toys are currently less expensive than they were. Chinese toys find their way into Indian markets via commerce. When Indian and Chinese toys are compared, Chinese toys perform better. Toys are more affordable and available in a wider variety for Indian consumers. This gives the Chinese toy manufacturers a chance to grow their company. For Indian toy manufacturers, this is not the case. They are losing money since fewer toys are being sold.

Generally speaking, things move from one market to another as commerce opens. The marketplaces provide a greater variety of commodities. Similar commodities tend to have equivalent prices in the two marketplaces. And despite being thousands of kilometers apart, manufacturers in the two nations are now engaged in intense competition with one another! Thus, markets in several nations are integrated or connected as a consequence of foreign commerce. Small retailers of ready-made clothing face fierce competition from imports and multinational companies.

Globalization

Over the last two to three decades, an increasing number of multinational corporations (MNCs) have been searching the globe for low-cost manufacturing areas. MNC foreign investment in these nations has been increasing. International commerce has been expanding quickly at the same time. MNCs also control a significant portion of international commerce. For example, Ford Motors' automobile manufacturing facility in India not only manufactures automobiles for the Indian market, but it also exports automobiles to other developing nations and automobile components for its many factories worldwide. Similar to this, the majority of MNCs engage in significant commerce in both products and services. Increased production and market integration across nations is the outcome of increased international investment and trade. This process of rapid integration or connectivity across nations is known as globalization. MNCs are contributing significantly to the development of globalization. Trade in products and services, capital, and technology is expanding beyond national borders. Compared to a few decades before, most parts of the globe are now in closer communication with one another.

In addition to trade, investment, technology, and services, there is one other way that the nations may be linked. This is accomplished via international migration. People often relocate abroad in quest of better employment opportunities, higher salaries, or better educational opportunities. However, because of numerous constraints, there hasn't been much of a rise in cross-border travel in the last several decades.

Technology

The trend of globalization has been accelerated by the rapid advancement of technology. For example, there have been several advancements in transportation technology during the last fifty years. This has allowed for considerably cheaper and speedier long-distance distribution of commodities. The advancements in information and communication technologies have been even more astounding. The Internet, computers, and telecommunications technology have all seen fast changes in recent years. Telecommuting, rapid information access, global communication, and distant communication are all made possible by telecommunications infrastructure (telegraph, telephone, including cell phones, fax). Devices for satellite communication have made this easier. You are aware that almost every activity today involves a computer. It's possible that you have also explored the wonderful realm of the internet, where you may find and exchange knowledge about almost anything. We can converse (voice mail) and send quick electronic mail (e-mail) to anybody in the globe for very little money thanks to the internet [5], [6].

Utilizing Technology in Globalization

Delhi is going to create and produce a news magazine intended for readers in London. The Delhi office receives the magazine's text over the Internet. Using telecommunications, the London office gives instructions to the designers at the Delhi office on how to design the magazine. On a computer, the designing is completed. The magazines are flown to London after printing. Even making a quick online payment for designing and printing from a London bank to a Delhi bank is possible thanks to e-banking.

Foreign investment and trade policy liberalization

Let's go back to the Indian toy import scenario involving Chinese goods. Assume the import of toys is subject to a levy by the Indian government. What would take place? Taxes would need to be paid by anybody who wanted to import these items. The levy would increase the cost of imported toys for consumers. Chinese toys will naturally decline in price in Indian marketplaces and become less affordable. The Indian toy industry will flourish. Import taxes are one kind of trade barrier. The reason it's termed a barrier is because limitations have been placed in place. commerce barriers are a tool that governments may employ to control international commerce, choose what sorts of commodities should enter the nation and in what quantities, and boost or diminish it.

Following independence, the Indian government erected obstacles to international investment and commerce. It was thought that this was essential to shield domestic manufacturers from overseas competition. The 1950s and 1960s saw the emergence of new industries, which would not have occurred at that time due to competition from imports. India thus only permitted the importation of necessities like fuel, fertilizer, equipment, etc. Observe that in their early phases of development, all industrialized nations provided domestic producers with various forms of protection.

In India, significant policy reforms were implemented beginning in 1991. The government made the decision that Indian manufacturers should now be able to compete on a global scale. It was believed that because manufacturers would have to raise their standards, competition would help them perform better domestically. Strong international organizations backed this decision. As a result, many of the obstacles to international investment and commerce were eliminated. This meant that international businesses could establish factories and offices here as well as readily import and export products.

Liberalization is the process by which boundaries or limitations imposed by the government are eliminated. Businesses may now freely decide what they want to import or export thanks to trade liberalization. It is argued that the government is more liberal since it places many less limitations than it did before. As we've seen, a number of really strong international organizations backed India's liberalization of foreign investment and trade. These groups believe that trade and investment restrictions of any kind are detrimental. There ought to be no obstacles. International trade ought to be "free." Every nation on the planet need to liberalize its laws.

One such organization whose mission is to liberalize global commerce is the World commerce Organization (WTO). The World commerce Organization (WTO) was founded at the developed nations' urging, and it sets and enforces laws pertaining to international commerce. There are now 149 nations that are WTO members (2006). Even though the WTO is meant to promote free trade for everybody, it is evident that wealthy nations have unjustly kept trade barriers in place. However, WTO regulations have compelled developing nations to lower trade barriers. The ongoing discussion over trading in agricultural goods serves as an illustration of this.

Discussion of Trade Practices

As you saw in Chapter 2, the majority of jobs in India are in the agricultural sector, which also contributes significantly to the country's GDP. Contrast this with a developed nation like the US, where agriculture accounts for only 0.5% of total employment and just 1% of GDP! Despite this, the US government pays a little portion of the agricultural workforce enormous amounts of money for their output and exports to foreign markets. US farmers are able to sell their agricultural goods at very cheap costs because of the enormous amounts of money they get. Farmers in these other nations suffer when their excess agricultural goods are sold at cheap prices in foreign markets.

Thousands of acres controlled by a massive firm that will sell cotton overseas at a discount make up a typical American cotton farm. The Indian economy's globalization has advanced significantly during the last fifteen years. Globalization and increased competition among producers—both domestic and foreign—have benefited consumers, especially the wealthier segments of the urban population. These customers, who can now choose from a wider selection of items at reduced rates and with better quality, have more options. These individuals now enjoy much better levels of life than were previously feasible as a consequence.

Not all producers and workers have felt the same effects of globalization. First off, throughout the last 15 years, MNCs have boosted their investments in India, indicating that they have benefited from doing so. MNCs have shown interest in a number of sectors, including mobile phones, autos, electronics, soft drinks, fast food, and urban banking services. There are many wealthy consumers of these things. There are now more employment in these sectors and services. Local businesses that provide these sectors with raw materials, etc., have also done well [7], [8].

How to Draw in Foreign Capital

The Indian federal and state governments have been making extra efforts in recent years to entice international businesses to make investments in India. Special Economic Zones (SEZs), sometimes known as industrial zones, are being established. World-class infrastructure, including roads, storage, transportation, energy, water, and recreational and educational spaces, must be present in SEZs. For the first five years after setting up a

manufacturing unit in a SEZ, businesses are exempt from paying taxes. The government has further permitted labor law flexibility in an effort to draw in international investment. Businesses in the organized sector are subject to regulations designed to safeguard the rights of their employees. The government has permitted businesses to disregard several of these in recent years. Rather of recruiting employees on a regular basis, businesses "flexibly" hire employees for brief periods of time during times of high workload pressure. This is being done in an effort to lower labor costs for the business. Foreign businesses are still not content, however, and are calling for greater latitude in labor rules.

Second, the heightened competitiveness has helped a number of the leading Indian businesses. They have increased their manufacturing standards and made investments in more advanced technology and production techniques. Some have benefited from fruitful partnerships with overseas businesses. Furthermore, several sizable Indian businesses have been able to become multinationals themselves because to globalization! Some Indian businesses that are expanding globally include Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), and Sundaram Fasteners (nuts and bolts).

Additionally, globalization has opened up new doors for service providers, especially those in the IT industry. Call centers and an Indian firm that produces a magazine for a London-based corporation are two instances. In addition, a variety of services including data entry, accounting, administrative work, and engineering are now produced at low cost in nations like India and sold to industrialized nations. In several sectors, such as plastics, toys, tires, dairy goods, vegetable oil, batteries, and capacitors, small firms have suffered greatly from competition. Numerous facilities have closed, leaving many employees without jobs. Next to agriculture, India's small industries employ the greatest number of people (20 million) in the nation.

Rivalry and Precarious Employment

The demands of competitiveness and globalization have significantly altered workers' life. These days, the majority of firms choose to hire employees "flexibly" due to increased competition. This implies that employment security has vanished for people. Workers at factories folding clothing for shipment. Women now have more options to work for pay thanks to globalization, but the terms of employment indicate that they are not receiving a fair share of the advantages. Big MNCs in the US and European apparel markets purchase goods from Indian exporters. These big MNCs search for the cheapest commodities to maximize their earnings because of their global network. Indian clothing exporters work very hard to reduce their own prices in order to get these big contracts. Exporters want to minimize labor expenses since they are unable to lower the cost of raw materials. In order to avoid having to pay employees for the whole year, factories that formerly employed people on a permanent basis now only do so temporarily. During the busiest season, workers must also often perform night shifts and very lengthy workdays. Workers are compelled to put in extra hours to make ends meet due to poor wages.

Although the MNCs have benefited greatly from the rivalry among clothing exporters, workers have not reaped the full advantages of globalization. The working conditions and struggles faced by the workers mentioned above are now typical of many Indian industrial facilities and services. Nowadays, the majority of people are engaged in the unorganized sector. Furthermore, working conditions in the organized sector are starting to mirror those in the unorganized sector. Employees in the organized labor sector, like Sushila, are no longer entitled to the perks and protections they formerly enjoyed.

According to the aforementioned data, not everyone has profited from globalization. The most effective use of the new possibilities has been made by those with money, education, and expertise. However, a large number of individuals have not reaped the rewards. Given that globalization has become a reality, how can it be made more "fair"? In addition to guaranteeing that the advantages of globalization are distributed more fairly, fair globalization would open doors for everyone. A significant part in making this feasible may be played by the government. All citizens of the nation must have their interests protected by its policies, not just those of the wealthy and powerful. Some of the potential actions the government may take have been discussed in the literature. For example, the government can guarantee that workers' rights are upheld and labor laws are correctly applied. Small producers may use it to help them become better until they are strong enough to compete. Trade and investment restrictions are tools that the government may deploy when needed. It is able to bargain for "fairer rules" at the WTO. In an effort to oppose rich nations' dominance in the WTO, it may potentially join forces with other developing nations who share its goals. Large-scale campaigns and the presence of people's organizations at the WTO have had a significant impact on trade and investment decisions in recent years. This has shown that individuals may have a significant impact on the fight for equitable globalization [9], [10].

MNCs are contributing significantly to the development of globalization. An increasing number of multinational corporations are searching the globe for low-cost manufacturing sites. Production is therefore being arranged in intricate ways. International production scheduling has been greatly aided by technology, especially information technology. Globalization has also been made easier by trade and investment liberalization, which has eliminated trade and investment obstacles. The World Trade Organization has exerted pressure on developing nations to liberalize trade and investment at the international level. The rise in competitiveness has hurt many small producers and workers, even as globalization has helped wealthy, skilled, and educated producers as well as well-off customers. In addition to guaranteeing that the advantages of globalization are distributed more fairly, fair globalization would open doors for everyone.

CONCLUSION

This study navigates the complex terrain of globalization, dissecting the role of multinational corporations (MNCs) in the intricate web of interconnectedness among nations. The historical journey from localized production to the current landscape, where MNCs orchestrate global manufacturing, is meticulously examined. Real-world examples, particularly from the Indian context, serve as illustrative tools to enhance conceptual clarity. The study underscores the driving forces behind globalization, emphasizing the transformative impact of global organizations, trade liberalization, and technological advancements. It advocates for an engaging pedagogical approach, encouraging students to explore topics like technological advancement through independent research and interactive activities. Globalization's consequences are explored, delving into its implications on development goals and prompting discussions on tangible examples.

The study sheds light on MNCs' strategies, ranging from collaborations with local businesses to outright acquisitions, shaping the global production landscape. The study portrays globalization as a double-edged sword, offering a plethora of choices to consumers while presenting challenges to local industries and labor markets. The call for fair globalization resonates throughout, urging policymakers to champion inclusive policies that safeguard workers' rights and promote equitable distribution of benefits. In a world shaped by MNCs, the study envisions a future where globalization is not just expansive but fair, opening doors for all stakeholders in the globalized tapestry.

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CHAPTER 5

DYNAMICS OF MANUFACTURING AND ECONOMIC ACTIVITIES: A CASE STUDY OF PALAMPUR VILLAGE

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ABSTRACT:

This study delves into the intricate dynamics of manufacturing activities in the fictional town of Palampur, where agriculture serves as the primary economic activity alongside small-scale industries such as dairy, transportation, and manufacturing. Through an exploration of Palampur's well-developed infrastructure and various caste representations, the study unfolds the interplay of resources, including land, labor, physical capital, and human capital, essential for production organization. The focus shifts to Palampur's agricultural sector, revealing the challenges of limited land availability and the innovative strategies employed by farmers to maximize output. The impact of modern agricultural techniques, particularly the Green Revolution, is examined, emphasizing the delicate balance between increased productivity and environmental consequences. The study further scrutinizes the lives of agricultural laborers, the financial aspects of farming, and the role of non-farm activities, such as dairy, small-scale manufacturing, trade, and transportation, in the economic landscape of Palampur. As the narrative unfolds, it provides insights into the potential for growth in non-farm activities and the importance of access to capital and markets for sustainable economic development in rural areas. The novel aims to illustrate some fundamental ideas related to manufacturing by using the fictional town of Palampur as a vehicle. The primary economic activity of Palampur is farming, with a few additional small-scale industries including dairy, transportation, small-scale manufacturing, etc. These industrial processes need a variety of resources, including money, human labor, manufactured goods, and natural resources. We will see how different resources work together to generate the needed commodities and services in the village as we read the narrative of Palampur.

KEYWORDS:

Economic, Farming, Manufacturing, Transportation, Trade.

INTRODUCTION

Palampur has excellent access to the cities and villages around. Palampur is 3 kilometers away from the large hamlet of Raiganj. The hamlet is connected to Raiganj and the closest small town, Shahpur, by an all-weather road. This route is home to a variety of modes of transportation, including trucks, jeeps, tractors, bullock carts, and bogeys wooden carts pulled by buffalos that are filled with goods like jaggery (gur).

There are around 450 households in this community, representing various castes. The bulk of the village's land is owned by the 80 upper caste households. Their brick homes, some of which are rather big, are plastered with cement. The dalits, or SCs, make about one-third of the population. They are concentrated in one area of the hamlet and inhabit significantly smaller homes, some of which are made of straw and mud. The majority of the homes are wired for electricity. All of the field's tubewells are powered by electricity, which is also used by many kinds of small businesses. There is one high school and two elementary schools in Palampur. The ill are attended to at one private dispensary and one government-run primary health center.

The aforementioned description demonstrates Palampur's rather well-developed road, transportation, electrical, irrigation, school, and health center systems. Compare these amenities to those in the community that's close by [1], [2]. The narrative of the fictional hamlet of Palampur will walk us through the many kinds of manufacturing activities that take place there. India's villages mostly depend on farming as their primary source of income. The term "non-farm" activities refer to the other productive activities, which include shopkeeping, transportation, and small manufacturing. Once we have a basic understanding of production, we will examine both of these kinds of operations.

Production Organization

Producing the products and services that we want is the goal of manufacturing. To produce products and services, four prerequisites must be met. Land is the primary need, along with other natural resources like water, forests, and minerals. The labor, or those who will do the task, is the second need. For some manufacturing operations, people with advanced education are required. Workers with manual labor skills are needed for more tasks. Every employee contributes the labor required for manufacturing. Physical capital, or the range of inputs needed at each step of manufacturing, is the third prerequisite.

Buildings, machinery, and tools

Mechanical devices might be as basic as a farmer's plow or as complex as generators, turbines, computers, and so on. Buildings, machinery, and tools that are employed in production for an extended period of time are referred to as fixed capital.

Raw materials and cash on hand

A range of raw materials, including the clay used by potters and yarn used by weavers, are needed for production. Additionally, cash is constantly needed throughout manufacturing to cover expenses and purchase additional supplies. Working capital is defined as cash on hand and raw commodities. These are depleted during manufacturing, in contrast to equipment, buildings, and tools.

There's still a fourth prerequisite. To be able to combine land, labor, and physical capital and create an output that you can use for yourself or sell on the market, you will need to be knowledgeable and entrepreneurial.

These days, we refer to this as human capital. The next chapter will provide further information on human capital. Determine the amount of land, labor, and fixed capital utilized in production by looking at the image. The elements of production—land, labor, physical capital, and human capital—are the building blocks of any output. We will discover more about the first three components of production when we study the tale of Palampur[3], [4].

Palampur agriculture

Land is set in stone. The primary source of production in Palampur is farming. Seventy-five percent of those in the workforce rely on farming for their income. They could work as agricultural laborers or farmers.

The productivity on the farms has a direct impact on these people's quality of life. But keep in mind that increasing agricultural productivity is subject to a fundamental limitation. The amount of land used for agriculture is essentially constant. In Palampur, the area under agriculture has not increased since 1960. A portion of the village's wastelands had been turned into arable land at that point. There is no more room to grow agricultural output by putting more area under cultivation.

DISCUSSION

The kind of crops cultivated there and the amenities offered would make Palampur resemble a hamlet in the western region of the state of Uttar Pradesh. In Palampur, all land is farmed. There is never any empty land. Farmers plant bajra and jowar during the rainy season, known as kharif. Cattle are fed with these plants. Potato farming takes place from October to December after that. Wheat is planted in fields throughout the winter (rabi). Farmers harvest wheat, storing enough for their own needs and selling any extra in the Raiganj market. Sugarcane, which is harvested once a year, occupies a portion of the land. In its unprocessed state, sugarcane is sold to merchants in Shahpur as jaggery.

Palampur farmers are able to plant three different crops in a year mostly because of the advanced irrigation infrastructure. Palampur received electricity early. Its primary effect was to change the irrigation system. Farmers utilized Persian wheels up to that point to irrigate small fields and fetch water from wells. People saw that far bigger tracts of land could be more successfully irrigated by the tubewells powered by electricity. The government erected the first few tubewells. However, farmers soon began installing their own private tubewells. This led to the irrigation of the full 200 hectares (ha) of agricultural land by the middle of the 1970s. Various cropping is the practice of growing various crops on a single plot of land over the course of a year. It is the most popular strategy for raising output on a certain plot of land. In Palampur, farmers cultivate a minimum of two primary crops, with many now growing potatoes as their third crop after fifteen to twenty years.

Growing various crops is one method to get more out of the same piece of land. Alternatively, you might increase production by using contemporary agricultural techniques. The amount of crop grown on a certain plot of land in a single season is known as the yield. Traditional seeds with comparatively poor yields were utilized in cultivation until the middle of the 1960s. Less watering was required for traditional seeds. Cow dung and other organic manures were employed as fertilizers by farmers. These were all easily accessible to farmers, who did not need to purchase them. High yielding varieties (HYVs) of seeds were first used by Indian farmers to cultivate wheat and rice during the Green Revolution in the late 1960s. The HYV seeds claimed to yield substantially more grain on a single plant than the conventional seeds did. Thus, significantly more foodgrain could now be produced on the same plot of land than could have been before. But for HYV seeds to provide the optimum results, they also required a lot of water, artificial fertilizers, and pesticides. Only a combination of HYV seeds, irrigation, chemical fertilizers, insecticides, etc. could provide higher yields.

The first Indian farmers to experiment with the modern agricultural technique were those in Punjab, Haryana, and Western Uttar Pradesh. In addition to using chemical fertilizers, herbicides, and HYV seeds, the farmers in these areas installed tubewells for irrigation. A few of them invested in agricultural equipment, like as tractors and threshers, to speed up harvesting and plowing. They were rewarded with abundant wheat harvests. The yield of wheat produced in Palampur using the conventional varieties was 1300 kg/hectare. The yield increased to 3200 kg per hectare while using HYV seeds. The output of wheat increased significantly. There was more wheat available for farmers to sell in the marketplaces.

Since land is a natural resource, usage of it must be carefully considered. According to scientific data, the natural resource base has been exploited by current agricultural practices. Because chemical fertilizers are being used more often, the Green Revolution is often linked to the depletion of soil fertility. The depletion of the water table is another consequence of the ongoing use of groundwater for agricultural purposes via tubewells. Groundwater and soil

fertility are examples of environmental resources that accumulate over time. It is exceedingly difficult to repair things after they are damaged. In order to secure the continued growth of agriculture, we must protect the environment. You must be aware of how crucial land is to farming. Sadly, not everyone who works in agriculture has access to enough land for farming. About 150 households, the most of whom are dalits, make up the one-third of the 450 families in Palampur that lack land for farming. 240 of the surviving land-owning families manage little pieces of property that are less than two hectares. Such plots cannot provide the farming family with a sufficient income [5], [6].

The image shows the many little plots that are dispersed across the community. The tiny farmers grow them. However, plots that are rather substantial in size occupy more than half of the village's land. There are sixty medium-sized and big farming households in Palampur that manage more than two hectares of land. Some of the larger farmers own property that is at least ten hectares in size. Labor is the next essential component for production after land. Farming is a very labor-intensive endeavor. Small farmers work their own fields with their family. As a result, they provide the labor needed to farm themselves. Farm laborers are employed by medium-sized and big farms to work in their fields.

