ECONOMICS

MONEY AND CREDIT

- In the earlier days, man produced whatever he required and consumed everything he produced.
- When later the society was divided into various sections 'Barter System' was introduced, which was system of exchanging goods.
- Medium of exchange is an important function of money. It means that money acts as an intermediary for the goods and services in an exchange of transaction.
- The 'medium of exchange' function of money implies that money is generally acceptable by the people. They can buy goods and services they need using money.
- Money facilitates multi-lateral trade. Money offers economic freedom to the people.

  Acting as a medium of exchange, money has also promoted specialization and division of labour.
- 'Measure of Value' is the other function of money. Money serves as a measure of value in terms of Unit of Account which means that the value of each good or service is measured in the monetary unit.
- 'Modern forms of money include currency-paper notes, coins and deposits with the bank.

  Money = Paper notes + Coins + Demand deposits.

Reasons for the Use Modern Currency as a Medium of Exchange

- It is authorised by the government of the country.
- Its demand and supply can be controlled by the Central Bank of the country. In case of India, the Reserve Bank of India issues currency notes on behalf of the central government.
- In India, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual can legally refuse a payment made in rupees.
- Value of each good or service is measured in the monetary unit.
- The other form in which people hold money is as deposits with banks. At a point of time, people need only some currency for their day to day needs. The rest is deposited in the bank by opening a bank account.

Loan Activities of Banks

- Banks keep only a small proportion of their deposits as cash with themselves. This is kept for daily transactions and rest is to create credits on the basis of their primary deposits.
- The lending rate is always higher than the deposit rates. The difference between what is charged from borrowers and what is paid to depositors is the main source of income of the banks.

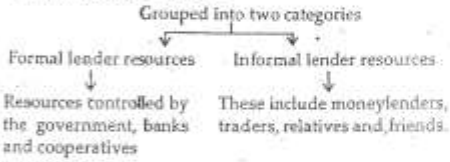
- Loan or credit refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.

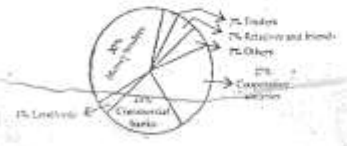
Advantages of Credit

- It helps the people to purchase houses.
- The difference between the lending rate and borrowing rate is the source of income for the banks.
- It helps the businessman to expand their business.

Disadvantages of Credit

- Banks charge a very high rate of interest which means a large part of the earning of the borrowers is used to repay the loan.
- If the loan is used for unproductive activities the borrower can be pushed into a debt trap.
- If the borrower fails to repay the loan, the bank has the right to sell the assets of the borrower.
- **Terms of credit :** Interest rate, collateral and documentation and the mode of repayment together comprise what is called the terms of credit.
- **Interest rate :** Every loan agreement specifies an interest rate which the borrower must pay to the bank along with the payment of the principle amount.
- **Loans from cooperatives :** The cooperative credit societies play a very important role in agriculture credit.
- **Formal sector in credit**





Self Help Groups For the People [SHGs]

- Most of the poor households are still dependent on informal sources of credit. There are many factors which are responsible for this :
  - Informal sources are easily available in all the villages.
  - Getting a loan from a bank is much more difficult than taking a loan from informal resources because bank loans require proper documents.
  - The formal sources provide loan only for productive purposes whereas the informal sources provide credit for productive and non-productive purposes.
  - Moneylenders provide loan to the poor people.
  - Informal resources have a simple way of business.

ASSIGNMENT

Questions carrying 1–2 marks each

1. 'Explain 'barter system'.
2. Mention the two formal and informal sources of credit.
3. What do you mean by collateral?
4. What is credit?
5. Which households take loans from the formal sector institutions?
6. Why is money called the medium of exchange?
7. Why are the deposits in the banks called demand deposits?
8. Enumerate any two benefits of money.
9. What do you understand by SHGs?
10. State the limitations of barter system.

Questions carrying 3–4 marks each

11. State the requirements which a borrower has to fulfil before taking a housing loan.
12. What are the reasons that the banks are not willing to lend to certain borrowers?
13. Why do we need to expand formal sources of credit in India?
14. Explain the advantages and disadvantages of credit.
15. 'Medium of exchange is an important function of money. Explain.
16. 'The cooperative credit societies play a very important role in agriculture credit.' Comment.

Questions carrying 5–6 marks each

17. Elucidate the major features of self help groups.
18. Differentiate between Formal and Informal Credit resources.
19. Enumerate the role played by credit in the development of the country.
20. Explain the role of banks in the economy of the country.

