

**M.A. IVth Semester
ECONOMICS**

**Course Code: ECON246 (GE- II)
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ECONOMY OF HIMACHAL PRADESH

UNITS - 1 to 22



**CENTRE FOR DISTANCE AND ONLINE EDUCATION
HIMACHAL PRADESH UNIVERSITY
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SYLLABUS
GE Course Code : ECON-246
ECONOMY OF HIMACHAL PRADESH

Unit-I

Features of Himachal Pradesh Economy: Resource endowment - Land, Water, Minerals, Forests, Demographic Trends, Human Development Index. Trends in State income – Structural growth before and after reforms, Sources of State Finances. Targets and Achievements of Plans, Budget. Growth trends in GSDP.

Unit-II

Agriculture and Horticulture of Himachal Pradesh: Role of Agriculture and Horticulture in State Domestic Product Cropping pattern, Productivity and yield of major crops, Agricultural marketing, Agricultural finance, Marginalization and Agricultural Diversification in Himachal Pradesh. Trends in Fruit and vegetable Production and Productivity. Critical valuation of government policies on agriculture and horticulture sector.

Unit-III

Industrial and Power Sector of Himachal Pradesh: Trends and patterns in industrial growth, large scale and MSME industries in Himachal Pradesh, Labour Welfare measures and skill development programmes. Trends in hydro power generation in Himachal Pradesh. Environmental issues related to Industrialization and power projects in Himachal Pradesh.

Unit-IV

Infrastructure and Tourism of Himachal Pradesh: Transport: road, rail and air. Banking, Housing, Social Welfare, Education and health programmes of the State Government. Role of Tourism in the economic development of Himachal Pradesh. Spillover effect of tourism development.

Unit-V

Himachal as a model for hill development. Successes and pitfalls of planned development in Himachal Pradesh. Resource mobilization forth is special category state. Growth potential and possibilities of rural modernization. Gender dimension of human capital formation in Himachal Pradesh.

NATURAL RESOURCES OF HIMACHAL PRADESH-I

STRUCTURE

- 1.1 Introduction
- 1.2 Learning Objectives
- 1.3 Land & Water
 - Self-Check Exercise-1
- 1.4 Minerals Water
 - Self-Check Exercise-2
- 1.5 Summary
- 1.6 Glossary
- 1.7 Answers to Self-Check Exercises
- 1.8 Suggested Readings
- 1.9 Terminal Questions

1.1 INTRODUCTION

Any material which can be transformed in a way that it becomes more valuable and useful can be termed as resource. In other words, it is possible to obtain valuable items from any resources. Resource, therefore, are the means to attain given ends. The aspect of satisfaction is so important that we consider a thing or substance a resource, as so long it meets our needs. Life on this planet depends upon a large number of things and services provided by the nature, which are known as Natural Resources. Thus water, air, soil, minerals, coal, forests, crops and wild life are all examples of natural resources and Himachal is a mountainous region, rich in its natural resources. Environment is generally considered in three broad classifications i.e., Natural, Built and Socio cultural and it is essential to examine the effect of development activities on all the three components. The concern today is not only preserving these for the present generation but also ensuring 'its use by our future generations.

1.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Describe the natural resources of Himachal Pradesh
- Know the Major Lakes of Himachal Pradesh
- Distinctive Characters of the Minerals
- Importance of Mineral Resources
- Significant Role Played by Forest

1.3 LAND AND WATER**1. LAND:**

The upper layer of the earth called crust stores different nutrients that can help in sustaining life on earth. But they are generally bounded in rocks and mountains. Over a large course of time, these rocks breakdown through some chemical, biological and physical processes which leads to the formation of a

nutrient-rich soil. Land has been the scarce resource for agriculture than to secondary and tertiary sectors. As a basic input for agriculture, land occupies a pre-eminent position among all the resources required for a modern economy. Like any other resource, land has two dimensions, viz, quality and quantity, and both of these crucial aspects are under serious threat due to the intensive and extensive use of land both for agricultural and non-agricultural purposes. The competition between agriculture and non-agriculture sectors for land is intensifying due to the increasing pressure on land for food production on one hand and housing, industrial expansion, creation of infrastructural facilities etc. on the other hand. The unprecedented rise in human and livestock population has resulted in change in land use and intensity of land use. In fact, areas that are not strictly for crop cultivation such as degraded forest land, grazing land and other waste lands are also being brought under cultivation. In spite of all this the availability of per capita land is continuously decreasing. The monoculture of crops particularly high value cash crops along with extensive unbalanced fertilizer use and high doses of plant protection measures over a period of time have seriously threatened the land quality and have led to decrease in per unit of land productivity. About 10 per cent of world's irrigated rice lands in South Asia are showing decreased productivity mainly due to intensive application of fertilizers and pesticides. The uneconomic production is also due to fragmented and inconveniently located agricultural plots and forcing the labour to migrate to urban areas in search of productive employment. As a consequence, a significant portion of farm land gets abandoned. Due to land laws, there is unwillingness of the absentee owners (non-residents) to part away with the land. The land abandonment under these conditions accompanies perpetual loss in the productive potential of land. Although the studies have shown that at all India level the cultivated area has increased at a very marginal rate during the last three decades but during 1990s the average growth rate of cultivated area has, in fact, been negative

Soil Profile

The soil is found in several layers which are arranged as the soil is formed. The layers of the soil are also called as Horizons. These layers have different types of soil particles and colour and hence are differentiated on this basis. The soil profile is defined as the vertical section of soil that represents the sequence of layers to the soil. The layers of the soils help in understanding the usage of that soil. The soil mainly consists of four layers. Such a soil is called Mature Soil. Some types of soils consist of two layers only. They are called Immature Soils.

Land Records Maintenance in Himachal Pradesh

The land records are maintained in the manner prescribed under Section 31 - 37 of Himachal Pradesh Land Revenue Act. Under this Act elaborate procedures for making the new records at the time of new settlement and their periodical updating have been laid down. The system of land administration is similar to a great extent to

that in Punjab and is perhaps one of the best in the country. In the present manual system, the revenue authorities maintain the following types of periodical documents.

1. ShajraNasb (Pedigree Table)
2. Jamabandi and associated statements (Records of Rights)
3. Intkal (Mutation Register)
4. KhasraGirdawari(Harvest Inspection) Register
5. Khatoni(Field Map)
6. Village, Tehsil & District Note Book (Lal Kitab)

Land Use

Land is the prime resource of the State. The availability of land in per capita term is comfortable. Yet, current pattern of land use is marked by fragmented and isolated departmental approaches. There is a need to have an integrated approach for land use optimisation in the State for sustaining and improving food production, horticulture development, animal husbandry and forestry. To achieve this objective, adoption of micro-water shed principle is extremely important. Disturbances to the land surface, as necessary for executing private and public developmental works, have necessarily to be followed by appropriate restoration. This calls for a sustained inter-sectoral coordination among various agencies.

Issues of Concern:

- i. 21,648 Sq. Km. i.e. 38.9 per cent of the area remains unsurveyed.
- ii. Prevalence of feeling among the village communities that maintenance, preservation and regeneration of forests which are in their village common lands is only the State Government duty.
- iii. Lack of policy of proper management of the wastelands and common property resources.
- iv. Lack of proper policy for extraction of forest produce which lead to the problem of soil erosion.
- v. Encroachments on the forest land.
- vi. Shifting the management of the common lands from the society to the state has culminated into diminishing the involvement of the people at large in the management of such resources.
- vii. Lack of methodology for recording and ascertaining the actual production of fruit crops and hence lack of proper production estimates.
- viii. The land use data thrown up by the annual season and crop reports also lacks sufficient credibility in view of the fact that neither have the changes in land use been recorded properly nor have the changes relating to irrigation status and shifts in cropping pattern been brought on record. Apart from the infirmities of land use details, this shortcoming also constraints the estimation of state domestic product.
- ix. A variety of settlement operations are going on which need to be brought under unified system of doing the work on record of rights.

2. Water

Water is one of the most vital natural resources of Himachal Pradesh. The state is richly endowed with a hilly terrain having an enormous volume of water from the catchment areas of Satluj, Beas, Ravi and Chenab rivers. As such, the state has enormous potential of water resources in the form of glaciers and rivers but ground water resources are limited. The major consumptive use of water in the State has been for irrigation.

Availability of Water Resources

Glaciers

Glaciers are located in higher Himalayan reaches (above 4000 m) in Pir Panjal, Dhauladhar, Zaskar and Great Himalayan ranges. There are 800 Glaciers in the Himachal Himalayas which are 199 higher in number as compared to the previous report of 601 Glaciers in the state reported in the state development report in 1991. This variation is due to breaking of large glaciers into smaller ones with the increasing temperature in past two decades. According to the investigations carried in the Himachal Himalayas, there are a total of 334 glaciers in the entire Satluj Basin which includes the information about the Beas, Sainj, Spiti, Baspa basins and 457 glaciers in Chenab basin. The total area covered by these glaciers in Satluj and Chinab basins is 2175 km². Besides the glaciers there are 2679 permanent snowfields in these basins with a total area of 1775.189 km². Out of 334 glaciers in the entire Satluj basin, 202 glaciers are located in the Himachal Pradesh.