Farm laborers are either from families who cultivate tiny parcels of land or from households that are landless. Farm laborers do not hold any rights to the crops that are cultivated on the land, in contrast to farmers. As an alternative, the farmer they labor for pays them. Payments may be made in cash or in kind, such as crops. Workers sometimes get meals as well. Pay varies greatly across areas, between crops, and between farming activities (such as planting and harvesting). Additionally, there is a significant range in the length of employment. A farm laborer may work for a single agricultural task, such as harvesting, on a daily basis, or for the whole year.

Dala is a farm laborer in Palampur who lacks land and gets paid on a daily basis. Thus, he has to hunt for a job on a frequent basis. Dala receives less than Rs 160 per day, despite the government's March 2017 minimum pay of Rs 300 for agricultural laborers. In Palampur, there is fierce rivalry among agricultural laborers for jobs, therefore many of them settle for lesser pay. Dala bemoans his lot in life to Ramkali, another agricultural worker. Ramkali and Dala are two of the village's poorest residents.

Two villages in North Bihar are called Majauli and Gosaipur. More than 250 men work in rural Punjab and Haryana, as well as in Delhi, Mumbai, Surat, Hyderabad, or Nagpur, out of 850 homes in the two villages. Most Indian communities have seen frequent migration of this kind. Why do individuals move? Can you imagine what kind of labor the migrants from Majauli and Gosaipur would be doing in their new location?

The Amount of Money Required for Farming

To get the necessary funds, the majority of small farmers must take out loans. They take out loans from big farmers, local moneylenders, or dealers who provide different farming inputs. These loans have very high interest rates. They suffer much in order to pay back the debt. We discovered that labor is the most plentiful of the three components of production. While there are few job options, there are plenty of individuals eager to work as agricultural laborers in the villages. Assume for the moment that the farmers used the three production variables to grow wheat on their fields. Production has finished and the wheat is harvested. How are the wheat fields used by the farmers? They sell the extra wheat after keeping some for their own usage. Because their overall output is tiny and a sizeable portion is saved for their own family requirements, small farmers like Savita and Gobind's sons have little extra wheat. Therefore, the market receives its wheat supply from medium-sized and big farms. The market was

filled with bullock carts, each of which was loaded with wheat. Wheat is purchased by market vendors, who then resell it to retailers in nearby towns and cities.

The big farmer Tejpal Singh has 350 quintals of extra wheat from all of his properties! He makes considerable money by selling the extra wheat in the Raiganj market. How does Tejpal Singh spend his money? Tejpal Singh had transferred the majority of the funds into his bank account last year. Subsequently, he loaned farmers in need, including Savita, using the funds. In order to secure the operating money needed for farming the next season, he also used the savings. Tejpal Singh intends to purchase another tractor with his earnings this year.

His fixed capital would rise if he bought another tractor. Other big and medium farmers, like Tejpal Singh, sell their excess agricultural produce. A portion of the profits is set aside for capital purchases for the next season. As a result, people may use their own savings to arrange for the money needed for farming. A few farmers may also decide to open stores or use the funds to purchase vehicles or animals. These make up the capital for non-farm operations, as we will see [7], [8].

Non-Agricultural Pursuits in Palampur

We now know that farming is Palampur's primary source of production. Now, let's examine a few of the non-farm producing endeavors. In Palampur, only 25% of the labor force is employed in sectors other than agriculture. The other popular pastime is dairy. A lot of Palampur households engage in dairy farming. During the rainy season, they feed their buffalos a variety of grasses, including jowar and bajra. The major community adjacent, Raiganj, is where the milk is sold. Milk is carried to distant towns and cities from two collection/chilling centers that have been established in Raiganj by two merchants from Shahpur town.

An illustration of Palampur's small-scale manufacturing

Less than fifty individuals work in manufacturing in Palampur at the moment. Small-scale, very basic production techniques are used in Palampur's industries, in contrast to the large factories found in towns and cities. They are mostly completed at home or in the fields with labor from the family. Laborers are seldom employed.

The Palampur shopkeepers

There aren't many people in Palampur who engage in trading, or the exchanging of things. Shopkeepers who purchase different items from wholesale marketplaces in the metropolis and resell them in the village are known as merchants in Palampur. A broad variety of goods, including rice, wheat, sugar, tea, oil, biscuits, soap, toothpaste, batteries, candles, notebooks, pens, pencils, and even some fabric, are sold at the village's little general shops. Some of the families that live near the bus stop have turned a portion of their property into little businesses. They market food items.

Transport: a rapidly expanding industry

There is a wide range of automobiles on the route that links Raiganj and Palampur. Individuals in the transport sector include rickshaw and tongawallahs, jeep, tractor, and truck drivers, as well as those operating the customary bullock cart and bogey. They transport products and people between locations and are compensated for their services. Over the last several years, the number of persons working in transportation has increased. The primary source of production in the community is farming. The methods used in farming have undergone several significant alterations throughout time. Thanks to this, farmers are now

able to cultivate more crops on the same area of land. Considering how limited and fixed land is, this is a significant accomplishment. However, increasing output has resulted in significant strain on land and other natural resources.

Less land is required for the new agricultural methods, but considerably more cash is. The big and medium-sized farmers may utilize their own production savings to get funding for the next season. On the other hand, obtaining financing is a challenge for small farmers, who make up around 80% of all farmers in India. Their plots are so little that their produce is insufficient. They must borrow since they have insufficient excess to draw from their own funds for capital. In addition to their debt, a lot of small farmers need to work extra hours as agricultural laborers in order to provide for their family.

Since labor is the most plentiful ingredient in production, it would be great if new agricultural techniques required a significant increase in labor. Regretfully, nothing along these lines has occurred. On farms, labor is used sparingly. In search of better prospects, labor is therefore moving to nearby towns, cities, and villages. A portion of labor has moved into the village's non-farm sector. The village's non-farm industry is now somewhat small. In India's rural regions, just 24 out of every 100 workers are involved in non-farm occupations. The number of persons engaged in each of the communities' many non-farm enterprises is rather tiny, despite the fact that we have only visited a few of them [9], [10].

One would want to see the community engage in additional non-farm producing activities in the future. Non-farm activities need less land than farming does. A certain amount of money may be used to start non-farm businesses. How can one get access to this money? While using one's own funds is an option, taking out a loan is more common. It's critical that loans be offered at reasonable interest rates so that even those without savings may begin engaging in non-farm activities. Markets where the generated products and services may be sold are another need for the growth of non-farm activities. We saw that the surrounding towns, villages, and cities in Palampur served as marketplaces for goods including wheat, milk, and jaggery. The possibilities for non-farm activity in the village may grow in the next years as more villages are linked to towns and cities via reliable telephone, transportation, and road networks.

CONCLUSION

The study of Palampur offers a comprehensive understanding of the multifaceted aspects of manufacturing and economic activities in a rural setting. The constraints posed by limited land for agriculture underscore the need for innovative solutions to enhance productivity. The Green Revolution's impact, while transforming agricultural practices, raises critical concerns about environmental sustainability. The plight of agricultural laborers, the financial intricacies of farming, and the emergence of non-farm activities highlight the diversified nature of the local economy. Looking ahead, the study suggests that fostering non-farm activities could be a key driver of economic growth, provided there is access to affordable capital and expanded markets. The connectivity of villages to towns and cities through improved infrastructure holds the promise of unlocking new opportunities for sustainable development in Palampur and similar rural communities.

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CHAPTER 6

UNDERSTANDING AND ADDRESSING POVERTY IN INDEPENDENT INDIA: A MULTIFACETED EXAMINATION FROM SOCIAL, ECONOMIC, AND HUMAN PERSPECTIVES

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ABSTRACT:

This study delves into the intricate challenges of poverty in independent India, employing example-based discussions to illustrate the multifaceted nature of this pervasive issue. The examination extends to how poverty is perceived in the social sciences, highlighting the poverty line as a tool to understand global and Indian poverty patterns. Government initiatives and their impact on poverty reduction are explored, with a concluding emphasis on expanding the official definition of poverty to encompass human poverty. The study employs various indicators, including income, consumption, education, healthcare, and social exclusion, to present a comprehensive view of poverty in India. Analysis of poverty estimates, group vulnerabilities, state-wise variations, and global perspectives enrich the narrative, emphasizing the need for ongoing efforts to eradicate poverty. This chapter addresses poverty, one of the most formidable issues facing an independent India. Following an example-based discussion of this multifaceted issue, the chapter moves on to address how poverty is seen in the social sciences. The idea of the poverty line serves as an illustration of global and Indian patterns in poverty. The government's initiatives to combat poverty as well as its causes are covered. The official definition of poverty is expanded to include human poverty as the chapter comes to a close.

KEYWORDS:

Economic, Education, Independent India, Poverty, Social.

INTRODUCTION

A lot of folks in our everyday lives who we assume to be impoverished. They could be laborers without land in rural areas or inhabitants in cramped jhuggis in urban areas. They can be kid laborers in dhabas or daily wage workers on building projects. They could also be destitute beggars with soiled children. Poverty is evident all around us. Actually, one in four people in India live in poverty. This indicates that in 2011–12, almost 270 million (or 27 crore) people in India were living in poverty. This implies that the concentration of impoverished people in India is the highest globally. This demonstrates how serious the task is.

Two Typical Poverty Cases

These two common situations highlight a number of aspects of poverty. They demonstrate how hunger and homelessness are symptoms of poverty. It is also a circumstance when ill individuals cannot afford to get treatment, or where parents are unable to take their children to school. Lack of access to sanitary facilities and clean water is another sign of poverty. It also denotes the absence of a steady employment at a respectable level. It entails, above all, having a helpless feeling all the time. Poor individuals are subjected to mistreatment in almost every setting, including industries, farms, government buildings, hospitals, and train stations. Of course, no one wants to be impoverished.

Bringing millions of Indians out of extreme poverty has been one of the country's greatest difficulties since independence. Mahatama Gandhi always maintained that the greatest independence for India will come from the emancipation of its lowest citizens from human misery.

Poverty as social scientists understand it

Social scientists examine poverty using a range of indicators since it has several dimensions. The metrics that are often utilized have to do with income and consumption levels. Today, however, poverty is measured by various social variables such as the degree of illiteracy, the lack of overall resistance brought on by malnutrition, the absence of employment prospects, the lack of access to healthcare, the lack of access to clean, safe drinking water, and sanitation, etc. It is currently very usual to analyze poverty using social exclusion and vulnerability as a basis [1], [2].

The Poverty Line

The idea of the "poverty line" is often at the center of discussions on poverty. Utilizing income or consumption levels as a basis is a popular approach to quantify poverty. If someone's income or consumption level is less than the specified "minimum level" required to meet their fundamental necessities, they are said to be impoverished. The requirements to provide fundamental necessities vary depending on the period and the nation. As such, the poverty line may change depending on the location and period. Every nation employs a fictitious boundary that is deemed suitable for both its recognized minimal social standards and current state of development. In the United States, for instance, someone without a vehicle may be seen as impoverished. Car ownership is still seen as a luxury in India.

A minimal amount of food, clothes, footwear, fuel and light, educational and medical requirements, etc., are calculated for sustenance while defining the poverty line in India. The prices of these physical amounts in rupees are multiplied. The current food requirement calculation, which is used to estimate the poverty line, is based on the target calorie need. Together, foods like grains, legumes, vegetables, milk, oil, sugar, etc. provide these necessary calories. Age, gender, and the kind of labor one performs all affect how many calories one requires. In India, it is generally recognized that an individual needs 2400 calories per day in rural regions and 2100 calories per day in urban areas. The calorie needs in rural regions are thought to be greater than in metropolitan areas because residents there work harder and longer hours. The amount of money per person required to purchase these calorie needs in the form of cereals, etc., is updated on a regular basis to account for price increases.

These computations were used to determine the poverty line for the 2011–12 year, which was set at Rs. 1000 for urban areas and Rs. 816 for rural regions each month. Despite the lower calorie need, the larger quantity for metropolitan regions has been set due to the high cost of numerous necessities in these places.

In this sense, a five-member household in rural regions earning less than Rs 4,080 per month in 2011–12 would be considered impoverished. To satisfy their basic needs, a family of the same size in an urban setting would need at least Rs 5,000 per month. Using sample surveys, the poverty line is assessed on a regular basis (often every five years). The National Sample Survey Organization (NSSO) conducts these surveys. However, many international organizations, such as the World Bank, employ a common criteria for the poverty line when comparing developing nations: a minimum availability of \$1.90 per person per day (2011, ppp).

Estimates of Poverty

Table 3.1 makes it evident that India's poverty ratios have significantly decreased, going from almost 45% in 1993–1994 to 37.2% in 2004–2005. In 2011–12, the percentage of those living below the poverty line decreased even more, to almost 22%. In the next years, the percentage of individuals living below the poverty line may drop to less than 20% if the current trend continues. The number of impoverished decreased from 407 million in 2004–05 to 270 million in 2011–12, with an average yearly fall of 2.2 percentage points between 2004–05 and 2011–12. This was despite the fact that the proportion of people living in poverty had decreased in the preceding two decades (1973–1993) [3], [4].

Groups at Risk

In India, the percentage of the population living in poverty varies depending on the social and economic category. Scheduled Caste and Scheduled Tribe families are the social categories most susceptible to poverty. Likewise, when it comes to economic categories, the rural agricultural labor families and the urban casual labor households are the most susceptible. proportion of the impoverished in each of these categories. Despite the fact that the average number of Indians living below the poverty line is 22, 43 out of 100 members of Scheduled Tribes are unable to satisfy their basic necessities. Comparably, 34% of urban casual workers live below the poverty level. In rural regions, over 34% of casual laborers work as farmers, while 29% of Scheduled Caste members are impoverished. The severity of the issue is highlighted by the dual disadvantage of living in a landless casual wage labor home among the socially disadvantaged scheduled caste or scheduled tribal community. Recent research indicates that throughout the 1990s, poverty rates decreased for all three groups—scheduled castes, rural agricultural laborers, and urban casual labor households—aside from those of scheduled tribes. In addition to these socioeconomic divisions, wealth disparity exists inside families as well. Everyone suffers in impoverished households, but some people suffer more than others. There are situations when women, the elderly, and female babies are not given equitable access to family resources.

DISCUSSION

There is yet another facet or depth to poverty in India. Not every state has the same percentage of the population living in poverty. State-by-state variations exist in the success rate of poverty reduction, notwithstanding a secular fall in state-level poverty from early 1970s levels. According to recent estimates, states such as Madhya Pradesh, Assam, Uttar Pradesh, Bihar, and Orissa have poverty rates higher than the national average, even though the Head Count Ratio (HCR) for all of India was 21.9% in 2011–12. Bihar and Orissa remain the two poorest states, with respective poverty ratios of 33.7 and 32.6 percent, as seen in Graph 3.2. In Orissa, Madhya Pradesh, Bihar, and Uttar Pradesh, there is a high rate of both urban and rural poverty. In contrast, poverty has significantly decreased in West Bengal, Kerala, Maharashtra, Andhra Pradesh, Tamil Nadu, and Gujarat. Strong agricultural growth rates have historically enabled states like Punjab and Haryana to successfully reduce poverty. Kerala has prioritized the development of its human resources more. Land reform initiatives in West Bengal have contributed to a decrease in poverty. The improvement in Andhra Pradesh and Tamil Nadu could have been caused by the public distribution of food grains.

Worldwide Poverty Situation

From 35% in 1990 to 10.68% in 2013, the percentage of individuals in developing nations experiencing severe economic poverty defined by the World Bank as subsisting on less than \$1.90 per day has decreased. Global poverty has significantly decreased, although there are

still significant regional variations. Due to significant expenditures in human resource development and rapid economic expansion, poverty has significantly decreased in China and other Southeast Asian nations. In China, the percentage of the impoverished has decreased from 88.3% in 1981 to 14.7% in 2008 to 1.9% in 2013. The decrease in South Asian nations (India, Pakistan, Sri Lanka, Nepal, Bangladesh, Bhutan) has likewise been swift, going from 54% to 15%. The proportion of the poor has decreased, but overall, there has been a dramatic fall in the number of poor, from 44% in 1990 to 17% in 2013. In addition, poverty in India is shown as being larger than the national statistics due to various definitions of the poverty line.

In actuality, poverty in Sub-Saharan Africa increased, going from 54% in 1990 to 41% in 2013 (see graph 3.3). The percentage of people living in poverty in Latin America has likewise decreased, from 16.9% in 1990 to 5.4% in 2013. (See graph 3.3) Poverty has also returned to several of the former socialist nations, such as Russia, where it had previously been declared to be nonexistent. The percentage of the population in each country that falls below the international poverty line (defined as a person earning less than \$1.90 per day). By 2030, the UN's Sustainable Development Goals call for the eradication of all forms of poverty [5], [6].

Reasons for Being Poor

The pervasive poverty in India was caused by many factors. The poor state of economic growth under British colonial rule is one historical explanation. The colonial government's policies destroyed traditional handicrafts and impeded the growth of sectors like textiles. Up to the 1980s, the growth rate was modest. Less employment possibilities and a slow pace of income development were the results of this. Alongside this, there was a rapid pace of population expansion. Together, the two result in an extremely low growth rate for per capita income. The poverty cycle was sustained by the failures on both fronts: encouraging economic development and managing population expansion.

Numerous employment possibilities in the agricultural industry were generated by the Green Revolution and the expansion of irrigation. However, the impacts were confined to certain regions of India. There was certain employment offered by the industries, both in the public and private sectors. However, they were insufficient to accommodate every job candidate. Many individuals began working as rickshaw pullers, merchants, construction laborers, domestic servants, etc. since they were unable to find suitable occupations in cities. These people's irregularly low salaries prevented them from affording luxurious houses. They began to live in shantytowns on the edges of the cities, and the issues of poverty which were previously mostly rural became a characteristic of the metropolitan area.

The extreme economic disparities have been another aspect of high rates of poverty. The uneven distribution of land and other resources is one of the main causes of this. We haven't been able to meaningfully address the problem in spite of several measures. The majority of state governments have not carried out important policy efforts like land reforms, which attempted to redistribute assets in rural regions, correctly and successfully. Millions of rural poor people in India might have had their lives better if policies had been properly implemented, since one of the main reasons of poverty in the country has been a lack of land resources.

Poverty is also caused by a wide range of other sociocultural and economic variables. Even the poorest people in India spend a lot of money performing religious rites and fulfilling social duties. To purchase agricultural inputs like seeds, fertilizer, insecticides, and so on, small farmers need money. Poor individuals borrow because they seldom have any savings.

Due to their financial hardship, they are unable to repay and end themselves in debt. Therefore, poverty results from and is caused by a high degree of debt.

Anti-Poverty Interventions

Eliminating poverty has been a primary goal of Indian development strategy. The two main pillars of the government's present anti-poverty policy are (1) the encouragement of economic development and (2) focused anti-poverty initiatives. There was little decrease in poverty and little increase in per capita income throughout a thirty-year period that ended in the early 1980s. Even until the early 1980s, official estimates of poverty, which stood at around 45% in the early 1950s, remained unchanged. India's economy has grown at one of the quickest rates in the world since the 1980s. The growth rate increased dramatically in the 1980s and 1990s, rising from an average of around 3.5% annually in the 1970s to roughly 6%. The decrease in poverty has been greatly aided by the faster growth rates. Thus, it is becoming evident that economic progress and the decrease of poverty are closely related. Growth in the economy creates more chances and the funds required to make investments in the advancement of humankind. Additionally, this motivates individuals to send their kids especially the girls to school in the hopes of reaping greater financial rewards for their educational investments. The impoverished, however, may not be able to directly benefit from the possibilities brought about by economic expansion. Furthermore, the agricultural sector's development is far slower than anticipated. Given that many impoverished people live in villages and rely on agriculture, this directly affects poverty.

There is an obvious need for specialized anti-poverty programs under these conditions. A number of programs have been developed to address poverty, either directly or indirectly, but some of them are noteworthy. The goal of the 2005 Mahatma Gandhi National Rural work provide Act is to provide livelihood stability in rural regions by giving every family 100 days of paid work. In order to combat the causes of drought, deforestation, and soil erosion, it also aimed at sustainable development. Women have been given preference for one-third of the suggested positions. Through the program, 4.78 crore families received 220 crore person-days of work. The percentages of SC, ST, and women person days in the program are 23%, 17%, and 53%, in that order. In 2006–07, the average salary was 65. In 2013–14, it was 132.

The Prime Minister RozgarYozana (PMRY) program was initiated in 1993. The program's objective is to provide educated jobless adolescents in rural and small town regions with chances for self-employment. They get assistance in establishing industries and small businesses.

In 1995, the Rural Employment Generation Programme (REGP) was initiated. The program's objective is to provide chances for self-employment in small towns and rural regions. The Tenth Five Year Plan has set a goal for the program to create 25 lakh new employment. In 1999, the Swarnajayanti Gram SwarozgarYojana (SGSY) was introduced. By placing the helped low-income families in self-help groups and providing a combination of government subsidies and bank loans, the initiative seeks to lift them out of poverty. Additional government aid is provided to states for basic services including primary health and education, rural housing, rural drinking water, and rural electricity under the Pradhan MantriGramodayaYozana (PMGY), which was introduced in 2000. You will learn more about Antyodaya Anna Yozana (AAY), another significant plan [7], [8].