GEOGRAPHY

MANUFACTURING INDUSTRIES

Minerals and Their Importance

- Before the use of primary materials, they are processed into usable products.
- Mass scale production of goods by machines is called manufacturing and manufacturing industries are the yardsticks of country's economic strength.
- Industries provide jobs to people and export of manufactured goods earn us foreign exchange.
- In modern India, smelting of iron ore began in 1850 in Tamil Nadu and the first cotton textile mill was set up in Mumbai in 1854.
- The planned development of manufacturing industries in India began in 1951 with the launching of the First Five Year Plan.

Two main factors that contribute to the location of industries are :

(*i*) **Physical Factors :** Availability of raw material, power resources, water and favourable climate.

(*ii*) **Human Factors : Labour market, transport facilities, banking facilities, government policies.** Also called Human inputs.

Classification of Industries

(*i*) Based on **Labour**
- (*a*) Large-scale industries
- (*b*) Small-scale industries

(*ii*) Based on **Raw Material**
- (*a*) Heavy industries (Iron and Steel)
- (*b*) Light industries (Electric fans and Sewing machines)

(*iii*) Based on **Ownership**
- (*a*) Private industries (Bajaj Auto, Tata Iron and Steel)
- (*b*) Public Sector Industries (Bhilai Steel Plant)
- (*c*) Joint Sector Industries (Oil India Ltd.)
- (*d*) Run by Cooperative Societies (Sugar Mills)
- (*e*) Agro-based and Mineral based

Agro-Based Industries

I. Cotton Textiles
- Very old industry, largest industry of India, provide employment to 1.5 million people (20% of the industrial labour force).
- 93% of the cotton cloth is produced in decentralized sector *i.e.*, other than mills.
- Textiles Mills were located in Maharashtra and Gujarat due to availability of cotton, market, transport and banking facilities. Also located in West Bengal, Uttar Pradesh, Madhy Pradesh and Tamil Nadu.

Burning Problems of Cotton Textile Industry
- Scarcity of good quality cotton
- Absolute machinery
- Erratic power supply
- Law productivity of labour
- Stiff competition with synthetic fibre industry

Importer Countries of Indian Cotton Textiles (Readymade Garments)
- USA, UK, Russia, France, East European Countries, Sri Lanka, African Countries.

II. Jute Textiles
- India ranks second in export of Jute goods and about 70% of Jute mills in India are mainly in West Bengal because :
  - Proximity to the location of jute producing areas
  - Inexpensive water transport and abundant supply of water for processing of jute
  - Cheap labour, insurance and banking facilities
  - It earn us a valuable foreign exchange

Problems Faced by the Industry
- Demand for jute carpets and packing material dwindling
- High production cost
- Stiff competition in international market
- Artificial synthetic fibre

Main Buyers of Indian Jute Products

USA, Russia, Canada, Australia, UK etc.

III. Woollen Textile
- It is one of the oldest textile industry.
- Main concentration of woollen textile industry : Punjab, Maharashtra, Uttar Pradesh, Gujarat, Haryana and Rajasthan.
  - Main centres in Punjab—Ludhiana, Amritsar, Dhariwal
  - Main centres in Maharashtra—Mumbai
  - Main centres in Uttar Pradesh—Kanpur, Shahjahanpur, Agra, Mirzapur
  - Main centres in Haryana—Panipat and Gurgaon etc.
  - Hoisery Producing Units are located primarily in Punjab, Haryana and Tamil Nadu
  - Good quality raw wool is exported from Australia.

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  Main Buyers—USA, Russia, UK, Canada and European countries.

Problems of Woollen Industry
- Shortage of raw wool
- Lack of internal market
- Law quality of woollen products

IV. Silk Textile
- India produces four varities of silk—Mulbery, Taser, Eri and Muga
- There are about 90 silk textile mills alongwith small and medium units
- India produces 8.5 lakh kg of Silk yarns

Main Silk Manufacturing Centres
- Karnataka (Banglore, Mysore, Kolar and Belgaum)
- West Bengal (Murshidabad and Bankura)
- Jammu and Kashmir (Anantnag, Baramula and Srinagar)

Major Importers of Indian Silk

USA, UK, Russia, Saudi Arabia, Kuwait and Singapore.