Surface Water Resources

Most of the surface water resources of the state flow from perennial rivers which originate from glaciers. The flow in these rivers is further augmented by run-off from the catchment area.

Rivers

90 per cent of Himachal Pradesh drainage forms the part of Indus river system. Himachal provides water to both the Indus and Ganges basins. The major river systems of the region are the Chandrabhaga or the Chenab, the Ravi, the Beas, the Sutlej and the Yamuna. These perennial rivers are fed by snow and rainfall and are protected by a fairly extensive cover of natural vegetation. The Beas rises in the Pir Panjal range near the Rohtang Pass and flows some 256km in Himachal. The river is formed by a number of tributaries, the important being the Parbati, the Hurla, the Sainj, the Uhl, the Suheti, the Luni, the Banganga and the Chaki. The northern and eastern tributaries of the Beas are snow fed and perennial, while the southern affluent are seasonal. During August, increase in inflow sometimes results in floods. The Chandrabhaga or Chenab (Vedic name Askni), the largest river (in volume of water) is formed after the meeting of 2 streams, Chandra and Bhaga at Tundi, in Lahul. It flows 122kms and has a catchments area of 7500sq.km. in Himachal, before entering Kashmir. The Chandra passes through barren land where there are no signs of life. The Ravi (Vedic name Purushni and in later Sanskrit Iravati) is born in Bara Banghal, Kangra district as a joint stream formed by the glacier fed Bhadal

and Tantgari. The river has a length of about 158km and has a catchment area of about 5451km. Chamba lies on its right Bank. The Sutlej (Vedic name Saturdi and in later Sanskrit Shatadru) originates in distant Tibet. It cuts through both the great Himalayan and the Zaskar ranges and crosses the Indo-Tibetan border near Shipkila. Then the river Spiti joins it from the north. Passing through precipitous gorges and narrow valleys it emerges from the mountains at Bhakra. The catchment area of Sutlej in Himachal is 20,000 sq.km. The Yamuna has its origin in Yamunotri in Uttar Kashi (Uttar Pradesh). Its total catchment area in Himachal is 2320 sq.km. Its main tributaries are the Tons, the Giri and the Bata.

Do you Know?

The Beas Vedic name is Arjikiya and in later Sanskrit Vipasa

Lakes

There are a number of small and large lakes in Himachal Pradesh. Most important representing the water budget for the state are 21

Table 2: Major Lakes of Himachal Pradesh

Sr. No.	Name of Lake	District	Altitude	Area/hectare
1	Bhrigu	Kullu	4240	3
2	Dashair	Kullu	4200	4
3	Mantalai	Kullu	4160	3
4	Seruvalsar	Kullu	3301	0.5
5	Prashar	Mandi	2600	1
6	Rewalsar	Mandi	1320	3
7	Nako	Kinnaur	3604	1
8	Chandertal	Lahaul Spitti	4280	49
9	Surajtal	Lahaul Spitti	4800	3
10	Chandernaun	Shimla	3960	1
11	Dal	Kangra	1840	2
12	Kareri	Kangra	2960	3.5
13	Pong Dam	Kangra	430	21.7
14	Mani Mahesh	Chamba	4200	2
15	Gauri Kund	Chamba	4000	0.5
16	Khajjar	Chamba	1920	5
17	Lam Dal Lake	Chamba	3640	5
18	Gadhasaru	Chamba	4280	1
19	Mahakali	Chamba	4355	2
20	Khundi Maral	Chamba	3750	3
21	Renuka	Sirmaur	600	15

Source: Planning Commission

Traditional Water Sources:

As there is an imbalance between the supply and consumption of water, particularly by the poor and weaker sections of the society, the traditional sources of water play a significant role. These include springs, Khuls, Baories, Ponds, Khaties and ditches particularly in Himachal Pradesh. These systems supplement the water requirements of the rural and urban areas. There are 10512 traditional sources of water in the state for rural habitations.

SELF-CHECK EXERCISE-1

Fill in the Blanks:

1. Water, air, soil, minerals, coal, forests, crops and wild life are all examples ofresources.
2. There are a total of glaciers in the entire Satluj Basin.
3. The vedic name of Chandrabhaga or Chenab is.....
4. The major consumptive use of water in the State has been for.....
5. Rewalsar lake is in.....

1.4 MINERALS

'Mineral' has not met with any uniform application and is devoid of fixed definition and is capable of a vast variety of meaning. Economists have generally applied the term to include any non- living matter which is extracted from the earth. Mineralogists have restricted the term to designate a naturally occurring solid homogenous crystalline chemical element or compound that result from inorganic process of nature. The following definitions on what constitutes a mineral were taken from several different sources and are arranged by year:

"A mineral is an element or chemical compound that is normally crystalline and that has been formed as a result of geological processes"

(Nickel, E. H., 1995).

"Minerals are naturally-occurring inorganic substances with a definite and predictable chemical composition and physical properties."

(O' Donoghue, 1990).

"A mineral is a naturally occurring homogeneous solid, inorganically formed, with a definite chemical composition and an ordered atomic arrangement"

(Mason, et al, 1968)

Hence a mineral is a different thing to different people and no one is wrong in his own context. A more flexible definition of mineral could be that they are both organic and inorganic substances, which normally occur in crystalline state, which for specific species have well defined physical properties varying between normally restricted limits, a chemical composition that can be represented by either a precise formula or a variation within specifically defined ranges and are both naturally occurring and synthetically produced. However, of the 100 common minerals only about 25 are abundant rock-forming minerals. The main types of minerals are:

- metallic minerals;
- non-metallic minerals;
- carbonate minerals;
- sulfate minerals;
- sulfide minerals;
- silicate minerals;
- oxide minerals;
- clay minerals.

Do you Know?

There are more than 2000 naturally occurring minerals which have been discovered but only a bit are used in mineralogy.

Distinctive Characters of the Minerals

- **Color:** Minerals are colored because certain wave lengths of light are absorbed and the color results from a combination of those wave lengths that reach the eye. Some minerals show different colors along different crystallographic axes.
- **Streak:** The streak of a mineral is the color of the powder left on a streak plate (piece of unglazed porcelain) when the mineral is scraped across it.
- **Luster:** It refers to how light is reflected from the surface of a mineral. The two main types of luster are metallic and nonmetallic. Non metallic lustre can be defined as adamantine, vitreous, pearly, greasy, silky, earthy etc.
- **Hardness:** The hardness of a mineral is its “scratch ability”, determined by Mohs’ hardness scale. The hardest mineral known, diamond, is assigned the number 10 on the hardness scale.
- **Cleavage:** Cleavage is the ability of a mineral to break along preferred planes. Minerals tend to break along certain planes where atomic bonds are weak. Minerals can have one plane, two plane or three plane cleavages.
- **Crystal Form:** These are displays of well-formed crystal faces by a mineral. Crystal faces are formed during crystallization process.

SELF-CHECK EXERCISE-2

Fill in the Blanks:

6. A mineral is an element that is normally formed as a result ofprocesses.
7. Non-metalliccan be defined as adamantine, vitreous, pearly, greasy, silky, earthy etc.
8. The hardest mineral diamond is assigned the number on the hardness scale.
9. Mineral could be both organic and inorganic

1.5 SUMMARY

Resource which exists in nature is called a Natural Resource. It is not produced by any human being; rather it is available in nature itself. Human beings

and other animals depend upon these resources for their existence. Life on Earth is possible because of the presence of these three major sources i.e land, water and Air. A zone where the lithosphere, the atmosphere and the hydrosphere intersect and the life sustains is called the Biosphere. The resources available on the earth meets the basic requirements of all life forms on the earth.

1.6 GLOSSARY

- **Atmosphere:** The air covering of earth is-called atmosphere.
- **Soil:** It is the most important natural resource which supplies nutrients to the life forms.
- **Deforestation:** It is the permanent removal of trees to make room for something besides forest.

1.7 ANSWERS TO SELF-CHECK EXERCISE

1. Natural Resources
2. 334
3. Askni
4. Irrigation
5. Mandi
6. Geological
7. Lusture
8. 10
9. Substances

1.8 SUGGESTED READINGS

- Managing Natural Resources: Focus on Land and Water by Misra H.N (Author), Harikesh N. Misra (Editor).
- Economic Survey of Himachal Pradesh, 2019-20.

1.9 TERMINAL QUESTIONS

1. Mention any three important roles of water essential for the life of organisms on earth's surface?
2. What is water pollution? Give its causes and harmful effects?
3. How should the use of non-renewable natural resources be reduced so that sustainable ecological development is possible?