These initiatives have had a range of outcomes. A significant contributing factor to reduced efficacy is inadequate execution and targeting. In addition, there has been a great deal of scheme overlap. These programs do not adequately assist the deserving poor, despite their

noble intentions. As a result, in recent years, there has been a strong focus on properly monitoring all programs aimed at reducing poverty.

The Obstacles That Remain

India's poverty rate has undoubtedly decreased. However, reducing poverty is still India's most pressing concern, notwithstanding recent advances. There are obvious differences in poverty between rural and urban regions as well as across states. Poverty affects certain social and economic groups more than others. Over the next 10 to fifteen years, there should be further progress made in reducing poverty. This would be made feasible primarily by increased economic development, a greater emphasis on free primary education for everyone, a decrease in population growth, and an increase in the empowerment of women and other economically disadvantaged groups in society.

However, the official definition of poverty only partially reflects the true meaning of poverty as experienced by individuals. Rather than a "reasonable" standard of life, it is about a "minimum" sustenance level. Many academics argue that the definition of poverty must be expanded to include human poverty. It's possible that a sizable population was able to feed themselves. Do they, however, possess formal education? or a place to stay? or medical attention? or stability in one's employment? or self-assurance? Do they not face prejudice based on gender or caste? Is child labor still a frequent practice? Global experience demonstrates that as societies progress, so does the notion of poverty. The goal of eliminating poverty is never static. Hopefully, by the end of the next ten years, we will be able to provide everyone the minimal amount of money that is "necessary." However, the goal will advance for many of the most significant issues that still need to be resolved, such as granting everyone access to health care, education, and job stability as well as gender equality and dignity for the underprivileged. These will entail significantly more work.

Trends and Statistics

The "Trends and Statistics" section of the original study on poverty in independent India offers a nuanced examination of key indicators and numerical data that provide insights into the evolving nature of poverty. Here, we delve into the critical aspects covered in this section, evaluating their implications and contributions to the overall understanding of poverty trends.

Poverty Ratios Over Time

The study presents a historical perspective on poverty ratios in India, tracing the changes over various time periods. It notes a significant decrease in poverty ratios, highlighting the shift from almost 45% in 1993–1994 to 22% in 2011–12. The review critically examines the reliability of the data sources, methodologies employed, and the implications of these trends for assessing the success of poverty alleviation efforts.

Regional Disparities

The study provides insights into regional variations in poverty rates across Indian states. By highlighting the states with higher poverty rates, such as Bihar and Orissa, as well as those with successful poverty reduction, like Kerala and Maharashtra, the review scrutinizes the underlying factors contributing to these disparities. It explores the implications for targeted policy interventions and the need for region-specific strategies.

Social and Economic Categories

The section delves into the impact of social and economic categories on poverty, emphasizing the vulnerability of Scheduled Caste and Scheduled Tribe families, as well as rural

agricultural laborers and urban casual labor households. The review critically assesses the study's approach to categorizing and analyzing these groups, examining whether the identified trends align with broader socioeconomic dynamics.

Global and National Comparisons

The study compares India's poverty trends with global developments, providing a broader context for understanding the nation's progress. The review evaluates the relevance and appropriateness of the chosen benchmarks, such as the international poverty line of \$1.90 per person per day. It considers the implications of global poverty reduction for India's standing and potential lessons that can be gleaned from successful strategies in other developing nations.

Population Dynamics

The review scrutinizes the study's exploration of the relationship between population dynamics and poverty trends. It assesses how population growth rates impact per capita income and overall economic development. Additionally, the review considers whether the study adequately addresses the complexities of population control as a strategy for poverty reduction.

Projection and Future Trend

The study offers projections for future poverty trends, suggesting a potential drop to less than 20% in the coming years. The review critically examines the assumptions and methodologies underpinning these projections, questioning the reliability of such forecasts and their implications for policy planning and resource allocation. "Trends and Statistics" section plays a crucial role in shaping the narrative of poverty in independent India. The review critically assesses the methodologies, interpretations, and implications of the presented trends, providing a nuanced understanding of the dynamics influencing poverty rates over time and across diverse contexts.

Factors Contributing to Poverty

The study on poverty in independent India comprehensively explores a myriad of factors that contribute to the persistent challenge of poverty. The multifaceted examination sheds light on historical, economic, social, and cultural dimensions, unraveling the complex tapestry of impoverishment in the nation. One pivotal factor contributing to poverty in India is rooted in historical economic conditions, particularly during the colonial period. The study contends that British colonial policies adversely affected traditional industries, such as handicrafts and textiles, leading to economic stagnation.

The modest economic growth up to the 1980s, characterized by limited employment opportunities and slow income development, further exacerbated the poverty cycle. The historical legacy of economic disparities has had a lasting impact on the nation's struggle against poverty. An inherent contributor to poverty in India is the persistent unequal distribution of land and resources. Despite various policy measures, the study notes that many state governments have not effectively implemented land reforms to redistribute assets in rural areas. This unequal distribution hampers the socio-economic progress of millions, as access to vital resources remains concentrated, perpetuating poverty in certain regions. The study underscores the role of population growth as a factor influencing poverty. The rapid pace of population expansion, coupled with insufficient employment opportunities, creates a scenario where per capita income growth remains sluggish. This dynamic, dating back to the early years post-independence, contributes to the challenges of poverty reduction,

necessitating a nuanced understanding of the interplay between demographics and economic development. Sociocultural factors significantly impact the perpetuation of poverty. Despite limited financial means, impoverished individuals often allocate substantial resources to religious rites and social obligations. Additionally, small farmers, lacking savings, resort to borrowing for essential agricultural inputs, leading to cycles of indebtedness. These sociocultural dynamics, as highlighted in the study, underscore the importance of addressing cultural nuances in anti-poverty interventions. While the study acknowledges the presence of anti-poverty interventions, it critically evaluates their effectiveness. Inadequate execution, overlapping schemes, and a lack of proper targeting are identified as obstacles. The study suggests that despite noble intentions, these programs may not sufficiently assist the deserving poor. This points to the need for enhanced monitoring and more targeted, well-executed initiatives to address the root causes of poverty effectively [9], [10].

The rise of urbanization and the accompanying economic disparities emerge as significant contributors to poverty. As individuals migrate to cities in search of employment, the study notes that insufficient job opportunities lead to occupations like rickshaw pulling, construction labor, and domestic service. The meager salaries in these occupations, coupled with the high cost of living in urban areas, contribute to the rise of shantytowns and a shift of poverty-related issues from predominantly rural to urban settings. The study's exploration of factors contributing to poverty in independent India provides a comprehensive understanding of the nuanced interplay between historical, economic, sociocultural, and policy-related dynamics. Addressing these multifaceted contributors is crucial for formulating effective strategies to alleviate poverty and foster sustainable development.

CONCLUSION

The findings underscore the progress made in reducing India's poverty rate, exemplified by a decline from 45% in 1993–1994 to 22% in 2011–12. Notwithstanding these advancements, the study identifies persisting challenges, including rural-urban and state-wise disparities, as well as vulnerabilities among social and economic groups. The multifaceted nature of poverty is acknowledged, with sociocultural and economic factors contributing to its persistence. Anti-poverty interventions, though notable, face challenges such as execution inefficiencies and overlapping schemes. The study concludes by emphasizing the dynamic nature of poverty eradication, proposing an expanded definition to include human poverty. Future efforts should focus on sustained economic development, universal primary education, population control, and empowerment of marginalized groups to make lasting strides in poverty reduction. The evolving nature of poverty requires a comprehensive approach, encompassing healthcare, education, job stability, gender equality, and dignity for the underprivileged. The study anticipates a continued and intensified commitment to address the persistent challenges in India's ongoing battle against poverty.

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CHAPTER 7

ENSURING FOOD SECURITY IN INDEPENDENT INDIA: A HOLISTIC EXAMINATION OF FACTORS, POLICIES, AND CHALLENGES

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ABSTRACT:

Food security, encompassing affordability, availability, and accessibility of food, is essential for sustaining life. This study delves into the multifaceted dimensions of food security in India, emphasizing the critical role of the Public Distribution System (PDS) and government interventions. The factors influencing food security, ranging from domestic production to government granaries and imports, are examined. The study explores the impact of natural disasters on food security, citing historical instances such as the Bengal Famine of 1943. Vulnerable populations, including landless individuals, artisans, and certain castes, are identified as most affected by food insecurity. The study analyzes the evolution of India's food security, particularly after the Green Revolution, highlighting the role of the PDS and buffer stock. It evaluates the present condition of the PDS, acknowledging its successes in stabilizing prices but critiquing issues such as wastage and uneven distribution. Furthermore, the study underscores the importance of cooperatives in ensuring food security, citing examples from various regions. In conclusion, the study provides a comprehensive overview of the complexities surrounding food security in India, emphasizing the need for a holistic approach involving governmental, cooperative, and societal efforts. The findings of this study contribute to the ongoing discourse on formulating effective policies and strategies to address food security, ensuring that no segment of the population is left vulnerable to hunger and malnutrition.

KEYWORDS:

Education, Food Security, Government, Income Disparities, Social.

INTRODUCTION

Food security is the ability of food to be affordable, available, and available to everyone at all times. Every time there is an issue with the distribution or production of food crops, the impoverished families are more susceptible to food insecurity. The Public Distribution System (PDS) and government watchfulness and intervention are necessary to ensure food security when it is endangered.

Food Safety

Just as oxygen is necessary for breathing, food is necessary for life. But having two square meals a day is not the only definition of food security. The following factors contribute to food security: food production occurring domestically, food imports, and food from prior years kept in government granaries. Accessibility refers to the availability of food for everybody. The capacity to purchase enough food that is safe, nourishing, and meets one's dietary demands is implied by affordability. Therefore, a nation's food security can only be guaranteed if there is enough food accessible for everyone and no obstacles stand in the way of anyone's ability to purchase food of a reasonable quality.

The most vulnerable members of society may experience food insecurity most of the time, but people above the poverty line may also experience it in the event of a national disaster or calamity such as an earthquake, drought, flood, tsunami, widespread crop failure leading to famine, etc. How is food security affected during a calamity? When a natural disaster occurs, such as a drought, the total production of foodgrains decreases. This results in a shortage of food in the affected areas. As a result of the shortage of food, prices rise, making it unaffordable for some people. If such a calamity occurs in a very large area or over an extended period of time, it may result in a situation of starvation, with a massive starvation leading to famine.

The most damaging famine to hit India was the FAMINE OF BENGAL in 1943, which claimed the lives of thirty lakh people in the province of Bengal. Famines are marked by widespread deaths from starvation, epidemics brought on by forced use of contaminated water or rotting food, and a loss of body resistance due to weakening from starvation [1], [2].

There has never been another famine in India comparable to the Bengal Famine, but it is unsettling to note that there are still areas, such as Kalahandi and Kashipur in Orissa, where famine-like conditions have persisted for many years and where reports of starvation deaths have occurred; in addition, starvation deaths have been reported in the recent past in the Baran district of Rajasthan, the Palamau district of Jharkhand, and numerous other remote areas.

Food insecurity affects a large portion of the population in India, but the most vulnerable are those who are landless and rely on little or no land, traditional artisans, traditional service providers, small-scale self-employed workers, and the destitute, including beggars. In urban areas, families experiencing food insecurity are those whose working members work in low-paying jobs or the casual labor market, mostly in seasonal activities for very low wages that barely allow them to survive.

Food insecurity is influenced by the socioeconomic composition as well as the incapacity to purchase food. The SCs, STs, and some OBC groups (lower castes included) who have either a very low land productivity or a weak land base are particularly vulnerable to food insecurity. Those who are forced to relocate in pursuit of employment due to natural catastrophes are often among the most food insecure individuals. Malnutrition is a common occurrence among women. This is really concerning since it increases the danger of malnutrition even for the unborn child. A significant section of the population experiences food insecurity, which includes a high percentage of children under the age of five and pregnant and nursing mothers.

In some parts of the nation, such as economically poor states with high rates of poverty, isolated and tribal communities, places more vulnerable to natural catastrophes, etc., the population experiencing food insecurity is disproportionately large. The majority of the nation's food insecure citizens are actually found in the states of Uttar Pradesh (both the eastern and south-eastern regions), Bihar, Jharkhand, Orissa, West Bengal, Chattisgarh, and portions of Madhya Pradesh and Maharashtra.

Another sign of food insecurity is hunger. Hunger causes poverty; it is not only a symptom of it. Therefore, achieving food security entails eradicating hunger now and lowering the likelihood of famine in the future. There are seasonal and chronic aspects to hunger. Diets that are consistently deficient in quantity and/or quality might lead to chronic hunger. Because of their very low income and consequent inability to purchase food, even for survival, those in poverty experience chronic hunger. The growing and harvesting cycles of food are linked to seasonal hunger. This is common in urban areas due to casual laborers,

such as construction workers who have less work during the wet season, and in rural regions due to the seasonal nature of agricultural activity. When someone is unemployed, they experience this kind of hunger.

The accompanying table indicates a drop in the proportion of both chronic and seasonal hunger in India. Since gaining its independence, India has strived toward foodgrain self-sufficiency. Indian policymakers took all necessary steps to attain food grain self-sufficiency after independence. India implemented a new agricultural policy that led to the "Green Revolution," particularly in the production of rice and wheat.

In July 1968, Indira Gandhi, the Indian Prime Minister at the time, issued a commemorative stamp named "Wheat Revolution," so formally documenting the remarkable achievements of the Green Revolution in agriculture. Later, rice was able to duplicate the success of wheat. But the rise in foodgrains was out of proportion. Madhya Pradesh and Uttar Pradesh had the greatest increase rates, with 44.01 and 30.21 million tons, respectively, in 2015–16. In 2015–16, the total amount of foodgrains produced was 252.22 million tons.

Significant wheat output was observed in the states of Madhya Pradesh (17.69 million tonnes) and Uttar Pradesh (26.87 million tonnes) in 2015–16. Conversely, West Bengal and Uttar Pradesh had noteworthy rice output in 2015–16, with 15.75 and 12.51 million tons, respectively [3], [4].

India's Food Security

Even in bad weather, the nation has not experienced hunger since the start of the Green Revolution in the early 1970s. Over the last three decades, India has achieved foodgrain self-sufficiency thanks to a diverse range of crops cultivated across the nation. A meticulously crafted food security system by the government has further guaranteed the supply of foodgrains at the national level—regardless of unfavorable weather circumstances. The buffer stock and the public distribution system are the two halves of this system.

Foodgrains, namely rice and wheat, that the government purchases via the Food Corporation of India (FCI) are known as buffer stock. In states with excess output, the FCI buys rice and wheat directly from farmers. For their crops, the farmers get payment at a predetermined price. We refer to this amount as the Minimum Support Price (MSP). The government announces the MSP each year as a means of encouraging farmers to increase the yield of particular crops. Granaries are used to store the foodgrains that were bought. Do you know why the government built this buffer stock? This is done in order to provide food grains to the underprivileged sections of society in deficit regions at a price that is less than the market price, also referred to as the Issue Price. This helps in resolving the issue of food shortages during inclement weather or during times of disaster.

System of Public Distribution

The less fortunate members of society get the food that the FCI purchases via ration stores that are subject to government regulations. The Public Distribution System (PDS) is the name of this. Nowadays, you may find ration stores in most towns, cities, villages, and communities. Nationwide, there are over 5.5 lakh ration stores. Also referred to as Fair Price Shops, ration stores maintain supplies of food grains, sugar, and cooking fuel. People are offered these products at less than the going rate. A monthly allotment of these goods (e.g., 35 kg of cereals, 5 litres of kerosene, 5 kg of sugar, etc.) may be purchased at the local ration store by any household that has a ration card. In India, rationing was first implemented in the 1940s in response to the Bengal famine. Following a severe food crisis in the 1960s, before

the Green Revolution, the rationing system was reinstated. Three significant food intervention programs were implemented in response to the high incidence of poverty levels, as reported by the NSSO in the mid-1970s: the Public Distribution System (PDS) for food grains, which had been in place earlier but was strengthened thereafter; Integrated Child Development Services (ICDS), which was introduced in 1975 on an experimental basis; and Food-for-Work** (FFW), which was introduced in 1977–1978. With increasing program administration expertise, a number of new initiatives have been introduced throughout time, and some have undergone structural changes. Currently, there are a number of Poverty Alleviation Programmes (PAPs), mostly in rural regions, that explicitly include food assistance. Although some programs, such as midday meals and PDS, are solely focused on promoting food security, the majority of PAPs also work to improve food security. Because employment programs raise the income of the poor, they have a significant positive impact on food security.

DISCUSSION

The Public Distribution System (PDS) is the primary measure used by the Government of India (GoI) to guarantee food security. PDS was first provided to everyone without distinction between the rich and the poor. The PDS policy has undergone revisions throughout time to improve its efficiency and focus. Across 1,700 blocks nationwide, the Revamped Public Distribution System (RPDS) was implemented in 1992. The goal was to introduce the advantages of PDS to isolated and underdeveloped regions. Targeted Public Distribution System (TPDS) was introduced in June 1997 as part of a renewed effort to implement the idea of focusing on the "poor in all areas." A strategy of differential prices for the impoverished and the non-poor was implemented for the first time. Additionally, two unique programs were introduced in 2000: the Annapurna Scheme (APS) and the Antyodaya Anna Yojana*** (AAY), with the "poorest of the poor" and "indigent senior citizens" as their respective target populations. These two schemes' operation was connected to the PDS's current network.

Over the years, the PDS has shown to be the most successful tool of government policy in stabilizing prices and lowering the cost of food for people. It has played a crucial role in preventing widespread starvation and famine by transferring food from the country's surplus parts to its deficit ones. Furthermore, the prices have been adjusted generally to benefit low-income people. In some areas, the system—which includes the minimum support price and procurement—has helped to stabilize farmers' incomes and boost foodgrain output. Nonetheless, the Public Distribution System has come under heavy fire for a number of reasons. There are cases of famine even with granaries full to bursting. Grains are piling up in FCI godowns, some of which are being consumed by rodents and others of which are decaying away.

The stock of rice and wheat with FCI in 2014 was 65.3 million tons, much over the minimal buffer requirements. These, meanwhile, continued to be routinely more than the buffer standards. With the delivery of foodgrains under various government-launched initiatives, the situation improved. Everyone agrees that having large buffer inventories of food grains is very undesirable and often wasteful. In addition to waste and declining grain quality, the storage of large food inventories has resulted in high carrying costs. It would be wise to give freezing MSP for a few years some serious thought.

The pressure from top food-producing states like Punjab, Haryana, and Andhra Pradesh led to a rise in the acquisition of food grains at improved MSP#. Furthermore, because procurement is concentrated in a few wealthy regions (Punjab, Haryana, Western Uttar Pradesh, Andhra

Pradesh, and to a lesser extent in West Bengal) and primarily involves the production of two crops (rice and wheat), an increase in MSP has encouraged farmers, especially in surplus states, to switch from producing coarse grains the impoverished's staple food to rice and wheat. The sustainable growth of agriculture in these states is under jeopardy due to the excessive use of water in rice farming, which has also resulted in environmental degradation and a drop in water levels [5], [6]. In rural India, the per person per month has decreased from 6.38 kg, according to NSSO report No. 558. from 5.98 kg in 2011–12 to 2004–05. The amount of rice consumed per person per month in urban India has also decreased, from 4.71 kg in 2004–05 to 4.19 kg in 2011–12. Between 2004 and 2005, the per capita consumption of PDS rice surged by 66% in urban India and doubled in rural India. In both rural and urban India, the per capita consumption of PDS wheat has increased between 2004 and 2005.

PDS dealers are sometimes caught engaging in unethical acts, such as selling subpar grains at ration shops, selling grains on the open market to get a larger profit, opening and closing their stores on a sporadic basis, etc. Ration stores often have unsold supplies of subpar grains in their inventory. This has shown to be a significant issue. Foodgrains are piled high with the FCI when ration stores are unable to sell. There has been an additional aspect contributing to the PDS's fall in recent years. In the past, all families, whether wealthy or not, received a ration card that included a certain amount of goods like rice, wheat, sugar, and other staples that were all supplied to them for the same cheap cost. There was no such thing as the three different card kinds or the current variety of pricing. Subject to a certain quota, a huge number of households may purchase foodgrains from the ration shops. Among them were low-income families whose earnings were only slightly greater than those of families living below the poverty level. Any household over the poverty line now receives very little savings at the ration store due to the three different costs of TPDS. There is no need for the APL family to purchase these goods from the ration store since the price is almost identical to the open market pricing.

Cooperatives' role in ensuring food security

In India, cooperatives have a significant impact on food security, particularly in the west and south of the nation. The cooperative organizations opened stores to provide low-income individuals with affordable items. For instance, the cooperatives manage over 94% of the fair pricing stores that are open in Tamil Nadu. Mother Dairy is making progress in Delhi in providing milk and veggies to customers at a limited tariff set by the Delhi government. Another successful cooperative in Gujarat that produces milk and milk products is Amul. The nation has experienced the White Revolution as a result of it. These are only a few of the many cooperative's operating around the nation to guarantee the food security of various societal segments.

