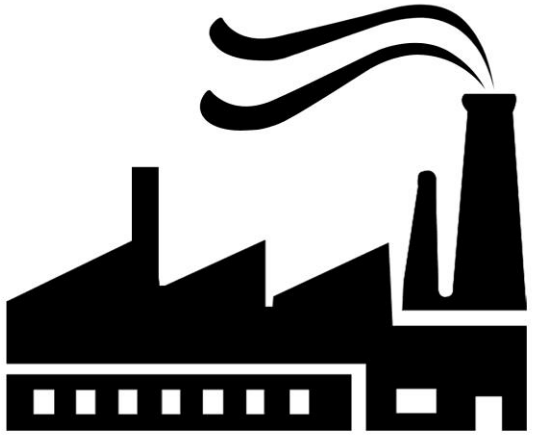


INDIAN ECONOMY (UNIT – I)

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ECONOMICS



PRODUCTION

DISTRIBUTION



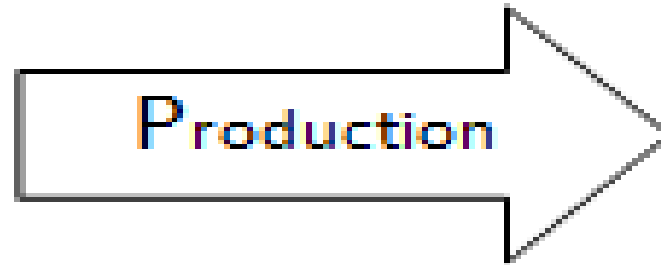
COMSUPTION

What is Economics?

Economics is the study of HOW GOOD & SERVICES are,

- **PRODUCTION**
- **DISTRIBUTED**
- **CONSUMED**

Limited
scarce
resources



Unlimited
wants and
needs

The economic problem is to match limited
resources to unlimited wants and needs

ECONOMICS: THE DISCIPLINE

MEANING:

- The science that deals with the production, distribution, and consumption of goods and services, or the material welfare of humankind.
- Economics is the study of how societies **USE RESOURCE TO PRODUCE VALUABLE COMMODITIES & DISTRIBUTE THEM AMONG PEOPLE.**
- Economics studies how individuals, firms, govts, & other organisation within our society make choice & how these choices determine a society's use of its resource.

ECONOMICS: THE DISCIPLINE

THE FOCUS OF ECONOMICS:

- Improving living conditions of the humanity to large has been the real & ultimate goal of the discipline.
- Economics have been articulation a number of theories & propositions as to how an economy may maximize its economics potential & worth.
- First & most famous work in this directions was by the **Scottish Philosopher- economist, ADAM SMITH in THE WEALTH OF NATIONS (1776).**
- Economics & Economist have a common goals,i.e., searching for possible alternative for betterment of human life.



ECONOMICS: THE DISCIPLINE

CHALLENGES OF THE ECONOMICS:

- The main challengers of economy is to **FULFIL THE NEEDS OF ITS POPULATION.**
- Every Population needs to be supplied with some goods & services for its survival and well – being.