NATURAL RESOURCES OF HIMACHAL PRADESH-II

STRUCTURE

- 2.1 Introduction
- 2.2 Learning Objectives
- 2.3 Minerals Resources
 - Self-Check Exercise-1
- 2.4 Forest
 - Self-Check Exercise-2
- 2.5 Summary
- 2.6 Glossary
- 2.7 Answers To Self-Check Exercises
- 2.8 Suggested Readings
- 2.9 Terminal Questions

2.1 INTRODUCTION

Any material which can be transformed in a way that it becomes more valuable and useful can be termed as resource. In other words, it is possible to obtain valuable items from any resources. Resource, therefore, are the means to attain given ends. The aspect of satisfaction is so important that we consider a thing or substance a resource, as so long it meets our needs. Life on this planet depends upon a large number of things and services provided by the nature, which are known as Natural Resources. Thus water, air, soil, minerals, coal, forests, crops and wild life are all examples of natural resources and Himachal is a mountainous region, rich in its natural resources. Environment is generally considered in three broad classifications i.e., Natural, Built and Socio cultural and it is essential to examine the effect of development activities on all the three components. The concern today is not only preserving these for the present generation but also ensuring 'its use by our future generations.

2.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Distinctive Characters of the Minerals
- Importance of Mineral Resources
- Significant Role Played by Forest

2.3 MINERALS RESOURCES**1. Mineral:**

‘Mineral’ has not met with any uniform application and is devoid of fixed definition and is capable of a vast variety of meaning. Economists have generally

applied the term to include any non- living matter which is extracted from the earth. Mineralogists have restricted the term to designate a naturally occurring solid homogenous crystalline chemical element or compound that result from inorganic process of nature. The following definitions on what constitutes a mineral were taken from several different sources and are arranged by year:

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- carbonate minerals;
- sulfate minerals;
- sulfide minerals;
- silicate minerals;
- oxide minerals;
- clay minerals.

Do you Know?

There are more than 2000 naturally occurring minerals which have been discovered but only a bit are used in mineralogy.

2. Distinctive Characters of the Minerals

- **Color:** Minerals are colored because certain wave lengths of light are absorbed and the color results from a combination of those wave lengths that reach the eye. Some minerals show different colors along different crystallographic axes.
- **Streak:** The streak of a mineral is the color of the powder left on a streak plate (piece of unglazed porcelain) when the mineral is scraped across it.
- **Luster:** It refers to how light is reflected from the surface of a mineral. The two main types of luster are metallic and nonmetallic. Non metallic luster can be defined as adamantine, vitreous, pearly, greasy, silky, earthy etc.

- **Hardness:** The hardness of a mineral is its “scratch ability”, determined by Mohs’ hardness scale. The hardest mineral known, diamond, is assigned the number 10 on the hardness scale.
- **Cleavage:** Cleavage is the ability of a mineral to break along preferred planes. Minerals tend to break along certain planes where atomic bonds are weak. Minerals can have one plane, two plane or three plane cleavages.
- **Crystal Form:** These are displays of well-formed crystal faces by a mineral. Crystal faces are formed during crystallization process.

3. MINERAL RESOURCES

A Mineral Resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. The term Mineral Resource covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which Mineral Reserves may subsequently be defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. A Mineral Resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions, might become economically extractable.

4. Importance of Mineral Resources

Mineral resources constitute a fundamental component of a nation’s material and economic base. The broad patterns of human culture and political development through the ages, have been closely associated with their ability to utilise minerals. The stone age was the age of tribal units; the bronze age was the rise of kingdoms and empires, the iron age of federations; and our own atomic age, the rise of continental power blocks.

The societies of the world are indebted to mineral materials and they are so commonly used today that they affect every aspect of our lives. It is impossible to maintain the standards of living without mineral resources, be it housing, transportation or agriculture. The mining industry with its two main components of mining and processing has been an important growth sector and export sector of the economy, of many countries and its contribution can be judged by looking at mineral industry activities in relation to the Gross National Product (GNP), labour and employment, wages and salaries, and direct and indirect taxation which the government obtains as a share of benefit accruing from the development of mineral resources.

5. Mineral Wealth of Himachal Pradesh

Himachal Pradesh, with an area of 55,673 Sq km, has the potential for the occurrence of economic minerals but has not brought to light any worthwhile metallic mineral deposits so far. Though there are old workings of metallic mineral but, there

is no major metal mine in the whole State. The situation however, is different in respect of non-metallic minerals having abundant reserves of cement to chemical grade limestone, dolomite, and also small reserves of barytes and gypsum. The slate and building materials are also important minerals of the state. In the foot hill areas, despite having natural gas in Palaeogene-Neogene strata, exploration by drilling has not so far brought out encouraging results. In the Tethys Himalayan zone problems are much more severe due to poor logistics, inaccessibility and limited period of working owing to adverse climatic conditions. About 37 minerals are reported in Himachal Pradesh and except for limestone, baryte, shale, rock salt, silica sand, magnesite, gypsum, quartzite, slate, building stone, bajri&sand, other minerals have only academic importance.

Do you Know?

Himachal Pradesh is the only State in the Indian Union to have a working rock salt mine.

SELF-CHECK EXERCISE-1**State Weather the Following statements are True/False:**

- 1 The term Mineral Resource covers mineralization and natural material of intrinsic economic interest.
- 2 The location, quantity and grade of a Mineral Resource cannot be known and estimated from specific geological knowledge.
- 3 The stone-age was the age of kingdoms and empires.
- 4 The mining industry with its two main components of mining and processing has been an important export sector of the economy.
- 5 The slate and building materials are important minerals of the state.

2.4 FOREST

Himachal Pradesh has an immense wealth of natural resources and biodiversity and is one of the most ecologically fragile Himalayan regions. Forests are the most important natural resource of the state, legally comprising nearly 66 per cent of the geographical area. However, with only 26 per cent tree cover, they are the repositories of 3,295 species, out of which 95 per cent are endemic to the state and 5 per cent (that is, 150 species) are exotic. The state's contribution in sustaining the life-support system of the local as well as the national economy is quite undisputed. Most of the people in rural areas of the state depend directly or indirectly on forests for their livelihood and use a significant quantity of forest goods and services, such as non-wood forest products, fodder, timber, and so forth.

1. Significant Role Played by Forest

Forests are the most important natural resource of the state, legally comprising nearly 66 per cent of the geographical area. The state's contribution in sustaining the life-support system of the local as well as the national economy is quite undisputed. The state has a challenge to make use of its unique resource endowments and at

the same time prioritize economic and social development and poverty eradication while maintaining ecological balance. The state has accorded high priority to the power sector and tourism, for which the abundant natural resource base is crucial. The state government, very conscious of the ecological sensitivity of the region, has resolved to protect and enhance its natural resources and to follow the path of sustainable development in all sectors, as seen from the state's hydropower policy, sustainable tourism policy, sustainable forest management policies, and environment master plans. The state also plans to encourage investors who see sustainability as a viable economic venture. Forests have a key role to play in Himachal Pradesh commitment to low-carbon growth and a carbon-neutral economy. Forests also act as a complementary life-support system to agriculture and horticulture in hills, as they are often interspersed with forests. Forests, often referred to as the lungs of the Earth, play a myriad of crucial roles in sustaining life on our planet. Himachal Pradesh, with its extensive forest cover spanning lush valleys, rugged mountains, and diverse ecosystems, exemplifies the profound significance of forests in ecological balance, biodiversity conservation, climate regulation, and socio-economic well-being.

Ecological Balance: Forests act as natural ecosystems that support a delicate balance of flora and fauna. In Himachal Pradesh, the dense forests harbor a rich diversity of plant and animal species, including rare and endangered ones. These ecosystems provide habitats for wildlife, regulate local climates, and contribute to soil fertility and water retention.

Biodiversity Conservation: Himachal Pradesh's forests are treasure troves of biodiversity, hosting a myriad of plant and animal species, many of which are endemic to the region. These forests serve as gene banks, preserving genetic diversity and ensuring the resilience of ecosystems against environmental challenges such as climate change and habitat loss.

Climate Regulation: Forests play a crucial role in mitigating climate change by sequestering carbon dioxide from the atmosphere and releasing oxygen through photosynthesis. The extensive forest cover in Himachal Pradesh acts as carbon sinks, helping to offset greenhouse gas emissions and stabilize global climate patterns.

Water Resource Management: The forests of Himachal Pradesh play a vital role in water resource management, serving as catchment areas for rivers, streams, and springs that provide freshwater for drinking, agriculture, and hydropower generation. Forested watersheds regulate water flow, prevent soil erosion, and maintain water quality, thereby ensuring the availability of clean and reliable water sources.

Socio-economic Well-being: Forests contribute significantly to the socio-economic well-being of communities in Himachal Pradesh. They provide a wide range of forest products such as timber, fuel wood, medicinal plants, and non-timber forest products (NTFPs), which are essential for livelihoods, traditional practices, and cultural heritage preservation.

Recreation and Tourism: Himachal Pradesh's forests are not only essential for their ecological and economic value but also offer recreational and tourism opportunities. Visitors to the state can explore forested trails, engage in ecotourism activities, and experience the natural beauty and serenity of forested landscapes

2. Uses of the Forest

Commercial values

Forests are main source of many commercial products such as wood, timber, pulpwood etc. About 1.5 billion people depend upon fuel wood as an energy source. Timber obtained from the forest can used to make plywood, board, doors and windows, furniture, and agriculture implements and sports goods. Timber is also a raw material for preparation of paper, rayon and film.