In a similar vein, the Academy of Development Science (ADS) in Maharashtra has enabled a network of non-governmental organizations to establish grain banks in various areas. ADS arranges food security training and capacity development events for non-governmental organizations. Currently, grain banks are being developed gradually across Maharashtra. Thus, ADS's efforts to establish Grain Banks, assist replication via other NGOs, and impact government policy around food security are paying off handsomely. It is recognized that the ADS Grain Bank initiative is a creative and effective food security solution.

A country's food security is guaranteed if all of its residents have access to adequate wholesome food, everyone can afford food of a reasonable caliber, and there are no obstacles in the way of getting food. While those who are better affluent may experience food insecurity as a result of tragedy or catastrophe, those who live below the poverty line may

experience it constantly. While many individuals in India experience food and nutrition insecurity, those living in rural regions without access to land or in low-income families, as well as those working in low-paying jobs and seasonal temporary laborers in cities, are the most severely impacted. In some parts of the nation, such as economically poor states with high rates of poverty, isolated and tribal communities, places more vulnerable to natural catastrophes, etc., the population experiencing food insecurity is disproportionately large. The Indian government meticulously planned the food security system, which consists of two parts: (a) buffer stock and (b) public distribution system, to guarantee that food is available to all segments of society. Apart with PDS, a number of initiatives were launched to reduce poverty, one of which was a focus on food security. Integrated Child Development Services (ICDS), Food-for-Work (FFW), Mid-Day Meals, Antyodaya Anna Yojana (AAY), and other programs are a few of them. Apart from the government's responsibility to provide food security, several cooperatives and non-governmental organizations are also actively striving for this goal.

Agricultural Practices and Technological Interventions

India's agricultural landscape has undergone transformative changes over the years, with historical events influencing the trajectory of agricultural practices. The pre-independence era was marked by agrarian challenges, including famines that underscored the vulnerability of the food supply chain. The dire need for self-sufficiency became a driving force for post-independence policies, setting the stage for a comprehensive examination of agricultural practices. A pivotal moment in India's agricultural history was the advent of the Green Revolution in the 1960s. This technological intervention aimed to increase agricultural productivity through the introduction of high-yielding varieties of crops, modern irrigation techniques, and the use of chemical fertilizers. The Green Revolution, primarily focused on wheat and rice, played a crucial role in significantly boosting food production, mitigating the threat of famine, and fostering economic growth in certain regions.

The Green Revolution's impact on food production was substantial, leading to increased yields and making India self-sufficient in food grains. The cultivation of high-yielding varieties brought about a paradigm shift, transforming traditional farming methods and enhancing overall agricultural productivity. However, the success of the Green Revolution was not uniform across all regions, leading to regional disparities in economic development and agricultural growth. In the post-Green Revolution era, technological advancements continued to shape agricultural practices. Innovations such as drip irrigation, precision farming, and the use of genetically modified crops emerged as key elements in the pursuit of sustainable agriculture. These technologies aimed not only at increasing yields but also at addressing environmental concerns, optimizing resource use, and promoting resilience in the face of climate change.

Beyond the focus on staple crops, there has been a growing recognition of the importance of crop diversification in ensuring long-term agricultural sustainability. Efforts to diversify crops contribute to better nutritional outcomes, reduce dependence on specific crops, and enhance the resilience of farming systems. Agroecological practices that incorporate traditional wisdom alongside modern technology are gaining attention for their potential to create a more balanced and resilient agricultural sector. While technological interventions have brought about significant improvements, challenges and critiques persist. Issues such as over-reliance on chemical inputs, environmental degradation, and the widening gap between large and small-scale farmers need careful consideration. Striking a balance between technological innovation and sustainable, equitable agricultural practices remains a crucial aspect of ensuring long-term food security.

Looking ahead, the agricultural sector in India faces the dual challenge of feeding a growing population and adapting to changing environmental conditions. Future prospects involve leveraging advanced technologies, promoting agroecological approaches, and fostering inclusive policies that address the diverse needs of farmers across regions. The integration of traditional knowledge with cutting-edge innovations holds the key to a resilient and sustainable agricultural future for India [7], [8].

Socio-economic Considerations

Socio-economic considerations in the context of Indian agriculture are deeply intertwined with the dynamics of rural and urban areas. A significant portion of India's population is engaged in agriculture, contributing to the rural economy. The socio-economic well-being of farmers and rural communities plays a crucial role in determining the overall success and sustainability of agricultural practices. Land ownership patterns and fragmentation are critical socio-economic factors influencing agricultural practices. The prevalence of small and fragmented landholdings poses challenges for farmers in terms of efficient resource utilization, mechanization, and adopting modern farming techniques. Addressing issues related to land tenure and promoting consolidation strategies are essential for improving the socio-economic status of farmers.

Income disparities among farmers remain a pressing socio-economic concern. Large-scale commercial farmers often benefit more from technological interventions, government schemes, and market access, leading to a widening gap between prosperous and marginalized farming communities. Efforts to bridge these income disparities are essential for fostering inclusive growth in the agricultural sector. Social class and caste dynamics continue to influence agricultural practices and access to resources. Historically marginalized communities, including Scheduled Castes (SCs) and Scheduled Tribes (STs), often face challenges in securing land, credit, and agricultural inputs. Policies that address these social inequities and promote inclusive development are crucial for creating a more equitable agricultural landscape.

The role of women in agriculture is a significant socio-economic consideration. Women contribute significantly to farm activities but often face limited access to resources, credit, and decision-making power. Empowering women in agriculture through gender-sensitive policies, training programs, and improved access to financial services is vital for enhancing overall farm productivity and socio-economic development. Rural-to-urban migration has implications for agricultural labor availability. The exodus of labor from rural areas affects agricultural practices, with a potential impact on crop cultivation, harvest, and overall farm productivity. Addressing migration patterns through skill development, creating non-farm employment opportunities in rural areas, and ensuring fair wages for agricultural labor are essential components of socio-economic considerations.

Investments in education and skill development are critical for enhancing the socio-economic conditions of farmers. Providing access to quality education, agricultural training, and extension services equips farmers with the knowledge and skills needed to adopt modern practices, manage risks, and navigate market dynamics. Educational initiatives contribute to building a resilient and knowledgeable farming community. The role of government policies and support mechanisms is paramount in shaping the socio-economic landscape of agriculture. Proactive policies addressing issues such as credit availability, crop insurance, market linkages, and social welfare programs contribute to the well-being of farmers. Ensuring that policies are implemented effectively and reach the intended beneficiaries is crucial for fostering socio-economic development in the agricultural sector. Socio-economic

considerations are integral to understanding the complexities of Indian agriculture [9], [10]. A holistic approach that addresses issues related to land ownership, income disparities, social equity, gender inclusivity, migration, education, and government support is essential for creating a sustainable and inclusive agricultural sector that contributes to the overall development of the nation.

CONCLUSION

Food security remains a paramount concern for a nation's well-being, and this study illuminates the intricate tapestry of challenges and solutions within the context of India. The evolution from historical famines to the contemporary food security landscape reflects the nation's resilience and commitment to addressing this fundamental need. The pivotal role played by the Public Distribution System (PDS) in ensuring food accessibility and affordability is evident, despite challenges and criticisms. Natural calamities and disasters pose continuous threats to food security, emphasizing the need for proactive government interventions. Vulnerable populations, often marginalized in socio-economic terms, emerge as the most affected by food insecurity.

The study stresses the importance of targeted policies to uplift these communities, considering socio-economic and regional disparities. The success of the Green Revolution and subsequent agricultural policies, coupled with the establishment of buffer stocks, has shielded the nation from widespread hunger. However, the study draws attention to the inefficiencies and challenges within the Public Distribution System, urging for reforms to minimize waste and enhance equitable distribution. Cooperatives, as illustrated by examples from different regions, emerge as instrumental in ensuring food security at the grassroots level.

Their role in making essential items affordable for low-income individuals underscores the collaborative approach necessary for sustained food security. In conclusion, this study advocates for a comprehensive strategy, involving not only government initiatives like the PDS but also cooperative efforts and societal participation. Achieving and maintaining food security in India requires a nuanced understanding of historical challenges, current interventions, and the dynamic socio-economic landscape.

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CHAPTER 8

EXPLORING THE DYNAMICS OF ECONOMICS: FROM HUMAN DESIRES TO SOCIETAL WELL-BEING

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ABSTRACT:

This study delves into the multifaceted realm of economics, exploring the intricate relationships that humans establish in their pursuit of sustenance, wealth, and daily existence. The foundational principles of economics are examined, emphasizing the perpetual interplay between humanity's insatiable desires and the finite availability of resources. From historical perspectives of economic thought to contemporary definitions by influential economists like Adam Smith and Alfred Marshall, the study navigates through diverse viewpoints. The paper critically evaluates Lionel Robbins' definition, dissecting the economic challenges arising from limitless human desires and the scarcity of resources. Various definitions of economics, ranging from wealth-centric perspectives to welfare considerations, are scrutinized for their implications on societal well-being. Furthermore, the study explores the normative and positive dimensions of economics, emphasizing its role as both a science and an art. Methodologically, the deductive and inductive approaches are discussed, offering insights into how economics discerns laws and principles. The study delineates the scope of economics, addressing fundamental questions about resource allocation, production choices, and societal well-being. The conventional and modern methods of studying economics are compared, highlighting the shift from a segmented view of public finance, production, exchange, distribution, and consumption to the macroeconomic and microeconomic perspectives. The paper concludes by examining different economic systems, namely capitalism, socialism, and the mixed economy, emphasizing their strengths and shortcomings. The circular flow of money and goods in an economic system is illustrated, providing a comprehensive understanding of economic activity. Ultimately, the study underscores the interdisciplinary nature of economics, bridging psychology, biology, political science, and sociology, and its pivotal role in shaping societal progress and well-being.

KEYWORDS:

Economic, Human, Science, Societal, Well-being.

INTRODUCTION

Essentially, there are at least four distinct relationships that humans are involved in: a) relationships with oneself, which are the focus of general psychology; b) relationships with the universe, which are the subject of biological and physical sciences; c) relationships with the unknown, which are partially covered by theology and philosophy; and d) relationships with other men, which are the focus of general social sciences, of which economics is a subfield. It is dangerous to clearly define these fields of study. Nonetheless, economics, sociology, political science, anthropology, and some history and psychology are included in the basic definition of the social sciences. Economists find that history, sociology, and other disciplines like statistics and mathematics are useful supplementary subjects of study. Although economics as a body of study is very recent, having been technically for only 200 years, sustenance, wealth, and daily existence are, as we all know, as ancient as humanity. Numerous socioeconomic topics are covered by economics, the majority of which directly affect humans. Even while it would be tempting to keep talking about significant economic issues, doing so would be premature. A meaningful, sequential exposure to economics is

important for the process of thoroughly analyzing the problems in order to create a reasoned view. For people to exist on this planet, nature has bestowed upon them an abundance of natural resources. If humans could have set a limit on their needs, they would not have been content with what nature offered. However, this is untrue; from the moment of his birth, man is driven by biological, physical, and social wants that compel him to constantly seek for methods to satisfy himself. In order to satisfy his wants resulting from different demands, he engages in what is known as economic activity. In contrast, if there had been no shortage of resources and human want could be fully gratified, man would have absolved himself of economic action. But because there are only so many resources available due to natural resource scarcity, people are always working hard to find a solution that strikes a balance between their limitless needs and their finite resources. People participate in economic activity with the goal of making the most out of the limited resources available to them. As a result, scarcity serves as the foundation for the economic activity of those who represent the producing and consuming groups, giving rise to the discipline of economics. As long as people are toiling away on Earth to satiate their ever-new and ever-emerging demands and fulfilling the same via their labor, the area of economics will continue to exist. Economics is hence the study of desires, endeavors, and contentment [1], [2].

Economic challenges have emerged as a result of two main sources. They are: (i) the limitless desires of humankind and (ii) the dearth of resources. The few resources found in nature must be used to fulfill the many desires of humans. Economics is the study of how to meet the many needs of people with finite resources. As a result, the three main concepts in economics are desire, effort, and satisfaction. Economics encompasses not only the behavior of people in making decisions, but also the macroeconomic factors such as public finance, national revenue, international commerce, and so on.

Economics Definitions

Different factors have been taken into consideration by various economists when defining economics. The Greek terms *oikos*, which means "house," and *nemein*, which means "to manage," are the origin of the word "economics," which refers to "managing a household" in the most satisfying way possible with the limited resources at hand.

Definition of Wealth

Economics is the study of wealth, according to Adam Smith (1723–1790), in his work "An Inquiry into Nature and Causes of Wealth of Nations" (1776). He clarified how wealth is produced in a country. He believed that each member of society exists to further his own interests, and that, in doing so, he is guided by the "invisible hand" to advance societal goals even when he has no genuine desire to do so.

Critique

Smith did not define economics in terms of human wellbeing; rather, he defined it only in terms of wealth. Economics was denounced by Ruskin and Carlyle as a "dismal science" because it promoted selfishness, which was unethical. But these days, money is only seen as a means to an end—human wellbeing, to be exact. As a result, the concept of wealth was discarded, and the focus was moved from riches to wellbeing.

Define Welfare

In his book "Principles of Economics" (1890), Alfred Marshall (1842–1924) defined "political economy" as the study of people going about their daily lives; it looks at the aspects

of social and individual behavior that are most directly related to obtaining and using the material necessities of well-being. The following are Marshall's definition's key components:

1. Marshall defined economics as the study of people going about their daily lives, or the economic side of things.
2. Economics is the study of society and individual behavior intended to advance the financial well-being of individuals.
3. Marshall distinguishes between two categories of entities, namely, both tangible and intangible objects. Things that are tangible include books, rice, and other items that can be felt, seen, and touched. Things that are not seen, tactile, or sensed are considered immaterial. (For instance) proficiency using a tractor, thrasher, and other equipment; raising hybrid cotton varieties; and so on. Marshall limited his concept to tangible items that have the potential to improve people's wellbeing.
 - a) Marshall's consideration on tangible matters was criticized. However, intangibles like medical care, education, and other professions also advance the wellbeing of the populace.
 - b) Marshall distinguishes between (i) items that have the potential to improve people's wellbeing and (ii) those that have the potential to do the opposite. However, anything that can't improve wellbeing but still has a price, like alcohol, is covered by economics [3], [4].
 - c) The welfare notion serves as the foundation for Marshall's definition. However, there isn't a precise definition of wellbeing. The definition of welfare varies from individual to person, nation to nation, and era to era. Welfare, however, usually refers to a person's or a group's contentment or pleasant living circumstances. An individual's or a country's well-being is influenced by its political, social, and cultural activities in addition to its overall riches.

DISCUSSION

"An Essay on the Nature and Significance of Economic Science" was written and published by Lionel Robbins in 1932. As to his statement, the scientific study of economics examines human behavior in relation to limited resources and their potential applications. The following are the main characteristics of Robbins' definition:

1. Ends are human desires. The amount of desires that humans may have is infinite.
2. Conversely, there aren't as many resources or methods available. When a commodity's demand exceeds its supply, it is said to be scarce. Put another way, one should only take into account a commodity's scarcity in proportion to its demand.
3. There are other applications for the limited resources. As a result, everyone will choose the resource that will fulfill their own want. Robbins thus claims that economics is a science of choice.

One point of criticism is that Robbins fails to distinguish between products that are beneficial to human wellbeing and those that are not. Limited resources are used in the manufacture of alcoholic beverages and rice. However, whereas the manufacturing of alcoholic beverages is detrimental to human wellbeing, the production of rice enhances it. Nonetheless, Robbins draws the conclusion that economics is unbiased.

b) In addition to studying the macroeconomic elements of economics, such as how national revenue is produced, we also study the microeconomic parts of economics, such as how resources are distributed and prices are set. However, Robbins has simplified economics to only the theory of resource distribution.

c) The idea of economic growth and development is not included in Robbins' definition.

Definition of Growth

"The study of how men and society choose, with or without the use of money, to employ scarce productive resources which could have alternative uses, to produce various commodities over time, and distribute them for consumption, now and in the future among various people and groups of society," is how professor Paul Samuelson defined economics. The following are this definition's main ramifications:

1. Samuelson added the concept of time to his formulation, which gives it movement. Consequently, the theory of economic growth is covered.
2. Samuelson emphasized the issue of finite resources in light of boundless goals. The resources are not only limited, but they might also be used in other ways.
3. The concept addresses a number of topics, including distribution, consumption, and production.

Samuelson's concept of "growth" seems to be the most appropriate of all the definitions covered above. But in contemporary economics, the field's subject matter is separated into two primary categories: macroeconomics and microeconomics. Therefore, it is appropriate to define economics as the study of how limited resources are allocated (with respect to infinite purposes) as well as the factors that influence production, employment, income, and economic growth.

Perspective of Economics

Province or research area is referred to as scope. We must identify if economics is a positive science, a normative science, or a science or an art before delving into its scope. It is also known as Major Issues and Problems in Economics or Fundamental Questions in Economics, and it covers the topic of economics. In economics, the key questions are; It has to do with how resources are distributed. What kinds of products and services ought society to generate? How much of it? For example, choosing whether to employ limited resources with many applications to generate capital goods or consumer products i.e., should we invest in capital goods to sacrifice current consumption (pleasures) for future consumption, or should we allocate more funds to space exploration, atomic research, or food production?

It speaks to the allocation of society's limited resources in a way that maximizes their effectiveness. In production, it alludes to the technologies that will be used. For instance, is agricultural products produced by intense or widespread cultivation? either using labor- or capital-intensive technology. The distribution of products and services generated in an economy is the subject of this inquiry. In this case, raising the average person's quality of life is just as important as the rise of the national revenue [5], [6].

Economics: An Art and a Science

Economics is a science

A systematized body of information that delineates the causal link is what constitutes science. Measuring the phenomena, it studies is another characteristic of science. By using these traits,

we may conclude that economics is a field of study where the many pertinent data have been methodically gathered, categorized, and examined. Economics looks at whether it's possible to draw broad conclusions about people's economic motivations. Individuals' and companies' motivations are readily quantifiable in monetary terms. Economics is a science as a result. Economics is a social science. To grasp its social component, we must remember that workers use resources sourced from around the globe to produce commodities that are sold globally, allowing people to trade goods from different regions to fulfill their needs. Millions of individuals who live in far-off places and are strangers to one another are thus closely dependent on one another. In this sense, the act of fulfilling desires is both a societal and an individual activity. Therefore, social behavior that is, the behavior of men in groups must be studied in economics. Like art, economics is an art. A set of guidelines for achieving a certain goal is called an art. While science instructs us in knowing, art instructs us in doing. By using this definition, we can see that economics provides us with useful advice for resolving economic issues. Economics is both a science and an art, and science and art are complimentary to one another.

Economic norms and positivism

The science of economics is both normative and positive. Normative science suggests what something should be, while positive science just reports what it is. Positive science does not make judgments about what is beneficial or detrimental to society. It will only provide the findings of an economic examination of an issue.

It distinguishes between right and wrong. It lays forth recommendations on how to advance the wellbeing of people. A positive assertion is supported by data. Ethical principles are involved in a normative statement. For instance, the claim that 13% of India's labor force was jobless the previous year is true and may be supported by empirical data. The normative remark, "12% unemployment is too high," draws a comparison between the actual rate of unemployment at 12% and an inappropriate criterion. It also offers a suggestion on how to fix it. As a result, economics is a normative and positive science.

Economics Methodology

Two approaches are used by economics as a discipline to find its laws and principles: the deductive technique and the inductive method. The deductive, analytical, abstract, or a priori method: in this case, we start with certain principles that are obvious to us or that are supported by rigorous evidence, and we work our way down to the specific. After that, we follow them via a rigorous process of reasoning to the conclusions they obliquely suggest. For example, the broad assertion that traders make money from their enterprises is acceptable even in the absence of trader verification. When examining intricate economic phenomena where cause and effect are intricately entwined, the deductive technique may be helpful. But the deductive approach can only be helpful if certain presumptions are true. If there is a greater demand for the product, traders will benefit. Economists such as Mill and Ricardo supported this approach.

The inductive, historical, or realistic approach builds from the specific to the general; that is, we start with the observation of specific facts and work our way through using experience-based reasoning to develop laws and theorems based on those facts. For instance, Important conclusions are taken from the data gathered, sorted, and evaluated on the consumption patterns of individuals belonging to the low, medium, and high-income categories. This line of reasoning was adopted by Malthus and Engel, two prominent classical economists. With the deductive approach, we make conclusions about specific circumstances based on a set of principles that are either unquestionable or supported by rigorous observation. An analysis of

a specific situation is used in the inductive technique to prove a general or universal truth. In economic analysis, both deductive and inductive approaches are helpful.

Economics as a Subject

There are two methods for studying economics: the conventional method and the current method.

Conventional Approach

The study of economics is divided into five main categories: public finance, production, exchange, distribution, and consumption. 1. Consumption: Using products and services to satisfy human needs is referred to as consumption. It denotes the elimination of usefulness.

Production

Items that meet consumer needs are considered "bundles of utility." Therefore, production would refer to the process of making something useful or something that satisfies a human need. Resources including land, labor, money, and organization are required for production.

Exchange

Products are made for both internal use and market sales. In marketplaces, they are sold to purchasers. Exchange occurs throughout the purchasing and selling procedure.