THE ECONOMY

```
graph TD; A[THE ECONOMY] --- B[Primary Sector]; A --- C[Secondary Sector]; A --- D[Tertiary Sector];
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Primary Sector

Obtain raw material from nature.
Examples: Agriculture, forestry, fishing and mining.

Secondary Sector

Transform raw materials into manufactured materials.

Tertiary Sector

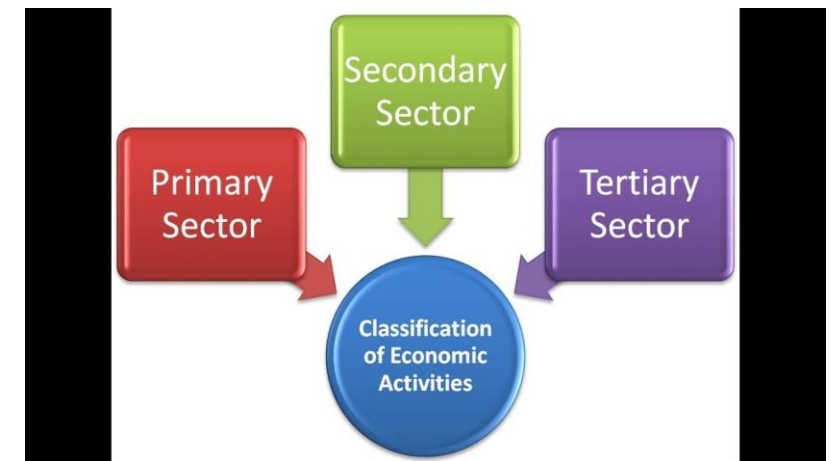
Selling and buying products.
Services.
Examples: doctors, teachers, vets, shop assistants, etc.

ECONOMICS: THE DISCIPLINE

SECTORS & CLASSIFICATION OF AN ECONOMY:

There are three types of sectors in Economics

- ❖ PRIMARY SECTORS
- ❖ SECONDARY SECTORS
- ❖ TERTIARY SECTORS



❖ PRIMARY SECTORS: (AGRAIN SECTOR)

Includes all the economics activities when there is the direct use of **NATURAL RESOURCE** as **agriculture, fishing, fuels, metals, minerals etc..**



❖ SECONDARY SECTORS: (INDUSTRIAL SECTOR)

This sector is rightly the manufacturing sector which use the produce of the primary sector as its raw materials. E.g. : **Production of cakes, textiles, automobiles etc..**



❖ TERTIARY SECTORS: (SERVICE SECTOR)

Includes all economics activities where different “SERVICE” are produced such as **education, banking, transportation, tourism etc..** It's a **INTANGIBLE SERVICE.**



TERTIARY SECTOR

ECONOMICS: THE DISCIPLINE

MODELS OF ECONOMICS SYSTEMS

1.CAPITAL ECONOMY: Adam smith – 1779 (Wealth of Nation)

- ❖ He raised voice against the **heavy – handed Govt regulation of commerce & industry.**
- ❖ The decision of **What to produce, How much Produce, & What price to sell are taken by the market, by the private enterprises** in the system, with the state having no economics role.
- ❖ This economics system called ‘Capitalism’ was established which later know by different names – **“Private enterprise system, Free enterprise system, & Private Limited”**.

ECONOMICS: THE DISCIPLINE

2.STATE ECONOMY: Karl Marx (1881 – 1883)

- ❖ Decision related to **Production, Supply & Price were all taken solely by the Govt only.**

Two version of the State Economy:

- A. Socialist Economy.
 - B. Communist Economy.
-
- ❖ Also Know as Centralised Economy, Centrally Planned / Non-market Economy.

ECONOMICS: THE DISCIPLINE

3.MIXED ECONOMY: John Maynard Keynes – The General Theory of Employment, Interest & Money (1936)

- ❖ Keynes opines that the invisible hand brings **Equilibrium to the economy** but by Strangling the poor.
- ❖ Keynes suggested **strong govt intervention in the economy**. He suggested an increase in government expenditure, discretionary, fiscal policy to boost the demand of goods and service as the reason behind the depression.

ECONOMICS: THE DISCIPLINE

ACTIVITIES:

❖ ECONOMICS

❖ NON - ECONOMICS

BASIS FOR COMPARISON	ECONOMIC ACTIVITY	NON-ECONOMIC ACTIVITY
Meaning	Economic activity refers to a human activity related to production and consumption of goods and services for economic gain.	Non-economic activity is an activity performed gladly, with the aim of providing services to others without any regard to monetary gain.