V. Synthetic Textiles
- A human made fibre and its special qualities are : Strength, Durability, Dyeability and Workability
- Synthetic fibres produced in India—Rayon, Nylon, Terene and Decron

States Where Synthetic Fibre is Made

Kerala, Tamil Nadu, Karnataka, Maharashtra, Gujarat, Rajasthan and Madhya Pradesh.

Important Centres

Mumbai, Ahmedabad, Surat, Delhi, Amritsar, Gwaliar and Kolkata.

VI. Sugar Industry
- Largest producer of sugar cane in the world
- Alongwith Khandsari and Gur, India ranks Ist in the production of sugar in the world
- There are over 460 sugar mills in the country but around 50% of themare in Uttar Pradesh, Maharashtra, Tamil Nadu, Andhra Pradesh and Gujarat
- This industry has a tendency to migrate southwards as sugar content in sugar cane is higher in south as compared to north

Mineral-Based Industries

Industries using minerals as their raw materials are called mineral-based industries.

I. Iron and Steel Industry
- The first Iron and steel industry was set up in 1830 at Port Nova in Tamil Nadu, but it was closed down.
- Modest beginning of this industry was made at Kutli (West Bengal) in 1864.
- The concept of large-scale production could materialise with the establishment of a steel plant at Jamshedpur.
- At present there are 10 primary integrated iron and steel plants and around 200 decentralized secondary units.
- Besides there are several rolling and re-rolling mills and foundaries. These are located in Maharashtra, Gujarat and Tamil Nadu.

Raw Material Used by Iron and Steel Industry—A Heavy Industry

Iron ore, cooking coal, lime-stone, manganese ore.

Basic Requisites for Setting up Iron and Steel Industry
- Proximity to raw materials
- Good,and developed transport system
- Abundant water and power supply
- Banking facilities, cheap labour
- Port facilities, skilled and efficient workers
- Well organised management
- The public sector iron and steel plants of India are managed by Steel Authority of India Ltd. At present India produces about 27 million tonnes of crude steel

II. Aluminium Smelting
- It is second important metallurgical industry in India.
- Flexible, Good conductor of electricity and heat. Gaining popularity as a substitute to steel, copper, zinc and lead.
- For the production of one tonne of aluminium approx, 6 tonnes of bauxite and 18600 kWh of electricity are needed.
- Jharkhand and Orissa share over 58% of bauxite production of India.

Aluminium Plants in India
- Orissa, West Bengal, Kerala, UP, Chattisgarh, Maharashtra and Tamil Nadu.
- These states produce about 620 thousand tonnes of aluminium per annum.

III. Copper Smelting
- Copper smelting plant was set up by the Indian Copper Corporation at Ghatshila in Jaharkhand.
- The Hindustan Copper Ltd. took over the Indian Copper Corporation in 1972 and since then it is the sole producer of copper in India.
- It has two centres :
  - (a) Maubhandar near Ghatshila in Singhbhum district
  - (b) Khetri in Jhunjunu district (Rajasthan)
- India produced 43 thousand tonnes of copper blister which is only 50% of domestic requirement and the rest is imported from Zambia, Chile, USA and Canada.

- Its largest reserves have been discovered in Andhra Pradesh, Maharashtra, Gujarat, Assam etc.
- Transportation, processing and marketing of natural gas in our country is done by Gas Authority of India Ltd (GAIL). The company has seven LPG recovery plants.

Electricity

- At present India has an installed capacity of 104,917 MW of electricity. Its per capita consumption is 379 kWh (one of the lowest in the world).

Thermal Electricity

- Obtained by using coal, petroleum and natural gas
- Punjab, Haryana, Rajasthan, Karnataka, Orissa and Delhi are significant producers.

Hydro Electricity

- It is a renewable resource, while coal, petroleum and gas are non-renewable resources.
- It accounts for 25% of total electricity produced in India.
- Andhra Pradesh, Karnataka, Kerala, Orissa and Punjab are important hydel power producing states.

Nuclear Electricity

- It is produced from uranium and thorium. Monazite sand of Kerala also contains uranium.
- India has seven nuclear power stations : Tarapur, Kalpakkam, Kota, Rawatbhata, Narora, Kakapara and Kaiga.

Non-Conventional Sources of Energy

Solar Energy

- As India is a tropical country, it has enough scope for production and utilisation of solar energy.
- The largest solar plant of India is located at Madhopur near Bhuj (Gujarat).