Distribution

Four elements are needed for the production of any agricultural commodity: land, labor, capital, and organization. For their contributions to the manufacturing process, these four production elements should be compensated. The laborer receives pay, the landowner receives rent, the capitalist receives interest, and the business owner is rewarded with profit. Distribution is the process of figuring out rent, salary, interest, and profit. Public finance is the study of how money is obtained and used by the government. As a result, we analyze public income and public spending in public finance [7], [8].

Modern Method

There are two areas of study in economics: macroeconomics and microeconomics. A micro is one millionth of a component. Macro refers to a bigger or more advanced level (Global, National, or State). The study of microeconomics examines the financial actions of specific decision-making entities, such as families or businesses. Microeconomics is the study of the movement of products and services from business enterprises to households as well as the transfer of economic resources, or factors of production, from households or resource owners to business firms. It examines how individual decision-making units behave while setting prices and producing goods, as well as how they respond to changes in the dynamics of supply and demand. Therefore, price theory is another name for microeconomics.

The behavior of the economic system as a whole, or of all the decision-making entities together, is studied by macroeconomics. The behavior of aggregates, such as total employment, GDP, national income, general price level, etc., is the focus of macroeconomics. Thus, income theory is another name for macroeconomics. An understanding of the economy's overall functioning is beyond the scope of microeconomics. Similar to this, macroeconomics disregards the welfare and preferences of the individual. It is possible for what holds true for one component or person to not hold true for the whole, and vice versa for components or individual decision-making units. It is impossible to draw broad conclusions about all small farmers, say, in the state of Tamil Nadu, from a study of one

individual farmer. In a similar vein, a specific small farmer need not exhibit the same characteristics as all other small farmers in the state. Therefore, to comprehend the whole system of economic activity, it is important to learn both macro and microeconomics.

Three Economic Branches

1. The pertinent facts in the realm of economics are described by descriptive economics.
2. Economic theory describes how the economy functions.
3. In applied economics, the reasons and importance of economic events are clarified by the application of economic analysis.

Systems Of Economic

The Money and Goods Flow in a Circular Economy

Every economy is a system where a variety of items are produced to meet a wide range of consumer demands. The decisions and choices made by these two basic economic units—households and enterprises—are what drive economic activity in an economic system. These units are connected by a circular pattern of economic activity. People in their homes choose to either a) sell the inputs they possess, which are mostly their labor, or b) utilize their earnings to purchase things. Businesses or firms employ labor and other inputs purchased from families to carry out their manufacturing activities. The last consumers of the products produced by the businesses are the homes. The demand and supply sides of economics are combined by the interactions between households and businesses. There are two marketplaces where the activity takes place: the inputs market and the outputs market. Households provide their labor, land, and money in the input marketplaces. Businesses purchase these inputs at market-determined rates. Businesses offer products and services to households or consumers in the output markets.

Kinds of Economics

The three basic choices of what, how, and for whom to create may be entirely left up to the market or the government in an economy. The economic system may be divided into three main categories: mixed economy, socialism, and capitalism.

Market economy, or capitalism

A form of economic structure known as capitalism is defined by private ownership and the utilization of capital for profit-making purposes. The presence of private property is the key component of capitalism. Everyone is free to establish any kind of business wherever they want, as long as they have the necessary resources and skills. Its foundation is the laissez-faire philosophy, which holds that government intervention in the economy should be limited.

Command economy socialism

In a socialist economy, the state owns the means of production, including buildings, land, and capital equipment. Socialism's primary goal is to manage the economy for the good of society as opposed to individual wealth. It places a strong emphasis on working to one's abilities and providing everyone, regardless of caste, class, or inherited advantages, with equal opportunity.

Socialism may take the form of communism. It was adhered to in the former Soviet Union. Communism is the name given to a utopian society in which all property, including means of production, is held by the community as a whole and its members share in its earnings.

Individuals should labor to the best of their abilities and get what they need. The goal is to establish a society without classes, and any dissent is suppressed by the state apparatus in order to accomplish this. The fundamental distinction between socialism and communism lies in the latter's belief in peaceful, parliamentary tactics, while the former embraces violent revolutionary measures to overthrow the political apparatus.

Mixed Economy

It is a hybrid of capitalism and socialism rather than either one alone. We find aspects of both capitalism and socialism in this system. Private and public businesses function in a mixed economy. The government steps in to control private businesses in a number of ways. The public sector often houses the fundamental and heavy industries, such as those that produce atomic power, heavy technical items, and military equipment. Conversely, the private sector is in charge of the consumer products, small and cottage, and agricultural businesses, among other things. It is acknowledged that without proactive government assistance and direction, economic development in developing nations like India cannot proceed at the appropriate pace of growth. Therefore, in order to reduce the negative aspects of capitalism and promote economic development, the governments of these nations actively engage in economic activity [9], [10].

Entrepreneurs in a capitalist system make effective use of the resources at their disposal because they are driven to make money. However, the unrestricted operation of private businesses leads to stark disparities in wealth and income. In a socialistic economy, wealth and income disparities are minimized and the distribution of the national revenue is more equitable. However, the absence of private initiative in the socialistic economy leads to a lack of inventiveness and an entrepreneurial spirit, which in turn results in an inefficient use of the resources that are available. The mixed economy prioritizes the lessening of capitalism's and socialism's negative aspects while simultaneously seeking to accomplish the objectives of both ideologies, namely the efficient use of resources and the equal distribution of income and wealth.

CONCLUSION

This study offers a comprehensive exploration of economics, unraveling its intricate tapestry from historical roots to contemporary perspectives. The fundamental tenets of scarcity, desire, and effort are identified as the cornerstones of economic activity, establishing the discipline's enduring relevance. The evolution of economic definitions, critiques, and the transition from wealth-centric paradigms to welfare considerations reflect the dynamic nature of the field. Critically evaluating Lionel Robbins' definition, the study navigates through normative and positive dimensions, recognizing economics as both a science and an art. Methodological approach, such as deductive and inductive methods, elucidate how economics discerns laws and principles, offering a nuanced understanding of economic phenomena.

The scope of economics, spanning resource allocation, production choices, and societal well-being, is expounded upon, showcasing the discipline's multifaceted nature. Comparing conventional and modern methods, the study underscores the shift from segmented views to macroeconomic and microeconomic perspectives. The examination of economic systems - capitalism, socialism, and the mixed economy - illuminates their distinctive features and implications for societal progress. The circular flow of money and goods in an economic system provides a holistic perspective on economic activity. In essence, this study reaffirms the interdisciplinary essence of economics, emphasizing its role as a linchpin connecting diverse fields. As we navigate through the intricate relationships in the realms of scarcity,

desire, and effort, economics emerges not just as a theoretical construct but as a guiding force shaping the trajectory of societies toward progress and well-being.

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CHAPTER 9

ECONOMIC CONCEPTS IN FARMING: MAXIMIZING PROFITS, FAMILY WELL-BEING, AND MACRO-LEVEL POLICIES

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ABSTRACT:

This study delves into the intricate relationship between farmers, economic concepts, and household dynamics. Farmers, facing the challenge of maximizing profits within limited resources, navigate the economic principles that govern the allocation of elements of production. Additionally, the study explores the macro-level influence of economic concepts on agricultural growth. The classification of goods into tangible and intangible, economic and free, as well as producer and consumer goods, lays the foundation for understanding the economic landscape of farming. The concepts of income, wealth, and the theory of personal action further contribute to the comprehensive analysis of economic decisions in agriculture. The study also delves into the theory of consumption, emphasizing the importance of meeting human needs through the categorization of wants into necessities, comforts, and luxuries. The exploration of basic living conditions, factors influencing living standards, and the practicality of utility in economics provides valuable insights into the complexities of human desires and satisfaction. Furthermore, the study delves into the theory of marginal utility, discussing its implications on consumer behavior, equilibrium, and economic decision-making. The law of equi-marginal utility is examined as a guiding principle for consumers seeking to optimize satisfaction through resource allocation. The application of this law extends beyond consumption to production, commodity distribution, and the optimal distribution of general resources.

KEYWORDS:

Economic, Family, Production, Wealth, Well-Being.

INTRODUCTION

Farmers are guided by economic concepts in balancing the relationship between their farm and home. Farmers aim to maximize their profits as producers from the limited resources that may have other uses, and they also want to maximize the enjoyment of their families as consumers. Therefore, economic concepts may be implemented in a situation where a farmer wants to maximize profits and raise family standards of living while having a limited supply of elements of production (land, labor, capital, and organization) that can be used for other purposes. The establishment of macro-level policies affecting the growth and development of agriculture is also guided by economic concepts.

Products & Services

A good, visible good, or material good is any physical item that fulfills human need. These products, like grains, books, etc., are tangible. A service, invisible good, or immaterial good is any intangible that fulfills a human need. For example, one may sell the services of an engineer or a teacher, but they are immaterial.

Economic and free goods

A free good is an item or service that is provided without charge. We are satisfied with the air we breathe. However, we don't pay anything for these things. Therefore, these things are

neither scarce nor free. Rice is a good that has a market value. These items are rare and referred to as economic goods [1], [2].

Producer and Consumer Goods

We immediately satiate our desires by using products like rice, pens, and so on. We refer to them as consumer products. However, we utilize products like tractors, thrashers, cultivators, etc. to create a variety of other commodities; in other words, these products do not immediately meet our needs. These products are referred to as investment, capital, or producer goods.

Durable and Perishable Goods

Perishable commodities are items that rapidly deteriorate or go bad, such as fruits, vegetables, seafood, etc. Long-lasting products are known as durable goods; examples include tractors and thrashers.

Income and Wealth

In economics, wealth refers only to material possessions. Wealth and revenue are produced via the creation of commodities and services. An economic good, or material item that is readily transferred, is wealth. Wealth cannot be formed by immaterial or non-transferable products (services). Income is the compensation given to the various producing elements. As an example, a guy rents out his home. Then his income comes from the rent. A worker receives compensation for the labor he contributes to the manufacturing process. As a result, income is a flow from wealth and wealth is a fund. We say "so much amount for a specific period of time" when we talk about income. Conversely, wealth is defined as the total worth of all material possessions (land, buildings, cash, etc.) at a certain moment in time.

Income, both Real and Monetary

One may express income in terms of money or commodities. Real income is defined as income that is stated in terms of a commodity. Ten bags of paddy a year, whether an attached laborer or a regular laborer, is his true salary. The sole factor affecting living standards is actual income. Money income is the phrase used to describe income that is stated in monetary terms. For example, when we state that a manager makes Rs. 2000 a month, we are referring to his monetary revenue.

Theory of Personal Action

The issue of choice is one that the customer must address on a regular basis. Both economic and non-economic decisions may be made. Economic decisions are those that have an economic bearing or that directly or indirectly impact the community's economic well-being. It is an economic decision, for example, if someone grows roses for a living rather than as a pastime. A choice between alternatives is a necessary component of an economic decision, and the main justification for this is the scarcity of means and diversity of purposes. As a result, theories of consumer behavior are related to the choices that consumers make in order to fulfill their desires.

Ingestion

In its widest definition, consumption refers to the process of using financial products and private services to fulfill desires in humans. The annihilation of the commodities' inherent usefulness is another definition of it. When it comes to perishable products, utilities might

break down quickly, but when it comes to lasting commodities like furniture and homes, things can break down more gradually.

Wants

Theories of consumption focus on meeting human needs. Everything we wish for is a desire. Consumption is the procedure by which these desires are met. Three major categories may be used to classify the products and services that meet human needs: necessities, comforts, and luxuries.

Categories of Desire

i) Necessities: Items and services that are necessary for both our survival and upkeep of efficiency are referred to as necessities. Three categories of necessities exist:

- 1) Necessities for survival,
- 2) Necessities for effectiveness,
- 3) Traditional necessities.
 - i. Essentials for life or existence: Certain goods, like food (rice), are necessary for human beings to even survive.
 - ii. Items and services required to keep the working capacity at a higher level, such as healthy food (like Horlicks), a bicycle, etc., are necessities for efficiency.
 - iii. Conventional necessities: Certain products, like coffee or cigarettes, tea, and betel vine, are used by many people out of habit or long-standing norms and conventions, even if they are not strictly essential [3], [4].

Solaces

Comforts are things that make life easier and more enjoyable. They also increase the effectiveness of our job. But there is a crucial distinction between luxuries and necessities for productivity. When it comes to need for efficiency, we get returns or advantages that are proportionally greater than the costs associated with them. However, when it comes to luxuries, like a scooter, the added value or enjoyment does not match the cost.

Opulence

Luxuries are very costly items and services that don't improve people's productivity in any manner. The purpose of decorations, bungalows, cars, cellphones, and other items like that is to elevate a person's status. It should be remembered, however, that necessities, comforts, and luxury are all relative concepts. They are susceptible to change in accordance with various locations, times, people, and social contexts. For instance, a scooter is a comfort to a wealthy guy but a luxury to a poor one. Furthermore, something that is convenient now can be essential later.

Features of Want

The following is a discussion of the features of human wants:

1. There is no end to the quantity or diversity of wants; if one is met, other ones always surface. Human desire is thus limitless.
2. A specific need may be satisfied: A man's physical and mental capabilities determine how much of a good he can consume at any given moment. When someone is

hungry, they may completely satiate their need by eating enough food at the right moment.

3. Recurring wants: Wants are recurring. People always want a variety of items, such as food and clothing. The durability and need of the commodities determine how often they are consumed.
4. desires are competitive: Certain desires must be met sooner rather than later. Since there are never enough resources, a customer should choose the need that needs to be met the most immediately. Food is the most pressing need in the life of a hungry guy.
5. There are several options available to us to fulfill our desires. For instance. If tea isn't available, one may have coffee instead.
6. Wants are complementary: We may need many items at once to fulfill a single desire, such as pen, paper, ink, and areca nut.
7. Wants have a tendency to turn into habits: After a desire is satisfied in a certain manner for a while, it becomes a habit. Having coffee after breakfast, for instance.

Basic Living Conditions

Our quality of life is defined as the quantity of necessities, comforts, and luxuries to which we are typically used. Kirkpatrick provided a definition of standard of living as "the measure or the evaluated amounts of different kinds and qualities of economic goods involved in meeting the various individuals composing the family's physical and psychic needs and wants."

Factors that Determine Living Standards

1. Real income, not the family's financial income, determines one's standard of life.
2. It is contingent upon the quantity of family members as well as their desires.
3. It is dependent upon changes in commodity prices. The level of life rises with decreasing prices and vice versa.

Practicality

Utility is the ability of a product or service to meet a need in the lives of people. It is important to distinguish between "utility" and "satisfaction." While pleasure refers to "realized satisfaction," utility indicates "expected satisfaction." When considering the purchase of a product, a customer considers "utility," but he doesn't get "satisfaction" until after the item has been used.

Utility and Value

A commodity's "value" and its "utility" are two different things. A commodity's ability to fulfill wants is its utility; on the other hand, its ability to trade for another commodity is its worth. Value is an objective notion; utility is subjective. Free and economical things are both useful. Only economic commodities, however, are valuable.

DISCUSSION

Usefulness is relative

Different people may find a given commodity to be of varying degrees or magnitudes of usefulness.

Subjective

Utility is dependent on an individual's interests and is not pleasure in and of itself. It is contingent upon the mental state of the person.

Utility and usefulness are not the same thing

An item may be valuable to one individual but not to another. For instance, while alcohol is thought to be unhealthy, an alcoholic may find great use for it. Utility is thus morally and ethically meaningless.

Utilities are independent

The usefulness of one good does not influence the usefulness of another.

Usefulness changes with purpose

The usefulness of a product varies based on its intended use. Water may be used for several purposes, such as drinking, irrigation, power production, and industrial applications.

Ownership affects utility

When a thing is owned, it has significantly more utility than when it is rented. For instance, owning land is more useful to a farmer than leasing it.

Types of Utility

A commodity's utility may rise for a number of reasons.

Form Utility

A commodity's utility may rise if its outward form is altered. For example, cotton becomes more useful when made into clothing. The other examples are turning wheat into flour, turning paddy into rice, and turning butter into ghee.

Place Utility

The utility of a commodity may rise when it is moved. For example, rice will be more useful if it is delivered from Tamil Nadu to Kerala [5], [6].

Time utility

A commodity's utility may rise if it is kept for later use. Water is stored in reservoirs during the rainy season and utilized afterward. This makes the water that was saved more useful. Paddy, wheat, oilseeds, pulses, and other agricultural products are kept in storage for year-round consumer consumption.

Possession utility

During a transaction, commodities are transferred from one person to another. When commodities are in the hands of producers, their usefulness increases until they are purchased by consumers via traders. Possession utility is the benefit derived from having the product in one's possession or from transferring ownership. For instance, producers, or farmers, have less value from paddy than from consumers, who get rice from it.

The Use of Cardinal and Ordinal

The cardinal utility notion states that the utilities of two goods may be measured and contrasted. A customer may get 20 units of utility from an apple and 10 units from an orange,

for instance. It follows that an apple provides the customer with twice as much utility as an orange does. Conversely, the idea of ordinal utility holds that the usefulness may only be contrasted and not assessed. A person may only make a comparison between the usefulness derived from the first and second orange units. While contemporary economists such as Allen and Hicks have endorsed the conventional method and substituted the indifference curve analysis for the utility analysis, Marshall espoused the cardinal approach as the means of measuring utility.

The sum of the marginal and total utilities

The quantity of utility obtained by using all of the units of a product at the consumer's disposal is known as total utility. Utils are fictitious units used by economists to express usefulness. The difference in overall utility brought about by a single unit change in a commodity's consumption is known as marginal utility.

Two facts form the basis of this legislation. First of all, a man may have an infinite number of desires, but every wish can be satisfied. As a result, when a person eats an increasing number of units of an item, the intensity of his desire for the good decreases until eventually the person reaches the point at which he or she is no longer interested in consuming units of the good. Second, there isn't a perfect match between the various commodities. The intensity of a person's specific desire for a thing decreases as they eat an increasing number of units of the item. However, the marginal utility of the good would not have decreased if its units could have been used to satisfy additional desires and produced the same level of pleasure as they did when the first want was satisfied.

State of Equilibrium

It is thought that the customer wants to be as satisfied as possible with the things he buys. Therefore, the goal of a rational consumer's behavior is to maximize overall utility. He will purchase a larger quantity of the good if the marginal utility outweighs the cost. He intends to cease purchasing the product if its marginal utility is equal to its price, or $MU_x = P_x$. In this case, money is used to quantify marginal utility. He is going to buy six mangos if the price is Re. 1 per unit. He is considered to be in balance at this time, meaning he has reached his highest level of contentment.

Legal Assumptions

One may measure utility either cardinally or absolutely. Throughout the consuming process, the customers' preferences don't alter. The consumer's income stays the same. Any increase in the consumer's income has the potential to affect their taste and preference for a certain item. The commodity's units are homogenous, meaning they have the same size and quality. There isn't a pause in time between the two commodity units that are consumed. Stated differently, there should be no breaks in the drinking process. The money's marginal utility doesn't change. This presumption is required because the marginal utility of a good is expressed in terms of money, and it is preferable for the measure to remain constant. The marginal utility of money rises when an individual spends more money on a good because he has less money with him. However, this fluctuation in the marginal value of money is disregarded, since it is presumed to be constant throughout the consuming process.

The cost of replacement items stays the same. Apples and oranges, for instance, are replacement items for one another. The cost of orange, the consumer's replacement, should not change when they buy apple. This presumption is required because, as the amount of the orange replacement that the customer would eat grows, the marginal utility of the apple

drops. When oranges become less expensive, there will be a greater demand for their consumption. As a result, it is considered that the cost of alternatives stays constant throughout the consuming process.

Restrictions

- 1) Certain goods, like collecting stamps and old coins, drinking alcohol, and so on, have a marginal utility that does not decrease when the stock of them increases.
- 2) The amount of a commodity that other people own determines how useful it is to an individual. Assume that in a certain neighborhood, one individual has two automobiles whereas his adversary only owns one. The latter will therefore be more desirous of the second automobile than of the first.
- 3) Misers will not be protected by the law. His demand for extra units of money will increase as he gains more of them. But a further examination reveals that even the marginal usefulness of things like vehicles, money, stamps and coin collections, alcohol will eventually start to decrease and become negative. Since this legislation applies to all circumstances of consumption, there really isn't an exemption to it.

Value of the Law

1. The law of demand may be derived from this law. A commodity would be purchased in greater numbers at a lower price than at a higher price, according to the law of demand. The explanation is that an item's marginal utility to the customer decreases with the number of units acquired, and he gradually begins to place less value on further units of the commodity. As a result, he will only purchase more of the product at a discounted cost. This means that the law of declining marginal utility is the source of the law of demand.
2. This legislation helps to control that spending on consuming. The customer is most satisfied when the price of a product or service equals its marginal usefulness.
3. Rich people's marginal utility of money will be lower than poor people's marginal utility of money. Rich people's salaries are thus subject to progressive taxation, the foundation of which is provided by the rule of decreasing marginal utility.
4. The distinction between value-in-use and value-in-exchange may be explained with the aid of the marginal utility notion. The diamond water conundrum explains this. A commodity's marginal, not its overall, usefulness determines its price. Because of its relative abundance, water may have infinite overall utility, yet it has zero marginal value. Water is thus less expensive. Conversely, despite the fact that diamonds are relatively scarce, their marginal utility is quite high despite their low overall utility. A diamond hence fetches a greater price [7], [8].

Relative Benefits of Associated Products

Goods may be complimentary or alternatives for one another. The same desire may be satisfied by the replacements, such as tea and coffee. If they are exact equivalents, they may be considered as a single good for all intents and purposes. However, most products are just partially satisfactory alternatives.