1. Forest can provide food , fibre, edible oils and drugs.
2. Forest lands are also used for agriculture and grazing.
3. Forest is important source of development of dams, recreation and mining.

Life and Economy of Tribal

Forest provide food, medicine and other products needed for tribal people and play a vital role in the life and economy of tribes living in the forest.

Ecological uses

Forests are habitat to all wild animals, plants and support millions of species. They help in reducing global warming caused by green-house gases and produces oxygen upon photosynthesis. Forest can act as pollution purifier by absorbing toxic gases. Forest not only helps in soil conservation but also helps to regulate the hydrological cycle.

Aesthetic values

All over the world people appreciate the beauty and tranquillity of the forest because forests have a greatest aesthetic value. Forest provides opportunity for recreation and ecosystem research.

3. Forest Conservation and Management

Forest conservation and management are vital components of sustainable development, ensuring the preservation of natural ecosystems, biodiversity, and ecosystem services while meeting the socio-economic needs of communities. In Himachal Pradesh, where forests cover a significant portion of the landscape, effective conservation and management practices are paramount to maintaining ecological balance, supporting livelihoods, and safeguarding the state's natural heritage.

Conservation Strategies: Himachal Pradesh employs various conservation strategies to protect its forest ecosystems. This includes the establishment of protected areas such as national parks, wildlife sanctuaries, and biosphere reserves to safeguard biodiversity hotspots and critical habitats. Additionally, community-based conservation initiatives empower local communities to participate in forest management and conservation efforts, fostering a sense of ownership and stewardship.

Sustainable Forest Management: Sustainable forest management (SFM) principles guide the utilization of forest resources in a manner that maintains ecological integrity, meets socio-economic needs, and ensures intergenerational equity. Himachal Pradesh emphasizes SFM practices such as selective logging, agroforestry, and reforestation to balance resource extraction with forest regeneration and biodiversity conservation.

Biodiversity Conservation: Biodiversity conservation is a cornerstone of forest management in Himachal Pradesh. Efforts to conserve endangered species, restore degraded habitats, and preserve genetic diversity contribute to the resilience of forest ecosystems. Protected areas serve as havens for rare and endemic species, while wildlife corridors facilitate movement and genetic exchange between fragmented habitats.

Community Participation: Engaging local communities in forest conservation and management is essential for the success of conservation initiatives. Himachal Pradesh promotes community-based forest management models like Joint Forest Management (JFM) and Van Panchayats, empowering communities to protect forests, combat deforestation, and sustainably utilize forest resources for their livelihoods.

Climate Change Adaptation: Forest conservation and management play a crucial role in climate change adaptation and mitigation. Himachal Pradesh's forests act as carbon sinks, sequestering carbon dioxide from the atmosphere and mitigating climate change impacts. Afforestation, reforestation, and forest restoration projects enhance carbon sequestration, improve ecosystem resilience, and mitigate the adverse effects of climate change on forest ecosystems and communities.

Challenges and Opportunities: Despite concerted efforts, forest conservation and management in Himachal Pradesh face challenges such as deforestation, illegal logging, encroachment, and forest degradation. Addressing these challenges requires a multi-stakeholder approach, strengthened law enforcement, capacity building, and awareness-raising efforts. Embracing technological innovations and integrating traditional ecological knowledge can enhance the effectiveness of conservation and management efforts, ensuring the long-term sustainability of Himachal Pradesh's forests. Forest is one of the most valuable resources and thus needs to be conserved. To conserve forest, following steps should be taken.

1. Conservation of forest is a national problem, thus it should be tackled with perfect coordination between concerned government departments.
2. People should be made aware of importance of forest and involved in forest conservation activities.
3. The cutting of trees in the forests for timber should be stopped.
4. A forestation programmes should be launched.
5. Grasslands should be regenerated.
6. Forest conservation Act should be strictly implemented to check deforestation.
7. Awards should be instituted for the deserving.

SELF-CHECK EXERCISE - 2

State Weather the Following Statements are True/False

6. Forests are the most important mineral resource of the state.
7. Forests also act as a supplementary life-support system to agriculture and horticulture in hills.
8. Timber obtained from the forest can used to make plywood, board, doors and windows.
9. Forest not only helps in soil conservation but also helps to regulate the hydrological cycle.
10. Forest provides opportunity for recreation and ecosystem research.

2.5 SUMMARY

Resource which exists in nature is called a Natural Resource. It is not produced by any human being; rather it is available in nature itself. Human beings and other animals depend upon these resources for their existence. Life on Earth is possible because of the presence of these three major sources i.e land, water and Air. A zone where the lithosphere, the atmosphere and the hydrosphere intersect and the life sustains is called the Biosphere. The resources available on the earth meets the basic requirements of all life forms on the earth.

2.6 GLOSSARY

Atmosphere: The air covering of earth is-called atmosphere.

Soil: It is the most important natural resource which supplies nutrients to the life forms.

Deforestation: It is the permanent removal of trees to make room for something besides forest.

2.7 ANSWERS TO SELF-CHECK EXERCISE

1. True
2. False
3. False
4. True
5. True
6. True
7. False
8. True
9. True
10. True

2.8 SUGGESTED READINGS

- Managing Natural Resources: Focus on Land and Water by Misra H.N (Author), Harikesh N. Misra (Editor).
- Economic Survey of Himachal Pradesh, 2019-20.

2.9 TERMINAL QUESTIONS

- 1 Explain the importance of conservation of minerals. Highlight any three measures to conserve them.
- 2 'Minerals are indispensable part of our lives.' Support the statement with examples.
- 3 What are the steps taken by the government to conserve flora and fauna of the state?
- 4 Explain the role of the community in forest and wildlife conservation.

DEMOGRAPHIC TRENDS IN HIMACHAL PRADESH

STRUCTURE

- 3.1 Introduction
- 3.2 Learning Objectives
- 3.3 Himachal Pradesh At A Glance
 - 3.3.1 Himachal Pradesh Population as per Census 2011
 - 3.3.2 Himachal Pradesh Urban Population 2011
 - 3.3.3 Himachal Pradesh Rural Population 2011
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- Self-Check Exercise-2
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- Self-Check Exercise-3
- 3.6 Summary
- 3.7 Glossary
- 3.8 Answers To Self-Check Exercises
- 3.9 Suggested Readings
- 3.10 Terminal Questions

3.1 INTRODUCTION

The word “demographics” comes from the Ancient Greek: “demo” meaning people and “graphics” meaning measurement. There is a strong tradition of studying demography as part of economics. Malthus’s writings on population growth are a part of many history-of-thought courses in economics. More recently, as the economy has moved from financial crisis and the Great Recession to sustainable expansion, attention has shifted from cyclical aspects of the economy to structural factors. In addition, as policy has begun to normalize, the question has been raised: “what is normal” To answer such a question, we need to understand how the underlying fundamentals of the economy are evolving. A critical factor is demographics. Demographic change can influence the underlying growth rate of the economy, structural productivity growth, living standards, savings rates, consumption, and investment; it can influence the long-run unemployment rate and equilibrium interest rate, housing market trends, and the demand for financial assets. Moreover, differences in demographic trends across countries can be expected to influence current account balances and exchange rates. So to understand the global economy, it helps to understand changing demographics and the challenges they pose for monetary and fiscal policymakers.

3.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Know about the Himachal Pradesh
- Himachal Pradesh Urban Population as per Census 2011
- Himachal Pradesh Rural Population as per Census 2011
- Himachal Pradesh Literacy Rate as per Census
- Know the concept of Human Development Index (HDI)

3.11 HIMACHAL PRADESH AT A GLANCE

The mesmerizing natural beauty coupled with the sky-scraping Himalayan Mountains with their lush white snowy tips. The Himachal Pradesh stands true to its tales of splendour. Naturally, tourism has flourished here, attracting mountain lovers from all over the world. The wide forests with snow leopards residing in them, is also equally alluring. Not to mention numerous national parks and animal reserves in Himachal. The chilly Himalayas are well balanced by the warm people of Himachal. The variety in the Indian continent also shows in the population density of India. Himachal Pradesh is one of the Indian states having least population density. That's probably why the nature at Himachal is ever flourishing without human encroachment polluting it. In more than 50000 square kilometres' expanse, the density of population is just above 100. The total population of Himachal only counts up to above 60 lacs according to the state census 2011 and appears to be growing at an average rate. The literacy rate in the Himachal state is also satisfactory and has risen up to more than 80 per cent according to the 2011 census. Although the sex ratio of Himachal is not ideal, the female count is above 90 per cent. The literacy rate in females, however, is low as compared to the other gender and has scope of increment. It's found that the literacy is already increasing rapidly as compared to the previous census. The state is advanced with regards to the provided education, and tourism opportunities. But, urbanization has not spread itself in Himachal Pradesh. About only 10 per cent of the population resides in urban areas while the rest in villages. The capital of Himachal, Shimla, along with Kullu, Manali, Dharmashala, Kangra are some of the urban areas. With urban streets filled with tourists, and the village lanes with mountaineers and the natives, Himachal presents a vibrant mix of culture. Nestled amidst the majestic Himalayas, Himachal Pradesh is a land of enchanting beauty, rich cultural heritage, and abundant natural resources. Situated in the northern part of India, this Himalayan state is renowned for its picturesque landscapes, vibrant culture, and warm hospitality, making it a haven for travelers seeking solace in the lap of nature.