Wind Energy

- India has a wind power potential of 20,000 MW. About 85 sites with a potential of 4500 MW have been identified and these are located in Tamil Nadu, Andhra Pradesh, Karnataka, Gujarat, Kerala, Madhya Pradesh, Maharashtra and Lakshadweep.

Biogas

- Shrubs, farm wastes, animal and human wastes are used to produce biogas for domestic consumption in rural areas.
- Biogas plants are set-up at municipal, cooperative and individual levels.

Other Non-Conventional Sources

- These include small hydel plants with a generation capacity of less than 5 MW, geothermal energy, tidal energy and wave energy.

Conservation of Energy Resources

For conservation of energy resources in India an Energy Conservation Act, 2001 was enacted. To conserve energy, we should :

- Use more of public transport.
- Switch off electricity when not required.
- Use power saving devices.
- Emphasise on greater use of non-conventional sources of energy.
- Develop a sustainable path to develop alternative energy sources.

ASSIGNMENT

Questions carrying 1–2 marks each

1. What are minerals? What is their importance?
2. Which are the two types of metallic minerals? Give one example of each.
3. Mining and smelting of copper in India is a costly affair. Why?
4. Why mica is used in electrical and electronic industries?
5. Name the four types of iron ore.
6. Whith minerals are exported by India to earn foreign exchange?
7. Which is the best quality of coal and why?
8. Why is the use of peat discouraged?
9. What is LPG and CNG?
10. What is GAIL? What is its function?
11. Mention two advantages of mineral oil.
12. Explain Biogas.
13. Why there is wide scope of solar energy in India?

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Measures to Control Environmental Degradation

- Careful planning and siting of industries
- Fuel selection and utilization
- Use of oil instead of coal in industries to prevent smoke
- Treatment of industrial liquids before discharging them into rivers to control water pollution

Ways to Treat Industrial Liquids

- Primary treatment by mechanical process
- Secondary treatment by biological process
- Tertiary treatment by biological, chemical and physical process

Control of Soil and Land Pollution

- Dumping and disposing of wastes by land filling
- Collection of wastes from different places
- Recycling of wastes for further use

ASSIGNMENT

Questions carrying 1–2 marks each

1. The economic strength of any country is judged by the development of its industries. Explain.
2. Give any two points of difference between large-scale industry and small-scale industry.
3. What is manufacturing? What is the importance of manufacturing?
4. Classify Industries on the basis of their employment potential.
5. What are village and cottage industries?
6. Give two examples of public, private, joint and cooperative sector each.
7. Differentiate between agro-based industry and mineral-based industry by stating two points each.
8. How would you classify industries on the basis of the raw materials used?
9. Why are iron and steel plants located in the north-eastern and southern part of Indian peninsula?
10. Which factors led to the decentralization of cotton mills in the country?
11. Explain why are artificial fibres giving a great challenge to jute textile industry?
12. Which two factors decide the location of aluminium industry?
13. Why most of the ship building units are under public sector?
14. "Treatment of industrial liquids can be done in three phases." Discuss.
15. What is the meaning of 'value addition' added to natural gifts? Explain this with two example.
16. The largest proportion of industrial workers in India is found in the textile industry. Why?
17. Explain what measures can be taken to revive the jute industry.
18. "The sugar industry is now shifting from north to south." Mention two reasons.

Questions carrying 3–4 marks each

19. Describe four human factors that affect the location of an industry.
20. Distinguish between public sector and private sector industries with examples.
21. What is the importance of sugar industry? Explain the development of sugar industry.
22. Why are most of the cotton textile mills located in Maharashtra and Gujarat?
23. What were the considerations of the government in setting up the iron and steel industry in the public sector?
24. Explain the difference between mixed sector and cooperative sector industries. Give one example of each.
25. Write a note on the development of chemical Industries in India.
26. Describe the growth and distribution of Fertilizer Industry in India.
27. Write a short note on the industry connected with road transport.
28. Why is there a growing concern for shifting industry from urban areas?
29. Over 80 per cent of the jute goods are produced in West Bengal Hugli Basin. Why?
30. What is the effect of rapid industrialization on environment?

Questions carrying 5–6 marks each

31. Explain the grographical factors responsible for the localisation of industries.
32. Enumerate with examples how petrochemicals are substituting traditional raw materials like wood, glass, metal etc.
33. Discuss the development and problems of cement industry.
34. Industrial effluents discharged into rivers cause water pollution. Explain.
35. Electronics has revolutionized the life of masses and changed the country's economy and quality of human life. Explain.