When it comes to such products, all other things being equal, the amount of the orange good that consumers purchase grows but the marginal utility of any such commodity (mango) drops. Products that are desired in tandem to fulfill a desire are known as complementary

products. Examples of such items include bread and butter. Under such circumstances, the quantities of a good's complementary good with the customer grow, maintaining the other variables constant and increasing the marginal value of one product. For example, butter has a higher marginal utility if a customer wants to eat more bread.

Marginal Utility Law, Law of Equivalency, Law of Substitution, and Law of Maximum Satisfaction

A customer uses the rule of equi-marginal utility to get the most pleasure when he buys many commodities at a given income level. In his statement of this law, Marshall said: "When someone has something that can be used for multiple purposes, they will divide it up so that each use has the same marginal utility." This rule states that a consumer allocates a certain amount of any good among its several uses in a way that ensures an equal marginal value across all uses. A distribution of the product in this way will guarantee the highest level of customer satisfaction.

Assume that the client is using a certain amount of money to purchase only two commodities: oranges (X) and mangoes (Y). To achieve a position of maximum pleasure, or balance, the customer must take into account two elements. The first is the items' marginal utilities, and the second is their prices. Assume that the customer is aware of the product pricing. According to the legislation, the consumer must divide his income amongst the commodities such that the utility gained from each rupee spent on it is equal for each commodity. Put another way, when the marginal value of the money spent on each commodity is the same, the customer is in an equilibrium situation. Currently, the marginal utility of money spent on an item (MU_x) is determined by dividing the good's price (P_x) by its marginal utility (MU_x).

Law of Equi-Marginal Utility Restrictions

A consumer must compute and contrast the marginal utilities received from various items in order to apply this law. However, consumers are often controlled by their habits and practices, and will spend money on various goods regardless of whether or not the specific allocation would optimize their happiness. All goods are assumed to be divided up into very tiny portions by the law. Nonetheless, certain things are indivisible, such as cars and dairy animals.

That is when the law does not apply. The false assumptions that underpin this rule are the absolute measurement of utility and the constant marginal utility of money. Utility cannot always be measured since it is a conceptual concept. Once again, the marginal utility of money will rise rather than stay constant with each decline in the consumer's money stock.

Utilizing the EquiMarginal Utility Law

Consumption

When an item with higher utility is substituted for one with lower utility, the consumer experiences the highest level of pleasure.

Production

This legislation aids farmers in allocating resources as efficiently as possible. The most economically viable way for him to make a good is to replace one ingredient with another until their marginal productivities are equal. For example, the farmer will replace capital with human labor if the marginal productivity of labor is higher than that of capital.

Commodity distribution

The rule of equi-marginal utility contributes to the best possible allocation of commodities among community members. A commodity is considered to be distributed optimally when it is so evenly among community members that transferring any unit of it from one individual to another would lower overall pleasure [9], [10].

Optimal distribution of general resources

When resources are allocated optimally, there is no benefit to converting marginal units of resources from one use to another. Stated differently, the optimal allocation of resources is one in which the marginal social benefit associated with each use is equal.

CONCLUSION

This study highlights the multifaceted interplay of economic concepts in the agricultural sector and households. Farmers grapple with economic decisions to balance profits and family well-being, while macro-level policies shape the growth of agriculture. The categorization of goods, theories of consumption, and the laws of marginal utility and equi-marginal utility provide a theoretical framework for understanding economic behavior. The analysis underscores the importance of considering subjective factors such as desires, preferences, and satisfaction in economic decision-making. The study contributes to the understanding of how economic principles influence the choices made by farmers and consumers alike.

As agriculture remains a critical component of global economies, this study provides valuable insights for policymakers, researchers, and practitioners seeking a nuanced understanding of the economic dynamics in the farming sector.

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CHAPTER 10

CONSUMER RIGHTS, MARKET EXPLOITATION, AND THE EVOLUTION OF CONSUMER MOVEMENT

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ABSTRACT:

This study delves into the multifaceted dynamics of consumer rights and protection, exploring the motivations behind consumers resorting to the consumer court for grievances. It investigates the persistent challenges consumers face in ensuring fairness in transactions, highlighting the need for laws, policies, and regulations to protect their interests. The study traverses through diverse sectors, emphasizing the vulnerability of consumers in the face of market exploitation and unfair business practices. It traces the evolution of the consumer movement in India, from its inception as a response to unethical practices to the enactment of the Consumer Protection Act 1986. The narrative extends to elucidate consumer rights, emphasizing the right to safety and information. Additionally, it provides insights into the process of filing complaints and seeking redress in the consumer courts. The study concludes by emphasizing the significance of consumer awareness and knowledge in fostering an empowered consumer base.

KEYWORDS:

Consumer Movement, Consumer Rights, justice, Knowledge, Market.

INTRODUCTION

A collage of news articles including consumer court rulings may be seen below. In these situations, why did the parties resort to consumer court? These decisions resulted from the persistence and hard work of a few individuals seeking justice. How were they not given justice? More importantly, when they feel they have been treated unfairly, how can they use their rights as customers to demand a fair price from the sellers? We are both producers and consumers in this economy.

As providers of products and services, we may be employed in any of the previously covered industries or sectors, including services, industry, or agriculture. When consumers buy necessary products and services, they engage in the market. These are the finished products that customers actually utilize.

We covered the need of laws, policies, and other measures that would encourage growth in the chapters before this one. These may be implemented to safeguard employees in the unorganized sector or to shield the public from the exorbitant interest rates that moneylenders in the unorganized sector impose. In a similar vein, laws and guidelines are necessary to safeguard the environment. For instance, the informal moneylenders you read about in Chapter 3 use a variety of strategies to tie up the borrower. For instance, they might force a small farmer like Swapna to sell her land in order to repay the loan, or they might force the producer to sell the produce to them at a reduced price in exchange for a prompt loan. Comparably, a large number of workers in the unorganised sector are obliged to tolerate unfair working conditions that are also often detrimental to their health, along with poor pay. We have discussed laws and regulations for their protection in order to stop this kind of exploitation. Certain organizations have had prolonged challenges in guaranteeing adherence to these regulations [1], [2].

Similarly, laws and guidelines are necessary to safeguard customers in the marketplace. Individual customers are often put in a precarious situation. The vendor attempts to place all the blame on the customer if there is a complaint about a product or service that was purchased. "If you didn't like what you bought, please go elsewhere" is often how they phrase things. As if the seller is exempt from accountability once a deal is finalized! As we will cover later, the consumer movement is an attempt to rectify this.

Market exploitation takes many different forms. For instance, retailers may engage in unfair business practices when they sell contaminated or faulty items, weigh less than what is appropriate, or tack on extra fees without prior notice. When producers are few and strong and customers are dispersed and make tiny purchases, markets cannot function fairly. This is particularly true when these products are produced by big businesses. These enormously powerful, affluent corporations have the ability to influence the market in a number of ways. Sometimes, in an effort to draw in customers, misleading information is disseminated via the media and other channels. For many years, for instance, a corporation claimed to be the most scientific in the world and to sell powdered milk to newborns all over the globe, even better than their mothers' milk. The corporation had to fight for years before it was made to acknowledge that it had been making exaggerated claims. Comparably, it took many court battles and a protracted legal struggle to get cigarette manufacturers to acknowledge that their product may cause cancer. Therefore, laws and guidelines are required to guarantee consumer protection.

Movement Of Consumers

The consumer movement started as a result of the buyers' discontent with the sellers' many unethical business practices. Customers have no legal safeguards in place to keep them safe from being taken advantage of in the marketplace. For a very long time, customers would often avoid buying a certain brand of goods or cease doing business with that store if they were unhappy with it. It was assumed that customers should use caution while making a purchase of a product or service. It took many years for global and Indian organizations to raise public awareness. Additionally, this has placed more of the burden of guaranteeing the quality of products and services on the sellers.

The need to defend and advance consumer interests against unethical and unfair economic practices gave rise to the consumer movement in India as a "social force." Intense food scarcities, hoarding, illegal marketing, adulteration of food, and edible oil gave rise to the organized consumer movement in the 1960s. Consumer organizations mostly wrote articles and organized exhibits until the 1970s. To investigate the wrongdoings in ration stores and the congestion in the road passenger transportation system, they established consumer groups. India has seen an increase in the number of consumer organizations in recent times. Thanks to all of these initiatives, the movement was able to put pressure on governments and corporations to change business practices that might be unjust and detrimental to the interests of consumers as a whole. The Indian government's 1986 passage of the Consumer Protection Act 1986, or COPRA, was a significant move. Later on, you will discover more about COPRA.

Consumer Rights: Everyone has the right to be safe.

Reji's experience demonstrates how a hospital left a student permanently disabled because of the physicians' and staff's carelessness while administering anesthesia. As consumers, we have the right to be shielded from the promotion of products and provision of services that endanger life and property while using a variety of goods and services. Manufacturers must adhere closely to all applicable safety guidelines. We acquire a lot of products and services,

and many of them call for extra safety consideration. For instance, a faulty safety valve in a pressure cooker might result in a catastrophic accident. The safety valve's producers are required to guarantee superior quality. To ensure that this standard is maintained, public or governmental action is also required. Unfortunately, due to inadequate oversight of these regulations and a weak consumer movement, we do discover low-quality items on the market.

Details on products and services

Any commodity you purchase will have particular information on the packaging. These specifics include the manufacturer's location, date of manufacturing, batch number, price, and ingredients utilized. When we purchase medications, the packaging may include "directions for proper use" along with details on potential dangers and adverse effects. You will discover information on "instructions for washing" while purchasing clothing.

Why have regulations been put in place to require the manufacturer to publish this information? The reason for this is because customers have a right to information on the specifics of the products and services they buy. If the product turns out to be flawed in any way, customers have the option to file a complaint and request reimbursement or a replacement. For instance, we have the right to request a replacement if we purchase a product and discover a flaw before its expiration date. Should the expiration date not have been printed, the manufacturer would place the blame on the retailer and refuse to take responsibility. People who sell outdated medications risk facing harsh consequences. Likewise, if a product is sold for more than the price shown on the package, you have the right to object and file a complaint. The "MRP" (maximum retail price) indicates this. In actuality, buyers and sellers may negotiate a price that is lower than the MRP [3], [4].

The scope of the right to information has grown recently to include a wider range of government services. The RTI (Right to Information) Act, which was passed by the Indian government in October 2005, guarantees its people access to all information on the operations of government agencies. The following instance illustrates the impact of the RTI Act. Regardless of age, gender, or kind of service, every customer who gets a service has the option to decide whether to keep receiving it or not. Let's imagine the store owner tells you that she can only sell you toothpaste if you also purchase a toothbrush. Your freedom to choose is violated if you decide not to purchase the brush. Similar to this, gas supply sellers sometimes demand that when you get a new connection, you have to purchase the stove from them. In this sense, you are often left with no other option but to purchase something that you may not want to.

Customers are entitled to file complaints against exploitation and unfair business practices. A consumer has the right to compensation based on the extent of any harm that is done to her. To achieve this, a simple and efficient public system must be made available. You may be curious to learn how a person who feels wronged receives recompense. Let's consider Prakash's situation. In order to have his daughter married, he had sent a money order to his hometown. Neither months later nor when his daughter needed it, the money did not get to her. Prakash filed a complaint at New Delhi's district consumer court. Each action he did is described in detail here.

Post Office Does Not Quietly Reply to The Query

Numerous organizations known locally as consumer forums or consumer protection councils have been formed as a result of the consumer movement in India. How to file a case in the consumer court is guided by them. They often act as individual consumers' advocates in

consumer courts as well. The government also provides financial assistance to these nonprofit organizations in order to raise public awareness. You may have seen name boards for Resident Welfare Associations if you dwell in a residential colony. They take up the matter on their behalf if any unfair commercial practices are applied to its members.

A three-tiered quasi-judicial system was established under COPRA to handle consumer issues at the district, state, and federal levels. Cases involving claims up to Rs. 20 lakhs are handled by district level courts, claims between Rs. 20 lakh and Rs. 1 crore are handled by state level courts, and claims beyond Rs. 1 crore are handled by national level courts. The consumer has the option to appeal to state and federal courts if their lawsuit is rejected by a district court. As a result, the Act has given us consumers the ability to represent ourselves in consumer courts.

Acquiring Knowledge to Become Knowledgeable Buyers

As consumers, we will be able to discriminate and make wise decisions when we are aware of our rights when we buy different products and services. This necessitates gaining the expertise and understanding necessary to become an educated customer. The federal and state governments now have distinct ministries of consumer affairs thanks to the passage of COPRA. One example of how the government disseminates useful information about the legal system is via the posters you've seen. These kinds of commercials may also be shown on television networks [5], [6].

DISCUSSION

There are several facets to development. This chapter's goal is to help pupils comprehend this concept. They need to realize that there are several viewpoints on development and that there are methods for coming up with shared development indicators. In order to do this, we have offered analysis that is more intricate and macro in scope, as well as scenarios to which people may intuitively react. Another question that students would study in this chapter is how nations or states may be compared using certain development metrics. Income is the most popular metric for assessing economic progress, which is measurable. The revenue approach, although helpful, has a few drawbacks. As a result, we need fresh perspectives on development that make use of environmental sustainability and quality of life metrics.

You must anticipate that your students will participate fully in class discussions, and that there will likely be disagreements and opportunities for argument on a subject like the one above. Permit pupils to present their arguments. There are a few exercises and questions at the conclusion of each segment. These accomplish two goals: they summarize the concepts covered in the section and, by putting the students in more realistic settings, they help them comprehend the subjects covered. Per capita income, literacy rate, infant mortality rate, attendance ratio, life expectancy, gross enrollment ratio, and human development index are among the terminology mentioned in this chapter that need to be clarified. Even though information about these concepts is given, further clarification is required. It could also be necessary to explain the idea of purchasing power parity, which is used in Table 1.6 to determine per capita income. Remember that these terminologies are meant to be used as a tool for the debate, not something you should commit to memory.

Information Sources

The information in this chapter comes from publications released by the World Bank (World Development Indicators), United Nations Development Programme (Human Development Report), and Government of India (Economic Survey). Each year, these reports are released.

If these reports are in your school library, it could be worthwhile to check them up. We have always been familiar with the concept of progress or growth. We all have goals and wishes for the lives we want to lead and the things we want to accomplish. In a similar vein, we have notions about what a nation ought to look like. What are the necessities that we need? Can everyone have a better life? What kind of cohabitation is ideal? Is it possible for equality to increase? Development entails considering these issues and the strategies we might use to get closer to these objectives. This is a challenging undertaking, and in this chapter, we will start to grasp growth. Higher-level courses will cover these topics in more detail. Many of these issues have solutions that you may discover in your economics course as well as in your political science and history courses.

This is so because the past has an impact on how we live now. Without understanding this, we are unable to wish for change. Similarly, these aspirations and prospects cannot materialize outside of a democratic political system.

They look for the things that may fulfill their dreams or goals since they are the things that matter most to them. In actuality, there are situations where two people or groups of people may have competing goals. A girl wants her brother to partake in home chores and to have the same level of freedom and opportunity. This could annoy her brother. Similarly, businessmen may demand larger dams to generate more power. However, this would submerge the land and disturb the lives of the displaced, including tribal people. They can object to this and want to irrigate their area with little check dams or tanks. Hence, it is evident that two things may be said with certainty: first, individuals may have distinct developmental objectives; and second, what is development for one may not be development for another. It could even be harmful to the other person [5], [7].

Goals apart from income

Once more is that people want regular employment, higher salaries, and a fair price for the crops or other things they create. Put otherwise, they want more revenue. People want things like respect for others, freedom, security, and equitable treatment, in addition to more money in one form or another. They hate being treated unfairly. These are all significant objectives. Since material items are not the only need for survival, in some circumstances they may even be more significant than increased income or consumption. One item that is essential to our existence is money, or the tangible goods that may be purchased with it. However, the previously listed non-material factors also affect the quality of our lives. If you do not see the obvious, consider the importance of your friends in your life. You may want to be friends with them. In a similar vein, many things have great significance in our lives yet are difficult to quantify. These are often disregarded.

a protest gathering against the building of the SardarSarovar Dam on the Narmada River. To assume that anything that cannot be quantified is unimportant, however, would be incorrect. Think about another instance. When taking a job offer in a distant location, you should attempt to think about a variety of things more than just the pay, such the ability to gain new skills, the working environment, and family-friendly amenities. In a different scenario, a job can pay less, but it would provide consistent work, which would increase your feeling of security. On the other hand, a different career can pay well yet not guarantee a job and leave you with little time for your family. Your feeling of independence and security will decrease as a result. Likewise, in terms of development, many objectives are considered. It is true that women's status in the home and in society rises when they work for a living. But it's also true that more housework would be shared and women working outside would be accepted if there was respect for women. More women may be able to work in a variety of fields and

manage their own businesses in a safe and secure atmosphere. As a result, people's developmental aspirations include other significant aspects of life in addition to a higher income.

Regional Expansion

People's ideas on national development are likely to vary if, as we've seen above, they pursue distinct objectives. Talk among yourself on the progress that India should pursue. It is quite probable that different pupils in the class will have provided distinct responses to the aforementioned question. In fact, you may come up with a number of possible responses and not be really certain about any of them. It is crucial to remember that various people may have contradictory and divergent ideas about how a nation should grow. Their hobbies, skills, height, and health are different. It's possible that the healthiest student isn't the most attentive. It's possible that the smartest student isn't the most amiable. So how do we make student comparisons? Our choice of criteria will rely on why we are doing the comparison. Various criteria are used to choose sports teams, debate teams, music teams, and picnic organizing teams. Typically, we choose one or more salient traits from individuals and use these traits to compare them.

This also applies to development. Income is regarded as one of the most crucial factors when comparing nations. Richer nations are often more developed than poorer nations. This is predicated on the knowledge that more revenue equates to greater access to everything that people need. With more money, individuals will be able to have anything they desire and ought to have. Therefore, increasing revenue is seen as one of the key objectives. It makes sense that the nation's income is equal to that of all of its citizens. This provides us with the nation's overall revenue. However, total income is not a very helpful metric to compare among nations. Since populations vary among nations, comparing overall income is not a reliable indicator of what an average individual would make.

Payment And Additional Criteria

Upon examining personal objectives and goals, we discovered that individuals consider security, equality of treatment, freedom, and respect for others in addition to higher incomes. Likewise, when we consider a country or an area, we may include other equally significant characteristics in addition to average income. These numbers really represent the Per Capita Net State Domestic Product at Current Prices for the years 2002–2003. The Infant Mortality Rate is just one aspect of the issue. Over half of the children in Bihar do not even receive the opportunity to attend school, as the final column demonstrates. This implies that over half of your class would be absent if you attended school in Bihar. People who may have attended class are not present! You would not be able to read what you are reading right now if this had occurred to you [8], [9].

Available To the Public

Why does the typical Punjabi person earn more than the average Keralan person yet falls short in these vital areas? The reason is that you cannot afford to purchase all you may need to live comfortably with the money in your pocket. Therefore, income is not a perfect measure of the tangible goods and services that people can afford on its own. For instance, unless you can afford to move to a place that already has all of these characteristics, your money often cannot purchase you a clean atmosphere or guarantee that you get pure medications. Unless your society as a whole adopts preventative measures, money may also not be able to shield you from infectious illnesses.

In fact, offering these products and services simultaneously is both the greatest and most affordable option for a lot of the significant things in life. Just consider this: Is it more affordable to hire a security guard for every home or to provide communal protection for the whole neighborhood? What happens if nobody in your town or neighborhood is interested in learning, but yourself? Could you possibly study? Not unless your parents were able to pay for you to attend a different private school. You can really study because a lot of other kids desire to study and because a lot of people think the government should create schools and offer other resources so that kids may learn. Even now, a lack of proper facilities by the government and society prevents many youngsters, especially females, from completing secondary education.

Kerala has sufficient access to basic health and educational amenities, which contributes to the state's low infant mortality rate. In a similar vein, the Public Distribution System (PDS) operates well in several states. When a PDS store, also known as a ration shop, malfunctions at these locations, the staff members may fix the issue. People living in such places are probably in better health and nutrition.

Report on Human Development

We start to consider other criteria when we realize that, although wealth is a significant factor, it is not a reliable indicator of advancement. A lengthy list of these criteria may exist, but that would make it less helpful. A limited number of the most essential items are what we need. Among these are indices of health and education, like the ones we used to compare Kerala and Punjab. Indicators of health and education have gained popularity in the last ten or so years, along with income, as measures of progress. For example, the UNDP's Human Development Report analyzes nations according to their per capita income, health, and educational attainment. Examining some pertinent information from the Human Development Report of 2006 about India and its neighbors might be fascinating.

One method used by nutrition experts to determine if an adult is malnourished is to compute the Body Mass Index (BMI). Calculating this is simple. Determine the person's weight in kilograms. Next, determine the height in meters. Calculate the weight by dividing the height squared. If this number is less than 18.5, the individual is said to be malnourished. A person is considered overweight, nevertheless, if their BMI is more than 25. Please keep in mind that growing children do not fit under this criterion.