Geography: Himachal Pradesh is blessed with diverse geographical features, ranging from snow-capped peaks and verdant valleys to meandering rivers and dense forests. The state shares its borders with Jammu and Kashmir, Punjab, Haryana, Uttarakhand, and Tibet (China). Shimla, the capital city, is nestled amidst

the Shivalik ranges, while Dharamshala serves as the headquarters of the Tibetan government-in-exile.

Culture and Heritage: Himachal Pradesh is a melting pot of cultures, with influences from various ethnic groups and communities. The state's cultural heritage is reflected in its vibrant festivals, traditional music and dance forms, colorful attire, and architectural marvels. From the ancient temples of Chamba and Kangra to the Buddhist monasteries of Spiti and Lahaul, every corner of the state resonates with a rich tapestry of traditions and customs.

Tourism: Himachal Pradesh is a paradise for tourists, offering a plethora of attractions for nature lovers, adventure enthusiasts, and spiritual seekers alike. The state's hill stations, including Shimla, Manali, and Dharamshala, attract millions of visitors with their scenic beauty, colonial charm, and vibrant atmosphere. Adventure activities such as trekking, skiing, paragliding, and river rafting abound in the pristine landscapes of Himachal Pradesh, while spiritual seekers find solace in the serene surroundings of ancient temples, monasteries, and ashrams.

Economy: Himachal Pradesh's economy is primarily agrarian, with agriculture, horticulture, and animal husbandry being the mainstay of rural livelihoods. The state is known for its apple orchards, trout-filled rivers, and aromatic tea plantations. In recent years, sectors such as tourism, hydroelectric power generation, pharmaceuticals, and textiles have emerged as key drivers of economic growth, contributing to employment generation and revenue generation.

Governance: Himachal Pradesh is governed by a democratic system of governance, with a unicameral legislature and a Council of Ministers headed by the Chief Minister. The state is divided into twelve districts, each administered by a Deputy Commissioner. The Himachal Pradesh government is committed to promoting sustainable development, preserving the environment, and improving the quality of life for its citizens.

3.3.1 Himachal Pradesh Population as per Census 2011

As per details from Census 2011, Himachal Pradesh has population of 68.65 Lakhs, an increase from figure of 60.78 Lakh in 2001 census. Total population of Himachal Pradesh as per 2011 census is 6,864,602 of which male and female are 3,481,873 and 3,382,729 respectively. In 2001, total population was 6,077,900 in which males were 3,087,940 while females were 2,989,960. The total population growth in this decade was 12.94 per cent while in previous decade it was 17.53 per cent. The population of Himachal Pradesh forms 0.57 per cent of India in 2011. In 2001, the figure was 0.59 per cent. Total area of Himachal Pradesh is 55,673 sq. km. Density of Himachal Pradesh is 123 per sq km which is lower than national average 382 per sq km. In 2001, density of Himachal Pradesh was 109 per sq km, while nation average in 2001 was 324 per sq km.

3.3.2 Himachal Pradesh Urban Population 2011

Out of total population of Himachal Pradesh, 10.03 per cent people live in urban regions. The total figure of population living in urban areas is 688,552 of which

371,528 are males and while remaining 317,024 are females. The urban population in the last 10 years has increased by 10.03 per cent. Sex Ratio in urban regions of Himachal Pradesh was 853 females per 1000 males. For child (0-6) sex ratio the figure for urban region stood at 881 girls per 1000 boys. Total children (0-6 age) living in urban areas of Himachal Pradesh were 65,076. Of total population in urban region, 9.45 per cent were children (0-6). Average Literacy rate in Himachal Pradesh for Urban regions was 91.10 per cent in which males were 93.42 per cent literate while female literacy stood at 74.25 per cent. Total literates in urban region of Himachal Pradesh were 568,000.

3.3.3 Himachal Pradesh Rural Population 2011

Of the total population of Himachal Pradesh state, around 89.97 per cent live in the villages of rural areas. In actual numbers, males and females were 3,110,345 and 3,065,705 respectively. Total population of rural areas of Himachal Pradesh state was 6,176,050. The population growth rate recorded for this decade (2001-2011) was 89.97 per cent. In rural regions of Himachal Pradesh state, female sex ratio per 1000 males was 986 while same for the child (0-6 age) was 912 girls per 1000 boys. In Himachal Pradesh, 712,822 children (0-6) live in rural areas. Child population forms 11.54 per cent of total rural population. In rural areas of Himachal Pradesh, literacy rate for males and female stood at 89.05 per cent and 73.42 per cent. Average literacy rate in Himachal Pradesh for rural areas was 81.85 per cent. Total literates in rural areas were 4,471,736.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. Himachal Pradesh is one of the Indian states havingpopulation density.
2. As per Census 2011, the population of Himachal Pradesh is Lakhs.
3. The population of Himachal Pradesh forms 0.57 per cent of India in.....
4. The total figure of population living in urban areas is 688,552 of which 371,528 are males and while remaining are females.
5.literacy rate in Himachal Pradesh for rural areas was 81.85 per cent.

3.4 HIMACHAL PRADESH LITERACY RATE AND SEX RATIO AS PER CENSUS 2011

1. Himachal Pradesh Literacy Rate

Literacy rate in Himachal Pradesh has seen upward trend and is 82.80 per cent as per 2011 population census. Of that, male literacy stands at 89.53 per cent while female literacy is at 73.51 per cent. In 2001, literacy rate in Himachal Pradesh stood at 76.48 per cent of which male and female were 85.35 per cent and 65.61 per cent literate respectively. In actual numbers, total literates in Himachal Pradesh stands at 5,039,736 of which males were 2,752,590 and females were 2,287,146.

Himachal Pradesh, often hailed as the "Devbhumi" or Land of the Gods, is not only known for its stunning landscapes and vibrant culture but also for its commendable achievements in education and literacy. The literacy rate in Himachal

Pradesh has witnessed remarkable progress over the years, reflecting the state's commitment to providing quality education and empowering its citizens.

Current Status: As of the latest available data, Himachal Pradesh boasts a literacy rate of over 83 per cent, placing it among the most literate states in India. This significant achievement is a testament to the state government's concerted efforts to promote education at all levels, from primary to higher education.

Government Initiatives: The Government of Himachal Pradesh has implemented various initiatives to improve literacy rates and enhance the quality of education across the state. These initiatives include the establishment of schools in remote and underserved areas, recruitment of qualified teachers, provision of free textbooks and uniforms to students, and the introduction of innovative teaching methods.

Focus on Female Literacy: Himachal Pradesh has made notable strides in promoting female literacy, recognizing the pivotal role of women in driving social and economic development. The state government has implemented specific programs aimed at increasing female enrollment and retention in schools, providing scholarships and incentives to encourage girls' education, and raising awareness about the importance of gender equality in education.

Quality Education: In addition to increasing literacy rates, Himachal Pradesh places a strong emphasis on providing quality education to its citizens. The state's schools and educational institutions focus on holistic development, fostering critical thinking, creativity, and practical skills alongside academic learning. Efforts are also underway to modernize curriculum, improve infrastructure, and enhance teacher training to meet the evolving needs of students in the 21st century.

Socio-economic Impact: The high literacy rate in Himachal Pradesh has had a positive socio-economic impact on the state, leading to improved employment opportunities, higher incomes, and better standards of living for its residents. Educated individuals are better equipped to participate in economic activities, make informed decisions, and contribute to the overall development of society.

Challenges and Opportunities: Despite its impressive progress, Himachal Pradesh faces challenges such as improving access to education in remote areas, reducing dropout rates, and addressing disparities in educational outcomes among different social groups. However, these challenges also present opportunities for innovation, collaboration, and investment in education to build a brighter future for the state.

2. Himachal Pradesh Sex Ratio as per Census 2011

Sex Ratio in Himachal Pradesh is 972 i.e. for each 1000 male, which is below national average of 940 as per census 2011. In 2001, the sex ratio of female was 970 per 1000 males in Himachal Pradesh.