Motive	Economic, i.e. to earn money.	Social or psychological, i.e. out of love, affection, etc.
Money measurement	Measured in monetary terms.	Lacks money measurement.
Approach	Pragmatic	Idealistic
Results in	Creation of wealth and assets.	Satisfaction and happiness.
National Income	Adds value to national income.	Does not affects national income.

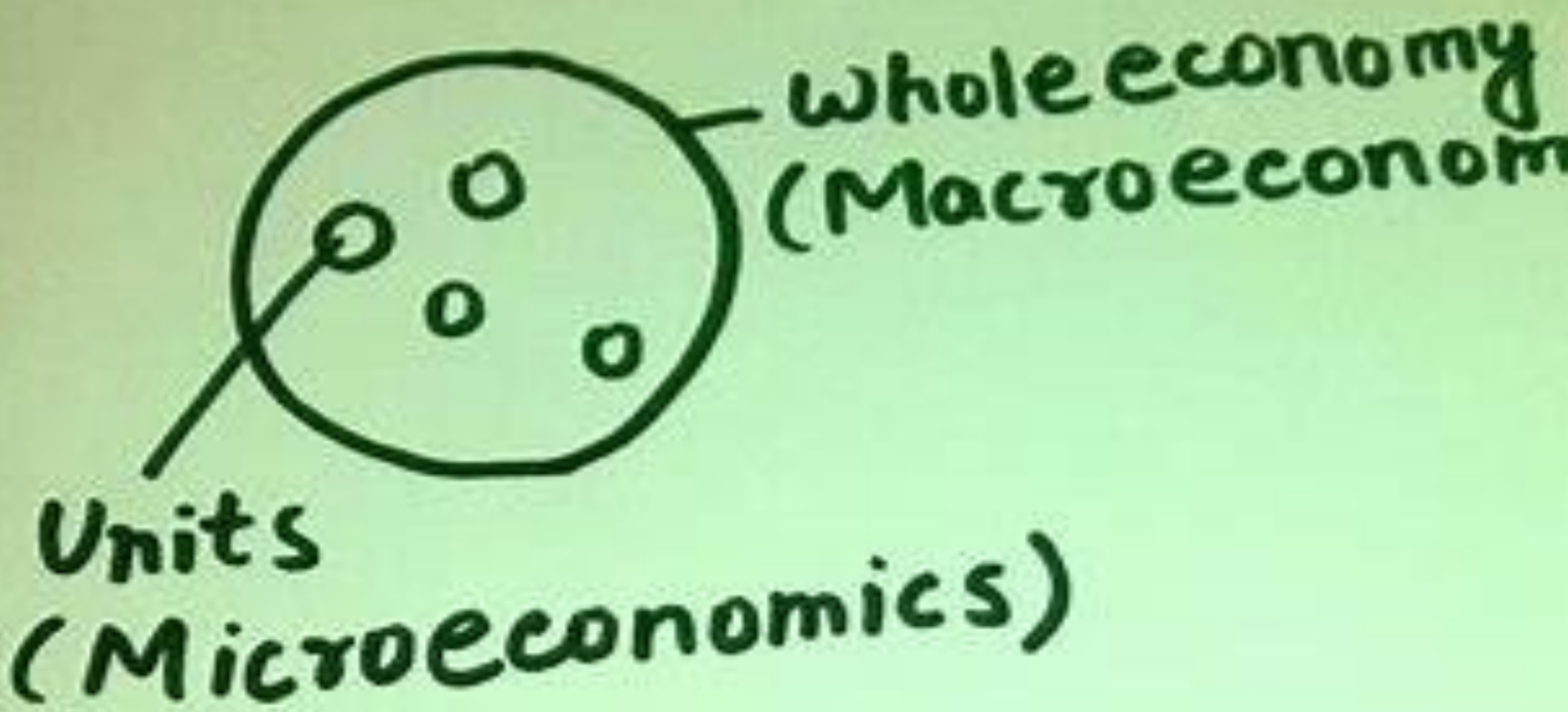
TYPES OF ECONOMICS

MACRO



MICRO





BASIS FOR COMPARISON	MICROECONOMICS	MACROECONOMICS
Definition	Microeconomics is the study of economics at the individual or smaller scale	Macroeconomics is the study of economics at national, regional, or global level.
Example	When particular firm, group, family or an individual is under consideration with terms to economics than it is the microeconomics.	When the firms, groups, or the families are discussed in a collective manner with witnessing it's global or national impact, then it is macroeconomics.
Deals with Issues	Demand, supply, product pricing, factor pricing, production, consumption, economic welfare, etc.	National income, general price level, distribution, employment, money, etc.
Usage	The price determination and classifying of the product into necessity or luxury item is also done with regards to the microeconomics.	Some of the most prominent uses of macroeconomics are to set the general price level for the products and to dealt with issues like inflation, poverty, and unemployment.

ECONOMICS & ECONOMY

**INPUT OF THEORIES,
PRINCIPLE, MODELS &
PARTIES (FORMULAS)**

**OUTPUT OF PRACTICAL
APPLICATION OF ECONOMICS
THEORIES, MODELS & PARTIES
(SOULTION)**



ECONOMICS: THE DISCIPLINE

ECONOMICS & ECONOMY :

- Relation between economics & the economy simply saying is that of theory & parties.
- Economics will come out with theories of market, employment, etc.
- **Economy is economics at play in a certain region – the Indian Economy, the Russian Economy, the French Economy.**
- Economists during the period of evolution of economics have suggested some fixed number of theories & methods of solving those economics challenges.

INDIAN ECONOMY



What is INDIAN ECONOMY

- ❖ Indian economy is an under developed economy in which Agriculture is the back bone of Indian economic. **60% of India's population are on the below poverty line. Majority of the people of India are leading a poverty line.**
- ❖ Countries which are on the part of progress and which have their potential for development are called developing economic. So India is termed as developing economic by modern views.
- ❖ India is a developing country and our economy is a mixed economy where the public sector coexists with the private sector

Characteristics of Indian Economy

Low per capital income



Heavy population pressure



Pre-dominance of Agriculture



Unemployment



Rate of Capital Formation



Poor Technology



Back ward Institutional and social frame work



Under utilization of Resources



Price instability