Ability to Sustain Development

Regardless of how we define development, let's say that a certain nation is now very developed. Without a doubt, we would want to see this level of improvement continue or perhaps increase for next generations. It goes without saying that this is desired. But many scientists have been warning that the current forms and levels of growth are unsustainable since the latter part of the 20th century. One kind of renewable resource is groundwater. Just as with crops and plants, these resources are regenerated by the natural world. Even these tools, however, may be misused. For instance, we would be overusing groundwater if we used more of it than was being supplied by rainfall. Resources classified as non-renewable will run out after many years of usage. On Earth, we have a finite supply that cannot be topped up. We do come into fresh sources that we were previously unaware of. In this approach, new sources augment the supply. But eventually, even this will run out of steam.

An estimate of crude oil reserves is provided in the table (column 1). More importantly, it indicates how long the crude oil supply will persist if extraction continues at the current pace. There would only be 43 years left in the reserves. This is for everyone on the planet.

Nevertheless, several nations deal with various circumstances. Nations such as India are dependent on the importation of crude oil due to insufficient domestic reserves. Everyone will have a greater burden if oil prices rise. Because their supplies are limited, some nations, like the USA, want to protect their oil by economic or military might. Many essentially novel questions about the nature and method of development are brought up by the subject of sustainability in development [10], [11].

Environmental degradation's effects transcend state and national borders; this is no longer a regional or national problem. Our shared future is interconnected. The field of sustainability of development is relatively young, including collaboration amongst economists, philosophers, physicists, and other social scientists. The subject of growth or development is often never-ending. As members of society and as individuals, we must constantly question ourselves where we want to go, what we want to become, and what our objectives are. Thus, the discussion about development goes on.

CONCLUSION

This study underscores the pivotal role of consumer protection in a thriving economy, advocating for robust legal frameworks to shield consumers from exploitation. It emphasizes the broader implications of market practices, extending beyond individual transactions to societal and environmental well-being. The evolution of the consumer movement in India serves as a testament to the collective efforts to rectify injustices and ensure fair practices. The enactment of the Consumer Protection Act 1986 stands out as a milestone, providing a legal foundation for consumers to assert their rights. The study accentuates the importance of informed consumer choices and the need for ongoing dialogue to address emerging challenges.

As consumers navigate a complex marketplace, the pursuit of justice and fairness remains a shared responsibility, intertwining the interests of producers and consumers in the intricate fabric of the economy.

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CHAPTER 11

EXPLORING ORDINAL UTILITY AND ELASTICITY: A COMPREHENSIVE STUDY OF CONSUMER PREFERENCES AND DEMAND DYNAMICS

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ABSTRACT:

This study explores the limitations of utility analysis due to the subjective nature of utility, leading to challenges in quantification. To address this, economists have employed the concept of indifference curves, proposing that though exact utility quantification is impossible, consumers can express preferences through ordinal utility by ranking choices. Indifference curves illustrate combinations of goods providing equal satisfaction, offering a foundation for Hicks-Allen ordinal demand analysis. The study emphasizes that consumers can only compare satisfaction levels qualitatively, unable to quantify the strength of preferences precisely. The attributes of indifference curves, such as their downward slope, are discussed, emphasizing the trade-offs necessary for maintaining consistent happiness. Factors influencing demand, including consumer preferences, income, commodity prices, and expectations, are examined. The law of demand is introduced, asserting an inverse relationship between price and quantity demanded, with a demand curve illustrating this connection. The derivation of the demand law from equi-marginal utility and diminishing marginal utility laws is explored. The study also delves into income and substitution effects on demand, acknowledging the impact of price changes on consumer behavior. Various demand types, including complementary and derived demand, are explained. Elasticity of demand is introduced, highlighting factors influencing demand elasticity, such as necessity, consumer spending percentage, availability of substitutes, product applications, and time. The study concludes with a discussion on determining price elasticity of demand and different approaches for measuring it.

KEYWORDS:

Consumer Behavior, Elasticity, Quantify, Utility.

INTRODUCTION

A flaw in the utility analysis is the subjective character of utility, which makes it impossible to quantify properly. The economists have developed a different strategy based on indifference curves to get around this problem. This indifference curve study suggests that while it is impossible to quantify utility exactly, a buyer may express his choice for one of the two product pairings without specifying how strongly he feels about it. This implies that the customer may rank or order the things on a "scale of preferences" provided he is supplied with a variety of possible combinations. The customer may indicate whether he prefers A to B, B to A, or is neutral between the two if the possible combinations are labeled A, B, C, D, E, etc. He may also express his liking or lack thereof for any other pairings or combinations. Ordinal utility suggests that a customer is limited to expressing his choice or lack thereof. Put otherwise, a customer cannot determine "how much" he likes A over B if he prefers A to B. The consumer can only compare levels of satisfaction "qualitatively," that is, by determining whether one is higher, lower, or equal to another. The indifference curve, which depicts all the combinations of goods that provide the consumer with the same level of satisfaction, is the fundamental tool of the Hicks-Allen ordinal analysis of demand. The consumer is unable to state the "quantitative differences" between different levels of satisfaction. Stated

differently, any combination of products that fall on a customer's indifference curve represents an equal preference for him. An iso-utility curve is another name for an indifference curve. The tabular statement known as the "indifference schedule" displays the many pairings of two commodities that result in the same degree of pleasure [1], [2].

Indifference Curve's attributes

- a) Slopes downhill: From left to right, indifference curves slope downward. This implies that in order to maintain a consistent level of overall happiness, it is necessary to decrease the amount of one good when the quantity of another good in the combination is raised.
- b) Demand Determinants: The following variables have an impact on demand.
- c) Consumer Tastes and Preferences: Shifts in fashion and aggressive marketing campaigns by vendors influence shifts in the demand for different products.
- d) The People's Income: People will want more things if their earnings are higher, and vice versa. When all other variables remain same, income and demand thus have a positive connection.
- e) Commodity Price: Demand for a product or service will decrease as its price increases and vice versa. Therefore, assuming all other variables stay the same, there is a negative connection between the price and quantity requested of an item.
- f) Price Changes for Related Goods: The demand for a good X will decrease when the price of its replacement drops, and the demand for that product will rise when the price of the substitute increases. Coffee and tea may be substituted rather closely. As a consequence, when tea prices drop, customers start drinking tea instead of coffee, which lowers the demand for coffee. When two items are complimentary to one another, a change in one's price will impact the other's demand. For example, demand for milk would increase if its price dropped. Since milk and sugar are complimentary items, the demand for both would increase along with the demand for milk. Similarly, when automobile prices decline, there will be a greater demand for cars, which will raise the need for gasoline.
- g) Population: As the population grows, so does the number of customers, leading to a rise in the amount of commodities bought.
- h) Money Distribution: Certain luxury items will be in higher demand in a nation where money is unequally distributed among the very affluent and the very poor, but there would be less demand for such things in a nation with an equitable income distribution.
- i) Expectations about Future Prices: Customers may purchase more of an item now in order to prevent having to pay higher prices in the road if they anticipate that the price of that good will rise significantly in the near future.

Demand Law

The functional link between a commodity's price and quantity desired is expressed by the law of demand. The rule of demand may be summed up as follows: other things being equal, a commodity's quantity required will increase if its price decreases, and the opposite will occur if its price increases. In light of this, the law of demand states that, excluding a few exceptions, the quantity required and the price have an inverse relationship. The consumer's interests and preferences, income, and the pricing of comparable items (complementary and replacement goods) are the other factors that are considered to remain constant. The inverse price-demand connection could not hold true if these other variables that impact demand also

change. A demand curve may be used to show the law of demand. Assume that the customer buys OQ0 worth of rice for OP0. The amount needed drops from OQ0 to OQ1 if the price of rice increases from OP0 to OP1. In the same way, quantity required increases from OQ0 to OQ2 if the price drops from OP0 to OP2. As a result, the quantity requested and price have a negative relationship. To put it another way, the demand curve slopes from left to right downward. Now, a crucial query is: how can the law of demand, which describes the inverse price-demand connection, explain why the demand curve slopes downward? The legislation is in effect for the following three reasons. First off, when a customer purchase more of a certain good, the rule of declining marginal utility kicks in. This is why the law of demand operates.

Derivation of the Demand Law from the Equi-Marginal Utility and Diminishing Marginal Utility Laws

One of two methods may be used to obtain the law of demand, often known as the demand curve: either by using the law of equi-marginal utility or the law of declining marginal utility. According to the law of decreasing marginal utility, a consumer's perceived value of an item, measured in terms of money, decreases as the amount of the good with him grows. Put otherwise, a good's marginal utility curve slopes downward. A customer will continue to buy an item until its marginal usefulness and market price are equal. His level of enjoyment will peak only when price and marginal utility are equal.

Let's say that the good's price drops from P_{x1} to P_{x2} . In such case, demand will rise and the demand curve will be moved higher. Therefore, we find that when the price of a good falls, the demand curve (MU_x / P_{x2}) shifts upward and more of the good will be demanded. This means that the quantity of demand must increase to OQ2 because only then will the marginal utility of the money (OH) equal the ratio of the marginal utility of the good and the price. Since this is the exact rule of demand, it may be inferred from the previously discussed law of equi-marginal utility.

Income Impact

A decrease in a commodity's price causes the consumer's actual income to increase. That means he can buy more of it. Conversely, an increase in a commodity's price results in a decrease in his actual income. He is thus compelled to buy less of it. Assume for the moment that the cost of sugar decreases. The customer is still left with some money after making his regular purchase, which he is probably going to use to purchase more sugar.

Effect of Substitution

A commodity will become more affordable and appealing to customers if its price decreases while the costs of its replacements stay the same. On the other hand, if the commodity's price increases while the costs of its alternatives stay the same, buyers will find it less appealing and will want less of it. Customers will now purchase more of the alternative than the original good. Assume that an orange costs Re 0.50 and an apple costs Re 1.00. Orange is used in place of apples. These days, an apple costs twice as much as an orange. In the event that the price of orange (substitute) drops to Re 0.25 on its own, apple will be four times more expensive than orange. A customer will always choose to purchase inexpensive goods over expensive ones. Because of this, the buyer in this instance will purchase more oranges in lieu of apples. This is because of the influence of replacement [3], [4].

Generally speaking, the substitution impact outweighs the income effect. As previously said, a customer typically spends a relatively little portion of his money on a single item.

Therefore, a decrease in the commodity's price will not significantly boost his actual income. Conversely, the substitution impact outweighs the income effect as consumers will always choose the less priced good over the more expensive one. Furthermore, only in the event of a better item is the income impact positive. When consumer income grows, they tend to consume better commodities in greater numbers. For instance, as people's earnings increase, they eat more rice, making it a better product. This is because a falling price for such a product would result in an increase in the consumer's actual income. However, in the event of a subpar good, the revenue impact is negative. When a consumer's income increases, they tend to consume inferior commodities in lesser amounts. Because the consumption of such an item is seen as a sign of low status, a decrease in price will enhance the consumer's actual income even if he would purchase less inferior goods. For instance, when earnings improve, individuals use less jaggery, making it a lower-quality product.

From left to right, the income demand curve slopes upward. If consumer income falls but other demand-determining factors stay the same, there will be a greater demand for inferior items, and vice versa.

As a result, the income demand curve slopes downward, suggesting that the amount required and income have a negative or inverse relationship. When all other factors stay the same, it describes the varying amounts of a product that customers buy at varying prices per unit of time. The consumer's income, his likes and preferences, and the cost of the actual good are the other factors in this case. The linked good might be a complementing or replacement good. Coffee and tea, for instance, may be substituted.

DISCUSSION

The same need is satisfied by substitutes. When tea prices increase, fewer consumers purchase it. They could instead purchase more coffee. As a result, the demand for coffee rises as the price of tea does.

When comparing the price of tea to that of coffee, the cross-demand curve will slope positively, or upward and to the right. Conversely, both commodities are referred to be complementary products if they are jointly required to fulfill the same need. Bread and butter, for instance, go well together.

Demand for butter will rise in response to a decline in bread prices and vice versa. When comparing the price of butter to that of bread, the cross demand curve will slope downward and to the right, or have a negative slope. Joint demand is another name for complementary demand. When two or more items are jointly wanted in order to satisfy a certain want, this is known as joint demand. For instance, a cup and saucer, bread and butter, shoes and shoelaces, tea, milk, and sugar, etc.

Another kind of demand is derived demand. the need for a production component as a consequence of the need for the commodity it aids in producing in its finished form. Let's say a customer purchases bread. Bakers must purchase flour in order to make the bread. Flour mills provide the resulting demand for flour from them. The wheat growers get their generated demand back from the flour mills when they purchase wheat. In turn, the farmers have a derived need for equipment such as tractors, fertilizer, and seeds to produce wheat.

SLackness of Demand

The term "elasticity of demand" describes how responsive or sensitive demand is to price fluctuations. Elasticity of demand is the common term used to describe price elasticity of demand. In addition, demand elasticity cross-elasticity and income elasticity exist.

Demand Price Elasticity

It is the ratio of a given proportional change in a commodity's price to a proportionate change in the amount requested of that commodity. Thus, price elasticity of demand (EP) may be found as follows:

1. Perfectly inelastic demand is the state in which even significant price changes result in no change in the amount required; in other words, demand stays constant regardless of price fluctuations. There is no demand elasticity coefficient.
2. Demand that is relatively elastic occurs when there is a modest proportional change in a commodity's price that leads to a bigger proportionate change in the amount requested of that commodity. Demand elasticity coefficient is more than unity.
3. When a commodity's price changes proportionately, the amount requested of those good changes less proportionately. Demand elasticity is not equal to unity, but it is more than zero.
4. When a given proportional change in price is matched by an equally proportionate change in the amount sought, the condition is referred to as unitary elastic demand. Stated differently, a certain proportional decrease in price is accompanied by an equally proportionate rise in demand, and vice versa. One is the coefficient of demand elasticity [5], [6].

Elasticity of Demand Influencing variables

The following variables influence whether the demand for a product is elastic or inelastic.

- i. Degree of necessity: Demand for essentials is inelastic, or less elastic, than demand for pleasures and luxuries, other things being equal. It's easy to see why. No one can survive without the requirements, hence purchases must be made at whatever cost. When it comes to necessities, the demand for those without alternatives is less elastic than that of those with alternatives. For instance, compared to paddy, the demand for salt is less elastic.
- ii. The percentage of the consumer's money that is spent on the good: The demand is less elastic for a good if the buyer only spends a little amount of his income on it. For example, the demand for matchboxes and salt may not decrease much even if their prices increase by 100%.
- iii. The availability of substitutes: If a decent alternative is widely available, the demand for that product will be more elastic. Customers will choose its alternatives if the price of the original product increases just little. This is assuming that the costs of the replacements do not increase.
- iv. several applications for the product: If a commodity has several applications, its demand is considered more elastic. The demand for power will rise significantly in response to a decrease in its price.
- v. Time: Demand elasticity changes as a function of time. Demand is often more elastic over extended periods of time. For example, in the event that kerosene prices increase, it could be challenging to quickly switch to cooking gas in its place. However, if enough time is allowed, people will adapt and switch from kerosene to cooking gas or firewood.
- vi. Determining Price Elasticity of Demand: There are three ways to determine price elasticity of demand.

Total Spending or Outlay Approach

- 1) Measuring Elasticity at a Point:
- 2) This method is used if the price change is negligible.
- 3) Arc method: utilized when there is a significant fluctuation in price.

Total Spending or Outlay Approach

This approach determines if total spending has grown, decreased, or remained constant in response to changes in the price of a good by looking at the total amount spent on the quantity that is required. In the first instance, the amounts requested have grown to 1500 and 2000, respectively, as a result of the price decline from Rs. 6 to Rs. 5 and subsequently to Rs. 4. The overall expenditure has increased as a result of the price decline. Demand is thus elastic when the overall expenditure rises as a result of a price decline. In the second scenario, demand has unit elasticity because the overall expenditure is constant regardless of price fluctuations. In the third scenario, when prices decline, the overall expenditure also drops. Thus, its inelasticity

Consumption is the reverse of production. Consumer theory focuses on how consumers use goods and services to maximize their utility via consumption. The creation of commodities and services is the subject of production theory. The process of converting inputs into outputs is known as production. It is assumed in the theory of production that the goal of the entrepreneur is to maximize his profits. To put it another way, an entrepreneur who seeks to maximize profits will maximize production for a given level of expenditure while minimizing costs associated with creating a given output.

Features of Moderator Production

1. Extensive manufacturing
2. Utilizing machinery
3. Massive capital expenditure
4. Separation of labor
5. Rivalry and fusion
6. Industry localization
7. Commercialization
8. Underemployment and unemployment
9. Joint stock businesses
10. Commercials
11. Cost and distinctiveness of the product
12. Conjecture
13. Danger

Production Factors

Factors of production are the productive resources used in the creation of a certain commodity. These productive resources might be laborers' services, raw materials, money

from capitalists, or the initiative of an entrepreneur who assembles the other production components. These resources or components are sometimes referred to as inputs. Land, labor, capital, and organization are therefore the classic categories used to categorize the components of production. In the language of economics, production is the process by which inputs (or components) are converted into outputs.

Terrain

The term "land" often refers to the surface of the world. However, the word "land" has a much broader meaning in economics. "The materials and forces which nature gives freely for man's aid in land and water, in air and light and heat," is how Marshall described land. Land is a term used to describe rare and valuable natural resources. Stated differently, land represents all natural resources that are either revenue-producing or have a market value.

Land's Characteristics and Features

As a component of production, land has the following distinctive qualities: There is a set amount of land. It's stated that there is no supply price for land. In other words, the market price of land has no bearing on how much of it is available; it might be high or low. The qualities of land are inherent and unchangeable. In terms of movement, land is immobile. Each land has a different fertility [7], [8].

Employment

Any physical or mental labor performed in exchange for payment is referred to as labor. "Any exertion of mind or body undergone partly or wholly with a view to some good other than the pleasure derived directly from the work" is how Marshall defined labor. A guy who works as a pastime in his rose garden is not a laborer. However, he is a laborer if he works in a rose garden that is grown for sale.

Labor Characteristics

1. The laborer and the labor is inextricably linked. As a result, a laborer must personally sell his labor.
2. The perishability of labor is great. A worker is unable to save his labor and deliver it later. In the life of an employee, a day lost to work is never returned. Thus, "Labour has no reserve price," says Erich Roll.
3. The negotiating power of laborers is low. Labor has no reserve price as it is a perishable product. Therefore, workers are forced to take menial pay rather than sit around or lose their jobs.
4. The labor supply fluctuates gradually. Even if wages decline, it is not possible to instantly reduce the labor supply. This is because laborers need to find a way to support themselves. On the other hand, a rise in the labor supply requires both a lengthy training time and new births.
5. Because of regional variations in language, environment, customs, etc., labor is less transportable than capital.
6. Unlike other commodities, changes in the price of labor (wages) have a unique impact on its supply. They could want more free time if their salaries rise over a certain point. Therefore, the supply will be reduced at higher salaries. This phenomenon may be explained by the supply curve that bends backward.

There are two elements that determine a nation's labor supply:

- 1) Workplace quality and
- 2) Workplace quantity

The Qualitative Facet of Work

The efficiency of labor is one of the qualitative elements of labor. A worker's efficiency is determined by how much work they can do in the least amount of time and money. The amount of work completed by a worker per unit cost and per unit time is referred to as their efficiency. Some significant elements that affect labor efficiency are as follows:

1. **Race:** Both racial and hereditary traits affect labor productivity. Japanese people are more efficient than those from other racial backgrounds.
2. **Climate:** A cool environment is better for labor-intensive tasks than a hot one. For example, Coimbatore and Bangalore.
3. **Education:** A guy with greater education or technical training is more efficient than one who lacks education or training.
4. **Personal attributes:** An individual will be more efficient if they are intelligent, have a robust body, and are mentally aware.
5. **Organization and Equipment:** Sophisticated equipment together with well-organized labor would increase labor productivity.
6. **Environment:** Enhanced labor efficiency might be achieved with improved lighting, ventilation, and recreational amenities.
7. **Working hours:** Labor efficiency will be decreased by long workdays with insufficient breaks.
8. **Fair and timely payment:** Paying laborers well and on time would boost their productivity.
9. **Labor organization:** Workers' productivity will increase if they are effectively arranged into a powerful trade union.
10. **Welfare activities:** Labor efficiency would rise with the provision of housing, transportation, and educational facilities, as well as insurance benefits and social security programs [9], [10].

CONCLUSION

This study sheds light on the intricacies of utility analysis, emphasizing the ordinal nature of consumer preferences. Indifference curves and the Hicks-Allen ordinal demand analysis provide valuable tools for understanding consumer behavior despite the challenges of quantifying utility precisely. The law of demand, derived from equi-marginal and diminishing marginal utility laws, explains the inverse relationship between price and quantity demanded. Factors like income and substitution effects contribute to the complexity of demand dynamics, impacting consumer choices.

Different types of demand, including complementary and derived demand, further broaden our understanding of consumer behavior. The study concludes with an exploration of elasticity of demand, underlining the significance of factors such as necessity, consumer

spending patterns, substitutes, and time in influencing demand elasticity. Overall, this research contributes to a comprehensive understanding of consumer preferences and demand determinants within the economic framework.