Description	2011	2001
Approximate Population	68.65 Lakhs	60.78 Lakh
Actual Population	6,864,602	6,077,900
Male	3,481,873	3,087,940
Female	3,382,729	2,989,960
Population Growth	12.94 per cent	17.53 per cent
Percentage of total Population	0.57 per cent	0.59 per cent
Sex Ratio	972	970
Child Sex Ratio	909	957
Density/km2	123	109
Density/Km2	319	283
Area km2	55,673	55,673
Area mi2	21,495	21,496
Total Child Population (0-6 Age)	777,898	793,137
Male Population (0-6 Age)	407,459	418,426
Female Population (0-6 Age)	370,439	374,711
Literacy	82.80 per cent	76.48 per cent
Male Literacy	89.53 per cent	85.35 per cent
Female Literacy	73.51 per cent	65.61 per cent
Total Literate	5,039,736	4,041,621
Male Literate	2,752,590	2,278,386
Female Literate	2,287,146	1,763,235

SELF-CHECK EXERCISE-2

Fill in the Blanks

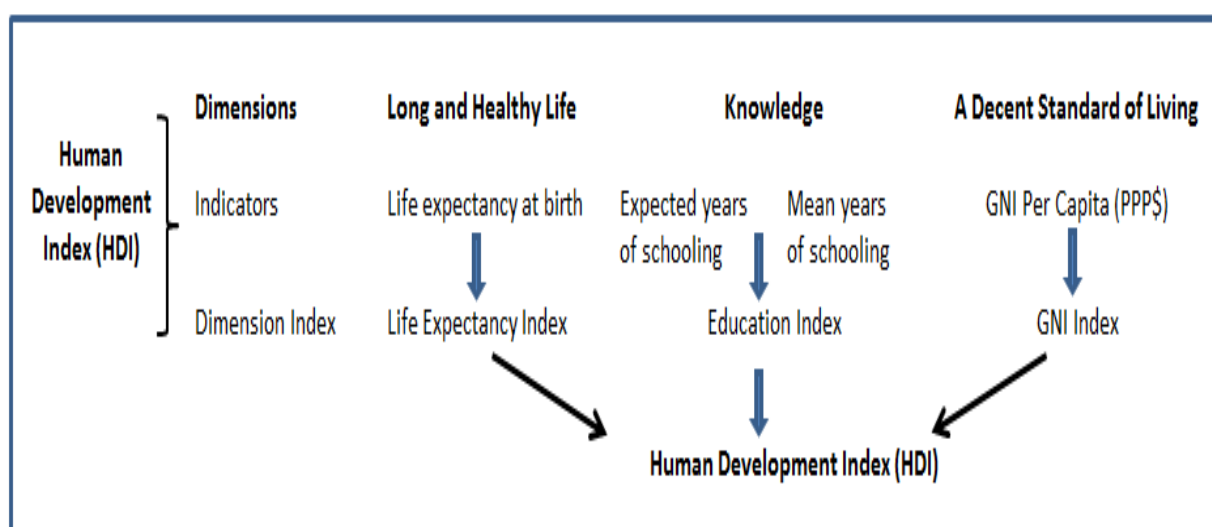
- Literacy rate in Himachal Pradesh has seentrend.
- Sex Ratio in Himachal Pradesh is 972 i.e. for eachmale.
- Total Child Male Population (0-6 Age) as per census 2011 is
- As per census 2011 total female literate population is.....

3.5 HUMAN DEVELOPMENT INDEX (HDI)

The HDI was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. The HDI can also be used to question national policy choices, asking how two countries with the same level of GNI per capita can end up with different human development outcomes. These contrasts can stimulate debate about government policy priorities.

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric

mean of normalized indices for each of the three dimensions. The health dimension is assessed by life expectancy at birth, the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. The standard of living dimension is measured by gross national income per capita. The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GNI. The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean. The HDI simplifies and captures only part of what human development entails. It does not reflect on inequalities, poverty, human security, empowerment, etc. The HDRO offers the other composite indices as broader proxy on some of the key issues of human development, inequality, gender disparity and poverty.



The Human Development Index (HDI) is a composite measure that assesses the overall development and well-being of a country or region based on three key dimensions: health, education, and standard of living. Introduced by the United Nations Development Programme (UNDP) in 1990, the HDI provides a comprehensive snapshot of human development by combining indicators that reflect different aspects of human capabilities and opportunities.

Components of HDI:

1. **Health:** Health indicators such as life expectancy at birth are included in the HDI to measure the overall health status and longevity of individuals within a population. Longer life expectancy is indicative of better access to healthcare services, nutrition, sanitation, and disease prevention measures.
2. **Education:** Education indicators, particularly mean years of schooling and expected years of schooling, assess the level of educational attainment and access to education within a population. Higher levels of education are associated with greater opportunities for personal development, employment, and social mobility.

3. **Standard of Living:** The standard of living component of HDI is represented by Gross National Income (GNI) per capita, adjusted for purchasing power parity (PPP), to reflect the material well-being and economic prosperity of individuals. Higher GNI per capita indicates greater access to resources, goods, and services necessary for a decent standard of living.

SELF-CHECK EXERCISE-3

State Whether the Following Statements are True/False

10. The Human Development Index is a summary measure of average achievement in key dimensions of human development.
11. The HDI is the arithmetic mean of normalized indices for each of the three dimensions.
12. HDI does not reflect on inequalities, poverty, human security and unemployment.

3.6 SUMMARY

As per details from Census 2011, Himachal Pradesh has population of 68.65 Lakhs, an increase from figure of 60.78 Lakh in 2001 census. Total population of Himachal Pradesh as per 2011 census is 6,864,602 of which male and female are 3,481,873 and 3,382,729 respectively. In 2001, total population was 6,077,900 in which males were 3,087,940 while females were 2,989,960. The total population growth in this decade was 12.94 per cent while in previous decade it was 17.53 per cent. The population of Himachal Pradesh forms 0.57 per cent of India in 2011. In 2001, the figure was 0.59 per cent. Recently as per Himachal Pradesh census data, 87.22 per cent houses are owned while 10.31 per cent were rented. In all, 63.97 per cent couples in Himachal Pradesh lived in single family. Human Development Index (HDI) provides a holistic framework for evaluating human development outcomes and guiding efforts to enhance the quality of life and opportunities for people around the world. By focusing on health, education, and standard of living, the HDI captures the multidimensional nature of human development and underscores the importance of inclusive and sustainable development policies.

3.7 GLOSSARY

- **Growth Rate:** the percentage change of a specific variable within a specific time period and given a certain context.
- **Population Growth Rate:** the rate at which the number of individuals in a population increases in a given time period, expressed as a fraction of the initial population.
- **Population:** the number of people in a geographic area. It can also be used for subgroups of people or animals.
- **Population Density:** is a measurement of population per unit area.
- **Literacy Rate:** Total number of literate persons in a given age group, expressed as a percentage of the total population in that age group.

3.8 ANSWERS TO SELF-CHECK EXERCISES

1. Least
2. 68.65
3. 2011
4. 317,024
5. Average
6. Upward
7. 1000
8. 407,459
9. 2,287,146
10. True
11. False
12. True

3.9 SUGGESTED READINGS

- The Methods and Uses of Anthropological Demography by Alaka M. Basu and Peter Aaby.
- An Essay on the Principle of Population by Thomas Robert Malthus.
- Himachal Pradesh Census Report 2011.

3.10 TERMINAL QUESTIONS

1. "Demography is the science of population, while demographics are characteristics of (and statistics related to) a population" Comment.
2. Is the end of population growth is the end of the history of economic growth?
3. Why is Human Development Index not a good measure of development?
4. Explain the Following:
 - i. Population size
 - ii. Population density
 - iii. Population growth

STATE INCOME

STRUCTURE

- 4.1 Introduction
- 4.2 Learning Objectives
- 4.3 Major Sources Of Income
Self-Check Exercise-1
- 4.4 Trends In Expenditure
Self-Check Exercise-2
- 4.5 Deficits, Debts And FRBM Targets For 2019-20
- 4.6 Summary
- 4.7 Glossary
- 4.8 Answers to Self-Check Exercises
- 4.9 Suggested Readings
- 4.10 Terminal Questions

4.1 INTRODUCTION

Himachal Pradesh, though a small state as compared to many other states like Uttar Pradesh, Madhya Pradesh, Rajasthan still has its own sources of income and is not dependent on others. This implies that people here have good sources of income that maximum of its population is taking the benefit of education and leading a healthy life.

4.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Know the major sources of state's income
- Understand the concept of Per capita income
- Differentiate between tax and no-tax receipts
- Know the concept of fiscal deficit

4.3 MAJOR SOURCES Of INCOME**Agriculture in Himachal Pradesh**

Agriculture ranks the top of the list of the sources of income in Himachal Pradesh. It should be marked that Himachal Pradesh is the state with maximum rural population. Most of the people have their own pieces of land and thus agriculture being the main source of income and employment in Himachal. Almost a percentage of about 93 per cent of the Himachal population is dependent on agriculture and it provides employment to about 71 per cent of the population. Himachal has various cash crops differing from region to region. Apple, almonds, pear, tomatoes, peas form the main cash crops of the upper Shimla area people viz. Rohru, Kullu,

Kinnaur, Lahaul and Spiti, Kotgarh, Kotkhai. Other districts are famous for cereals like wheat rice, barley and maize.

Tourism in Himachal Pradesh:

Himachal Pradesh being the state having a number of beautiful places and hill stations is also a state of tourist attraction. Every year, thousands of tourists come and visit places like, Shimla, Kullu, Manali, Dalhousie, Kufri etc. People not only come from the different parts of the country but from different parts of the world. Thus tourism is also one of the main sources of income and employment for the people of Himachal. Several hotels located at this tourist spots provide an ease for the tourist to stay and enjoy the scenic beauty of Himachal. They provide comfortable service and thus earning handsome money from the visitors. Himachal Pradesh government employs strict rules so as to keep the State clean and maintain its beauty, so that it does not hamper the major business that is tourism.