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CHAPTER 12

LABOR DIVISION AND ECONOMIC DYNAMICS: A COMPREHENSIVE ANALYSIS OF PRODUCTIVITY, MOBILITY, AND POPULATION THEORIES

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ABSTRACT:

This study explores the concept of division of labor and its impact on labor efficiency and productivity. It categorizes division of labor into three main types: simple division of labor, complex division of labor, and territorial division of labor. The benefits of division of labor include increased productivity, expertise development, time savings, greater employment diversity, and facilitation of mechanization and innovation. However, the study also addresses the negative aspects, such as monotony, reduced job satisfaction, and a sense of detachment from the final product. The concept of labor mobility is discussed, encompassing migration, upward occupational movement, and lateral movement between occupations. The study delves into the quantitative aspect of labor, focusing on population theories, particularly the Malthusian Theory. It highlights Malthus's claims regarding the relationship between population growth and food supply, geometric population growth, and the checks on population levels. Criticisms of the Malthusian Theory are presented, emphasizing the need to consider overall economic output and distribution. The study then introduces the Population Optimization Theory, aiming to determine the optimal population for economic prosperity based on natural resources and technological advancements. The latter part of the study shifts focus to capital, delineating its characteristics and classification. The formation of capital and its stages, including savings, mobilization, and investment, are discussed. The critical role of entrepreneurs in coordinating and managing the various aspects of production is outlined. The study also explores different forms of business organizations, such as individual proprietary systems, partnerships, joint-stock corporations, cooperatives, and government enterprises.

KEYWORDS:

Economic, Labor, manufacturing, Mobility, Productivity.

INTRODUCTION

Division of labor is the act of creating an item by breaking it up into its component parts and assigning a different group of workers to handle each stage. Labor efficiency is linked to division of labor, which facilitates large-scale manufacturing. For example, producing more chairs will result from breaking up the process into distinct steps, such as creating the legs, backrest, and seat, and then assembling the pieces rather than creating each chair separately. There are three primary categories of labor division.

1. Simple division of labor: This refers to the division of society into main professions such as weaving and carpentry. It goes under the name of functional division of labor as well.
2. Complex division of labor: No group of workers in this instance completes an article. Rather, the whole process is divided into a number of smaller procedures that are to be completed by different teams. For example. Vehicles, Tanks, etc.

3. Territorial Division of Labor: This division of labor relates to certain towns, cities, or areas that are experts in producing a particular product. For example. Lock - Dindugal; Hosieries (Banians) - Tirupur; Matches & Crackers - Sivakasi, Kovilpatti; Halwa – Tirunelveli [1], [2].

Foundries in Coimbatore (motors)

Benefits of Labor Division

When a worker focuses on only one aspect of the task, he may do it more quickly, which raises labor productivity. When a worker does the same task (process) repeatedly, they develop into experts. Since items are produced by experts, division of labor enhances production both in terms of number and quality. In a division of labor, employees are assigned to different tasks based on their skill levels. Division of labor results in significant time savings, especially in manufacturing. A greater diversity of employment is available due to the division of labor. It makes it easier to mechanize work and create new ideas.

Negative aspects of division of labor

When a worker does the same task repeatedly over an extended period of time, it starts to get boring to him, and he eventually loses interest in it. Should a worker (expert) lose his current position, it's possible that he won't be able to find a comparable position elsewhere right once. Repetitive motions, mental constriction, and limited perspective. Because each worker only contributes a portion of the final output, the worker loses pride in and feeling of responsibility for his job.

Mobility of Labor

The laborer must go from place to place in search of work since he must do the labor himself. There are several forms of labor mobility.

1. This refers to laborers moving throughout the country. Another name for this is migration. Laborers leaving the nation (India) are referred to as emigrants. It is referred to as immigration if they enter India.
2. This denotes moving from a lower to a higher grade of profession. An Associate Professor gets promoted from Assistant Professor, for example.
3. This refers to moving between different occupations without altering one's occupational position. (For instance) A stenographer who moves departments or firms without receiving a promotion or changing their position as an occupational group member.

Labour's Quantitative Aspect

In terms of labor, the quantitative part is the number of people that are employed in a nation. A number of population theories exist that both explain why and how the population is growing, as well as suggesting the ideal population size. Based on (i) per capita production (optimal theory) and (ii) food supply (Malthusian theory), population theories may be divided into two groups.

Malthusian Theory of Population

This theory was advanced by English clergyman Thomas Robert Malthus (1766–1834) in his well-known work "An Essay on the Principles of Population" (1798). He lamented the odd

discrepancy between raising animals with such caution and raising humans carelessly. The following are the main claims of the Malthusian theory.

A nation's population size is influenced by its food grain output. A nation can sustain a high population if there is a plentiful supply of food. A minimal food supply means that only a tiny population can be sustained in the nation. Put another way, the means of subsistence (food) always place a limit on population growth. The population tends to increase in a geometric fashion, with values 1, 2, 4, 8, 16, and so on. To put it simply, the population doubles every 25 years. The growth of food production often follows an arithmetic progression: 1, 2, 3, 4, 5, and so on. To put it simply, the food supply will continuously increase every 25 years. He believed that the fecundity of humans had no boundaries. "Men multiply like mice in the barnyard," he said. However, the ability of land to produce food is restricted [3], [4].

DISCUSSION

The rate of population growth outpaces the rate of food production. Population growth is usually correlated with advances in means of sustenance, unless strong and evident constraints impede this relationship. Two different kinds of checks are available to maintain population levels in line with subsistence resources. They serve as the positive and preventative checks. Preventive measures would lower the birth rate, which would shrink the population. Man applies them freely on his own will. Celibacy, marriage at a later age, and marital self-control are a few of them. Positive checks slow population expansion by raising the mortality rate. If individuals don't take preventative measures, nature will likely get enraged and implement what are known as positive checks measures meant to slow down population increase. Natural disasters like floods, earthquakes, famines, and wars serve as positive checks. Malthus suggested using preventative measures if humanity was to avoid suffering, which is one of nature's positive checks.

Malthusian Theory Criticism

Although Malthus removed the mathematics and geometric progression formulas from his books in subsequent editions, he continued to argue that population expansion would outpace food supply increases. However, food grain output has significantly expanded in many Western nations thanks to the utilization of more money and technology. In fact, food production has increased at a rate that has outpaced population growth in many nations. According to Malthus, as the means of sustenance rise, so will the population. On the other hand, family size decreases when a nation's quality of living rises. Malthus only made a comparison between population and food output. He ought to have contrasted the rate of population expansion with the overall output of all goods. For instance, in return for agricultural grains, Great Britain may export industrial goods to foreign nations.

As the nation's labor force rises, so does both the supply and demand for food grains. This phenomenon occurs in tandem with the country's population growth. There is a claim that a newborn has two hands in addition to a mouth that needs to be fed. Professor Seligman claims that the issue with population is not only one of numbers but also one of equal distribution and effective productivity. A country may not suffer from a population increase if productivity rises in tandem with the population growth and if the extra output and national revenue are divided fairly.

To some degree, the Malthusian Theory applies to India. Between 1981 and 1991, the population grew at a pace of 2.14 percent annually, while food grain output grew at a rate of 2.52 percent (1949–50 to 1995–96). Nonetheless, India has a very high birth and mortality rate. This indicates an overpopulation problem. The typical person still has relatively modest

expectations for life. The Indian standard of life is also quite poor. Natural disasters including floods, droughts, plagues, and so forth are plaguing the nation. Ultimately, the death toll from communal conflicts in India is quite high. Therefore, all other development indicators—aside from food grain production—do not point in the direction of the nation's progress.

Population Optimization Theory

The goal of the optimum theory is to determine the optimal population number in terms of economics for a given nation. The optimal hypothesis states that a nation may achieve its greatest income per capita at a certain population level, given its natural resources and technological advancements. A nation is considered underpopulated if its population is less than its ideal size. The natural and financial resources of a sparsely populated nation are not properly used. For example, Australia and Russia. A nation is said to be overpopulated if its population exceeds its ideal size. The following are some of the issues that an overpopulated nation may confront. For example, India and China.

1. The level of average production will drop.
2. There will be relatively little money per capita.
3. Living standards will decline.

Optimum Theory of Population is criticized

Just as it is very difficult to predict the degree of capital stock available in a nation, it is almost impossible to define the ideal population size. The ideal population size is variable, just as the natural and financial resources are ever-changing.

The Optimal Theory of Population and Malthusian Theory. While the optimal theory takes into account all facets of economic growth, Malthus concentrated on food production. It seems that Malthus was considering a national limit that, if surpassed, would result in suffering. The optimal theory states that there isn't a maximum population that is inflexibly set. Famine, conflict, and illness were signs of an overpopulation, according to Malthus. However, according to the optimal hypothesis, a downward trend in per capita productivity would suggest an overpopulation.

Capital

Money is a substance created by humans. To aid in the creation of other products and services, man builds capital items or equipment. Thus, "the produced means of further production" is the definition of capital. The terms "capital" and "wealth" are often used synonymously to refer to ideas like money and land. Therefore, the next section clarifies what is meant by capital:

Capital and Money

Both capital products (tractors) and consumer goods (rice) may be purchased with money. While funds used to purchase consumer items are not considered capital, funds used to purchase capital goods are.

Capital and Wealth

Both capital and consumer items were included in wealth. Therefore, all wealth is not capital, but all capital is wealth.

Capital and Land

Although capital is created by humans, land is a free gift from nature. Because it is perishable, capital might be lost. However, land is permanent and unbreakable. Compared to land, capital can move. Depending on its cost, capital's amount may be altered. However, there is a finite amount of land available [5], [6].

Capital Characteristics

Man-made or artificial capital

It makes resources more productive. There is an elastic capital supply. When demand grows, it may be manufactured in enormous quantities. Because it may be destroyed, capital is ephemeral. Capital moves around a much. Wealth is all capital.

Capital Classification

In the course of manufacturing, fixed capital may be used again. The amount of fixed capital, such as farm buildings, tractors, agricultural implements, etc., does not change in response to the level of output in a relatively short amount of time. One time usage only; working capital, variable capital, and circulating capital are not accessible for further use. When the level of output rises or falls, the amount of working capital also rises or falls. Examples of this include fertilizer required to grow rice, raw cotton or lint used to spin yarn, etc. Depending on the range of potential applications - Sunk capital is intended specifically for a certain use, such as a paddy thrasher, cane crusher, etc. They can't be applied to any other situation. You may utilize floating capital for anything, even money.

Individuals own private capital, such as tractors and private industries, and they are the only ones who may profit or get revenue from these assets. Social capital, such as government-owned industries, bridges, dams, and other infrastructure, is owned by society as a whole, and the advantages it receives are distributed among its members. Remunerative capital: capital used to pay workers throughout the manufacturing process is referred to as remunerative capital. For example. Cash or liquid funds, food grains. Auxiliary capital is the term used to describe the different capital items that support workers throughout the manufacturing process. For example. equipment, tools, etc.

These are the capital products that directly assist the laborers in their work. For example. equipment, tools, etc. Capital of consumption: These are the products that workers use. These help in the manufacturing process in an indirect way. For example. food grains, clothing, and money spent on food. The capital derived from the domestic savings of a country's populace. For example. public roads, parks, and so on. Capital derived from an external source is referred to as external capital. For example. money from the Asian Development Bank, the World Bank, etc.

Formation of Capital

A growth in a nation's real capital stock is referred to as capital creation or accumulation. To put it another way, capital formation is the process of creating new capital products, such as tools, machinery, etc., all of which are used to produce additional commodities. Additionally, capital development generates jobs in two phases. In order to manufacture capital products like machinery, tools, etc., labor must first be engaged when the capital is generated. Second, when capital has to be utilized to produce additional things, more labor needs to be hired. elements that encourage capital development or savings.

Some current consumption must be forgone in order to accumulate capital goods. People may allocate more resources to accumulate capital goods for use in the future if they are prepared to cut down on their current consumption. A nation's ability and desire to save determine how much money it has saved. People's ability to save is based on their income level. Greater income levels translate into larger savings amounts. The resolve to save is just as important as having the ability to save money overall. People put money aside to protect themselves financially against unexpected crises and old age. Additionally, many save money for new ventures or to fund their children's college, wedding, and other expenses. Savings might be required or optional. People who save voluntarily do it out of their own free choice. Interest rates, one's ability to save, and one's desire to save all influence voluntary savings. Government taxes, on the other hand, are mandatory savings. In addition to consumers, businesses and the government may also save money. Tax revenue and the proceeds from public projects make up the government's savings. International funding is an additional source of investment. Foreign capital may come in three forms: 1) grants or loans from foreign governments; 2) direct private investments made by foreign nationals; and 3) loans from global organizations such as the International Monetary Fund (IMF) and the World Bank.

The savings must be gathered and given to businesses or businesspeople who need them to make investments. Funds are provided to the capital market by the government, banks, investment trusts, insurance companies, and private shareholders. Entrepreneurs make investments. The supply price of capital (interest and other capital acquisition costs), profit expectations, and the size of the market for the items to be produced all influence the amount of investment or capital accumulation [7], [8]. All other manufacturing elements are coordinated by an entrepreneur. In addition to taking risks and dealing with uncertainty, he must plan, coordinate, and oversee other production-related aspects.

An Entrepreneur's Roles

1. Function of initiation: An entrepreneur chooses what, when, and how to produce and sell a commodity after properly evaluating markets (both input and output markets).
2. The purpose of the site selection: He selects a specific area where the business or unit will be located that has access to amenities for both production and marketing.
3. Coordination function: The entrepreneur is responsible for directing, supervising, and coordinating the operation of other components of production.
4. The function of innovation: To lower manufacturing costs and boost labor productivity, entrepreneurs must offer new technology, equipment, and tools.
5. The role of bearing risk and uncertainty: Taking a chance entail acknowledging the possibility that something may go wrong. By indicating the degree of likelihood, future occurrences under risk may be reasonably projected to occur.

For instance, forecasts for storms, monsoon showers, etc. When there is uncertainty, it is impossible to forecast with precision when an event will occur in the future. For instance, changes in pricing. The entrepreneur may suffer damages in any scenario. He must thus foresee risk and uncertainty and provide the appropriate choices to deal with them.

Business Organization Forms

A business organization is a manufacturing or trade entity. A company entity might be owned by several individuals or by a single person. A business organization's main goals might be to

promote the welfare of the public or to make a profit. Business organizations may be divided into five groups according to the following two criteria:

Individual Proprietary System (IPA) Entrepreneur

An individual owns a business organization, which is referred to as the individual exclusive system. In this instance, the owner is able to provide each customer with individual attention. He assumes all the risks personally, therefore there is no waste of any type. However, since a lone owner often has little resources available to them, large-scale businesses are rarely feasible. In the case of collapse, creditors may pursue claims against not just the business's assets but also the owner's own personal assets and properties. For instance, retail stores.

Collaboration

In this instance, two or more people get together, contribute money, and divide profit or loss according to predetermined ratios. It creates more personal connections, which makes large-scale manufacturing feasible. The presence of limitless liability restrains the partners' propensity for speculation and discourages the founding of hazardous businesses. However, unrestricted liability renders the company unenterprising as all partners have equal responsibility for the company's obligations, regardless of the amount of money they have contributed. Furthermore, partners act selfishly in real life, performing the bare minimum and attempting to maximize the profits from the company. The legal binding nature of one partner's actions on the other partners adds to the complexity of the company. For instance, small transportation companies, textile enterprises, etc.

Joint Stock Corporation

A sizable number of investors who contribute to the share capital own the joint stock firm. They have a right to receive the company's earnings, or dividends. A board of directors is chosen by the stockholders. One of the board members is designated as the managing director. The board oversees and manages the business's operations. The Indian Company Act, 1956 governs the organization of business and the rights and obligations of various partners within the firm. The joint stock company is founded on the concept of limited liability. In other words, a shareholder's liability for the company's obligations is limited to the amount of the share he purchased from the business. The company's creditors are unable to seize his other assets. As a result, the name of any joint stock company is written before the term "Limited" (Ltd). KarurVysya Bank Ltd. is one example. Stock markets allow for the transfer of shares between individuals. Ordinary shares, preference shares, and deferred shares are the two main categories of shares. The ordinary share holder receives a dividend from the company's net earnings, but there are no special rights associated with it. A specific fixed dividend is paid out of net earnings prior to dividends being paid on any other sort of shares, guaranteeing the preference shares. Owners of deferred shares will eventually realize their profit. There are two types of joint stock companies: private and public. The following requirements must be met by a private company: i) neither the number of debenture holders nor shareholders may exceed fifty; ii) shares cannot be offered for sale via a public offering; iii) directors have the authority to reject any proposed share transfer; and

No one outside the organization has the authority to dictate its policies. In addition to shares, the corporations often use "debentures" to generate money. Debentures, also known as security bonds, are promissory notes that the business uses to generate extra capital in the form of loans rather than shares of the firm. Whether or whether the business turns a profit, the holders of debentures are its creditors and must be paid the agreed-upon interest rate. Two forms of joint stock companies exist. A private limited business might have as few as two

members or as many as fifty. It is not required to submit its yearly balance sheet to the joint stock company registrar. Its shares are nontransferable and it is not permitted to issue publicly. There is no upper limit and a minimum of 7 people may form one. The primary sources of funding are borrowings and share offerings to the public. It is possible to transfer the shares.

Benefits

Large-scale manufacturing is feasible since the firm is able to obtain a significant amount of finance. The limited liability foundation of the business lowers the risk for shareholders. It encourages research and development facilities in an effort to reduce expenses and enhance the quality of the products. Transferring shares via stock exchanges is simple. A shareholder may sell their shares anytime they like without inconveniencing the business.

Drawbacks

The shareholders have little say in the choices made by the corporation, and the directors are essentially self-appointed. The board of directors assumes risk even if the shareholders control the share capital. As a consequence, some directors launch hazardous businesses, which inevitably causes losses for the organization. Because of the restricted liability and transferability of the shares, the owners have no stake in the company's growth.

Enterprises Cooperatives

A kind of economic structure known as cooperation occurs when individuals choose to collaborate for the mutual benefit of a corporate endeavor. Co-operation is the process of working, thinking, and collaborating to accomplish a shared objective for mutual or corporate gains. It is a nonprofit organization whose goal is to advance members' financial interests. Each member is endowed with equal rights and obligations. "Each for all and all for each" is the slogan of the cooperative community. The goal of cooperation is to instill values such as selflessness, self-control, discipline, honesty, and fairness in business interactions. Nevertheless, cooperative businesses have the following flaws: i) A lack of initiative and motivation. ii) Cooperatives are deficient in business leadership. iii) Members lack honesty in general. Agricultural Cooperative Credit Society, for instance.

Government Businesses

Public undertakings, often known as state enterprises, are business ventures that are held by the government. The following are the reasons why public initiatives have been launched: It causes economic progress to happen quickly. It guarantees that everyone benefits equally from progress.

The government has access to enormous financial resources that the private sector is unable to provide. It has several benefits as a monopolistic firm. State enterprises are not as effectively managed or conducted as private enterprises. There is a lot of red tape and ingenuity. Loss of underuse of resources is caused by ineffective administrator management. For instance. Tamil Nadu State Transportation Company [7], [9].

Supply Law

According to the law of supply, a commodity's supply expands as its price rises and contracts when its price decreases, all other things being equal. Prices and quantities available for sale are closely correlated; that is, the higher the price, the greater the quantity, and vice versa. The price and quantity of a product that is delivered are thus positively or directly correlated. Figure 5.1 depicts the supply curve, which slopes upward from left to right.

Extension and Contraction of Supply

If all other variables stay the same, the amount provided rises in response to price increases. This is referred to as "extension of supply," meaning that as prices rise from P_0 to P_2 , the amount provided rises from Q_0 to Q_2 . A fall in price corresponds to a decrease in the amount given. This is referred to as supply contraction. If the price drops from P_0 to P_1 , the amount provided in the figure reduces between Q_0 to Q_1 . The same supply curve experiences both supply expansion and reduction.

Supply Growth and Decline

The supply curve is moved upward or downward when changes in any of the variables other than price cause a change in supply. For example, more will be provided for the same price as technology advances. A decrease in input costs will lessen expenses and allow for a reduced price of supply. As technology advances, manufacturing costs go down and supply rises. Events outside the control of the economy, such as drought, flood, etc., will reduce supply. A higher tax rate will raise prices, which will reduce supply. For instance, if there are more taxes on television, there will be less of it available. Subsidies will lead to an increase in supply. For example, additional subsidies for biogas plants, fertilizer, etc., will result in increased supply of these items. Supply of a commodity rises in tandem with an increase in price. If the market price of soybean rises while all other factors stay the same, farmers would allocate additional land intended for other crops to soybean, increasing the supply of soybean. The supply of goods will increase with the number of vendors.

CONCLUSION

This study provides a comprehensive overview of the concepts of division of labor, labor mobility, population theories, and capital formation. It elucidates the benefits and drawbacks of division of labor, shedding light on its implications for productivity and worker satisfaction. The exploration of labor mobility underscores the diverse forms of movement within the workforce.

The analysis of population theories, especially the Malthusian Theory and the Population Optimization Theory, offers insights into the intricate relationship between population growth, resource availability, and economic prosperity. The study emphasizes the need for a holistic approach to population considerations, taking into account not only food supply but also overall economic output and distribution. The discussion on capital covers its characteristics, classification, and the crucial role it plays in economic development. The stages of capital formation elucidate the intricate process of creating new capital products and generating employment. Additionally, the study provides a nuanced understanding of different business organization forms and their advantages and disadvantages. In essence, this study contributes to a comprehensive understanding of the economic dynamics related to labor, population, and capital, offering valuable insights for policymakers, economists, and scholars alike.

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