Hydroelectric Projects in Himachal Pradesh:

Himachal Pradesh enjoys its hegemony over the other states in respect of having hydroelectric projects. 25 per cent of hydel resources are present in our state. About 20,300MW of hydel power can be generated here by setting up various minor and major hydel projects. These projects are the main sources of electricity in Punjab and Himachal, thus generating a good revenue. Himachal is also rich in various handmade items, which is also a part of earning various people in Himachal. Kullu people are famous for 'Shawls, Pattos, Pahari Caps, Woolen Clothes'. These are all hand made products bringing good money to the people. Like this, there are various other small things which contributes to the income of Himachal Pradesh. With a hydro power potential of 27,436 MW (of which 24,000 MW has been harnessed), Himachal Pradesh accounts for 25.9 per cent of the country's total hydro power potential. As per State Economic Survey 2018-19, 20,912 MW of this is already allocated under various sectors. As of November 2019, Himachal Pradesh had a total installed power generation capacity of 4,096.47 MW. Hydro power accounted for 2910.48 MW of total installed power generation capacity, followed by renewable power (943.34 MW) and thermal power (213.70 MW).

Do you Know?

Bhakra Nangal Dam, is the Asia's biggest dam in Himachal Pradesh.

Tax Revenue

Taxes are the first and foremost sources of state's public revenue. Taxes are compulsory payments to government without expecting direct benefit or return by the tax-payer. Taxes collected by Government are used to provide common benefits to all. Taxes do not guarantee any direct benefit for person who pays the tax. It is not based on "quid pro quo principle." The Tax has been divided into two types such as Direct Taxes and Indirect Taxes.

(A) Direct Taxes: Direct taxes are those taxes which are paid by the same person on whom it has been imposed. The impact and incidence of tax fall on the same

person, because the tax burden cannot be shifted to others. Direct taxes include the following taxes.

i) Personal Income tax is a tax imposed on the excess income earned by an individual over and above the limit decided by the finance ministry from time to time. It is progressive in nature.

ii) Corporate Tax is a tax levied on the profits earned by registered companies. iii) Capital Gains Tax is a tax imposed on the net profits earned through capital investment in stock market, Real estate, Gold and Jewelry etc.

iv) Wealth Tax (or) Property Tax is a tax levied upon the property owned by individuals. The property includes Land, Building, shares, Bonds, Fixed Deposits, Gold and Jewelry etc.

v) Other taxes: These taxes include taxes like Gift tax and Estate duty.

(B) Indirect Taxes: Indirect taxes are those taxes which are imposed on one group of people, but the ultimate burden will fall on another group of people. The impact of tax and incidence of tax are on different people. In case of Indirect taxes tax burden can be shifted. There are middlemen between the Government and the tax payer. The important Indirect Taxes are as follows:

i) Excise Duty is a tax imposed on the manufacturers as per the value of goods produced but the ultimate burden will fall on the final consumers.

ii) Customs Duty is a tax imposed on import and export of Goods. Customs duty may be specific or advalorem. Advalorem duty is a tax imposed on the basis the value of goods imported while specific duty is imposed as per the number of units imported.

iii) Value Added Tax (VAT) is a part of a sales tax imposed by the state government.

iv) Sales Tax revenue goes to the state government when sale or purchase takes place within the state. Sales tax revenue on interstate transactions goes to the central government.

v) Service Tax is tax imposed on services provided. The impact is on the service provider and the incidence of tax falls on the customers. Service tax is the fastest growing tax in India.

vi) Octroi is a tax levied on transfer of goods from one state to another or from one region to another.

(B) Non-Tax Revenue: These sources of revenue are classified as administrative revenues, commercial revenues and grants and gifts.

1) Grants: Grants are made by a higher public authority to a lower one, for example, from the Central to the State government or from the State to the local government. Grants are given so that a public authority is able to perform certain activities at the local level. There is no repayment obligation in case of grants.

2) Gifts: Gifts and donations are voluntarily made by individuals, organizations, foreign governments to the funds of the government, e.g. Prime Minister's Relief Fund. Such gifts are usually made at the time of crisis like war or floods. Gifts cannot be considered a regular source of revenue.

3) Fees: Fees are an important source of administrative non-tax revenue to the government. The government provides certain services and charges, certain fees for them. For example, fees are charged for issuing of passports, granting licenses to telecom companies, driving licenses etc.

4) Fines and Penalties: Another source of administrative non-tax revenue includes fines and penalties. They are imposed as a form of punishment for breaking law or non-fulfilment of certain conditions or for failure to observe some regulations. They are not expected to be a major source of revenue to the government.

5) Special Assessment: It is a kind of special charge levied on certain members of the community who are beneficiaries of certain government activities or public projects. For example, due to public park in a locality or due to the construction of a road, people in the locality may experience an appreciation in the value of their property or land.

The State Government mobilizes financial resources through direct and indirect taxes, non-tax revenue, share of central taxes and grants-in-aid from Central Government to meet the expenditure on administration and developmental activities.

Per Capita Income:

According to First revised estimates for 2018-19 the Per Capita Income of Himachal Pradesh at current prices increased to ₹ 1,83,108 from ₹1,65,025 in 2017-18 (SRE), registering a growth of 11.0 per cent. At constant (2011-12) prices, the per capita income during 2018-19 (FRE), is estimated at ₹1,39,469 against ₹ 1,30,644 in 2017-18 (SRE) registering a growth rate of 6.8 per cent.

Himachal is one of those states in India which was rapidly transformed from the most backward part of the country to one of the most advanced states. At present Himachal ranks fourth in respect of per capita income among the states of the Indian Union. A brief analysis of the economic growth in Himachal Pradesh, however, reveals that the State has always tried to keep pace with the all-India growth rate. A comparative picture of Per Capita Income (PCI) at current prices of Himachal Pradesh and All India from 2011-12 to 2018-19 is tabulated below:

Years	Per Capita Income At Current Prices (in Rs.)	
	Himachal Pradesh	All India
2011-12	87,721	63,462
2012-13	99,730	70,983
2013-14	1,14,095	79,118
2014-15	1,23,299	86,647
2015-16	1,35,512	94,797
2016-17	1,50,290	1,04,880
2017-18	1,65,025	1,15,293
2018-19	1,83,108	1,26,521

Prospects- 2019-20

As per the advance estimates based on the economic performance of State up-to December 2019, the rate of economic growth of State during 2019-20 is likely to be 5.6 per cent. The State achieved growth rate of 7.1 per cent in 2018-19 (FRE) and 6.8 per cent in 2017-18 (SRE). The GSDP at current prices in the year 2019-20 (ADV) estimates is likely to be about ₹ 1,65,472 Crore. According to the advance estimates the Per Capita Income at current prices during 2019-20 (AE) has been estimated at ₹1,95,255 against ₹1,83,108 in 2018-19 (FRE) showing an increase of 6.6 per cent.

Do You Know?

Himachal Pradesh is the second most literate state after Kerala in the nation.

According to the budget estimates for the year 2019-20 (BE) the total revenue receipts are estimated at ₹ 33,747 Crore as against ₹ 31,189 Crore in 2018-19(RE) showing an increase of 8.20 per cent.

1. The State's own taxes increased to 15.69 per cent in 2019-20 (BE) which is estimated at ₹ 7,921 Crore as against ₹ 6,847 Crore in 2018-19 (RE) and ₹ 7,108 Crore in 2017-18(A).

2. The State's non-tax revenue (comprising mainly of interest receipts, power receipts, road transport receipts and other administrative service etc.) are estimated at ₹ 2,443 Crore in 2019-20(BE), which is 7.24 per cent of total revenue receipts of 2019-20.

3. In 2018-19 Excise and Taxation Department collected worth ₹ 6,422 Crore of taxes under different heads against target of ₹5,861 Crore which is 9.57 per cent more than the target. For the financial year 2019-20 against the revenue target of ₹ 6,869 Crore, upto November 2019, ₹4,448 Crore has been collected.

The item wise revenue targets and achievements for the year 2019-20 up to November 2019 is given below:

in ₹ Crore

Item	Target	Achievement
Good and Services Tax	3,238	2,367
State Excise	1,625	1,062
Value Added Tax	1,492	729
Other Taxes and Duties	369	212
Passenger and Goods Tax	145	78
Total	6,869	4,448

Do you Know?

Himachal Pradesh total GST revenue is estimated to be Rs 5,477 Crore in 2019-20, an increase of 30.8 per cent over the revised estimate of 2018-19.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. The Per Capita Income of Himachal Pradesh at current prices increased to ₹ from ₹1,65,025.
2. Himachal ranksin respect of per capita income among the states of the Indian Union.
3. According to the advance estimates the Per Capita Income at current prices during 2019-20 (AE) has been estimated at ₹.....
4. State'srevenue comprising mainly of interest receipts, power receipts, road transport receipts and other administrative service etc.
5.taxes are those taxes which are paid by the same person on whom it has been imposed.
6. Value Added Tax (VAT) is a part of atax imposed by the state government.

4.4 TRENDS IN EXPENDITURE

Rationalization and prioritization of Government expenditure is integral to fiscal reforms. As state's tax to GSDP ratio is low, Government faces the challenge of providing sufficient funds for investment and infrastructure expansion while maintaining fiscal discipline. Thus improving the quality of expenditure towards capital spending becomes significant.

Do you Know?

A committed liability of a state typically includes expenditure on payment of salaries, pensions, and interest payments.

Composition of Revenue Expenditure

The composition of revenue expenditure reveals that 59 per cent of total expenditure is likely to be spent on salary, pension, interest payment and subsidies in 2019-20 (BE). The expenditure on salary, pension and interest payments is committed expenditure in nature and has limited headroom for creation of additional fiscal space. The subsidies have been significantly moderated at 2.4 per cent of the total expenditure.

Item wise composition of Revenue Expenditure (₹ Crore)

Item	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 (RE)	2019-20 (BE)
Salaries	7,035	7,869	7,832	9,421	10,671	12,730	13,889
Salary as percentage to Total Expenditure	32.81	25.39	26.48	26.12	30.66	30.72	31.29
Pension	2,855	2,914	3,836	4,114	4,709	5,893	6,660
Pension as percentage to Total Expenditure	13.31	9.40	12.97	11.40	13.53	14.22	15.01
Interest	2,481	2,849	3,155	3,359	3,788	4,260	4,550
Interest as percentage to Total Expenditure	11.57	9.19	10.67	9.31	10.88	10.28	10.25
Subsidy	467	801	1346	764	907	1085	1066
Subsidy as percentage to Total Expenditure	2.18	2.59	4.55	2.12	2.60	2.62	2.40
Total Expenditure	21,443	30,994	29,578	36,076	34,811	43,625	44,388

The Table below depicted that the growth of expenditure on salary and pension is increasing year to year except in the 2015-16 where it was negative. The Salary expenditure increased by 20 per cent in 2016-17, 19 per cent in 2018-19 (RE) and is estimated to increase by 9 per cent in 2019-20 (BE). Pension expenditure increased by 32 per cent in 2015-16, 25 per cent in 2018-19 (RE) and in 2019-20 (BE) is expected to grow by 13 per cent.

Growth in interest payments was 12.78 per cent in 2017-18, 12.45 per cent in 2018-19 and is likely to increase by 6.81 per cent in 2019-20 (BE). Growth of subsidy expenditure increased by 18.70 per cent in 2017-18, 19.62 per cent in 2018-19 and is likely to increase by (-) 1.70 per cent in 2019-20(BE).

Growth of major items of Revenue Expenditure

Item	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 (RE)	2019-20 (BE)
Salaries	2.35	11.85	-0.47	20.30	13.27	19.29	9.10
Pension	3.94	2.08	31.63	7.24	14.45	25.15	13.02
Interest	4.68	14.84	10.74	6.46	12.78	12.45	6.81
Subsidy	-17.60	71.54	67.98	-43.25	18.70	19.62	-1.70

SELF-CHECK EXERCISE-2

State Whether the Following Statements are True/False

- The composition of revenue expenditure reveals that 59 per cent of total expenditure is likely to be spent on salary, pension, interest payment and subsidies in 2019-20.
- Pension expenditure is expected to grow by 23 per cent in 2019-20.
- Growth in interest payments was 12.45 per cent in 2018-19 and is likely to increase by 6.81 per cent in 2019-20 (BE).

10. Rationalization and prioritization of Government expenditure is integral to fiscal reforms.

4.5 DEFICITS, DEBTS AND FRBM TARGETS FOR 2019-20

An assessment of the fiscal situation of Himachal Pradesh is important to understand the revenue and expenditure dynamics of the State. The Himachal Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government. The Himachal Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue Deficit: It is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow in order to finance its expenses which do not create capital assets.

The budget estimates a revenue deficit of Rs 2,342 crore (or 1.4 per cent of GSDP) in 2019-20. This implies that revenue receipts are expected to be lower than the revenue expenditure, resulting in a deficit. The 14th Finance Commission had recommended that states should eliminate revenue deficits. The 2019-20 estimates for Himachal Pradesh suggest that the state will not be meeting this target of eliminating revenue deficit.

Fiscal Deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government, and leads to an increase in total liabilities. In 2019-20, fiscal deficit is estimated to be Rs 7,352 crore, which is 4.4 per cent of the GSDP. The estimate is more than the 3 per cent limit prescribed by the 14th Finance Commission. This limit may be relaxed to a maximum of 3.5 per cent, if states are able to contain their debt and interest payments to certain specified levels.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2019-20, the outstanding liabilities are expected at 34 per cent of the GSDP.

Budget Targets for Deficits for Himachal Pradesh in 2019-20 (per cent of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2018-19 (RE)	-1.5 per cent	-5.1 per cent	34.6 per cent
2019-20 (BE)	-1.4 per cent	-4.4 per cent	34.0 per cent
2020-21	-1.4 per cent	-4.3 per cent	33.5 per cent
2021-22	-1.3 per cent	-4.3 per cent	32.9 per cent
2022-23	-2.8 per cent	-5.8 per cent	32.5 per cent

Sources: Himachal Pradesh Budget Documents 2019-20.

4.6 SUMMARY

Gross State Domestic Product or State Income is the most important indicator for measuring the economic growth of a State. Himachal Pradesh is one of the fastest growing states in India. At current prices, the Gross State Domestic Product of

Himachal Pradesh reached Rs 1.6 trillion (US\$ 24.18 billion) in 2019-20. The state's per capita GSDP in 2018-19 was Rs 206,138.09 (US\$ 2,857.08). GSDP increased at a Compound Annual Growth Rate of 11.11 per cent between 2011-12 and 2019-20.

4.7 GLOSSARY

- **GDP:** Gross Domestic Product (GDP) is the monetary value of all finished goods and services made within a country during a specific period.
- **FRBM:** The Fiscal Responsibility and Budget Management Act (FRBM Act), 2003, establish financial discipline to reduce fiscal deficit.
- **Per Capita Income:** measures the average income earned per person in a given area (city, region, country, etc.)

4.8 ANSWERS TO SELF-CHECK EXERCISES

1. 1,83,108
2. Fourth
3. 1,95,255
4. Non-tax
5. Direct
6. Sales
7. True
8. False
9. True
10. True

4.9 SUGGESTED READINGS

- Himachal Pradesh District Fact book by Dr. R. K. Thukral.
- Economic Survey of Himachal Pradesh; 2019-20.
- Public Finance by Ambar Ghosh & Chandna Ghosh.

4.10 TERMINAL QUESTIONS

1. What is the impact of foreign direct investments on gross domestic product?
2. Briefly discuss the Fiscal Responsibility and Budget Management (FRBM) Act.
3. What are the major sources of revenue for the State Government?
4. "When a state has an abundance of natural resources, a state is able to collect large revenues from taxes on those resources that not often financed by state residents themselves". Comment.

STATE FINANCES-I

STRUCTURE

- 5.1 Introduction
- 5.2 Learning Objectives
- 5.3 Meaning And Definition Of Public Finance
Self-Check Exercise-1
- 5.4 Public Finance And Private Finance
Self-Check Exercise-2
- 5.5 Summary
- 5.6 Glossary
- 5.7 Answers to Self-Check Exercises
- 5.8 Suggested Readings
- 5.9 Terminal Questions

5.1 INTRODUCTION

Effective public financial management is essential for economic success. At its core is the need to build and maintain trust. Trust grows out of a culture of rigorous independent scrutiny which enables citizens to see that the decisions their leaders take are in the public interest. A world of strong economies depends on trust in the public finances. Public servants spend other people's money and citizens and investors need to have confidence that those funds will be properly and effectively used. Governments have a duty to demonstrate that they deserve that trust. Chartered accountancy exists because of the need for financial data to have been scrutinised by skilled, independent and objective professionals with a commitment to high ethical standards and the public interest. Their qualifications ensure these professionals can be trusted to declare that a financial statement provides a true and fair reflection of the facts. Accountancy skills are the foundation of rigorous independent scrutiny. The techniques developed by chartered accountants over many decades build confidence that public finances are being managed for the public good. This in turn provides a key condition for the sustainable economic growth vital to addressing the profound challenges faced by nations in the 21st century. Professional accountancy bodies have a valuable role to play in providing the frameworks and expertise to help government develop effective public financial management. This includes both technical accounting and management know-how and the strong ethical standards expected of professional accountants.

Department of Finance deals with all matters related to finance in the State which includes State Budget, Institutional Finance, Pay Revision, Regulations, Expenditure, Pension. Department of Finance acts as a guide to various departments in Financial matters. Finance department is also responsible for monitoring and review of financial allocations to plan and non-plan budget. The State Government mobilizes financial resources through direct and indirect

taxes, non-tax revenue, share of central taxes and grants-in-aid from Central Government to meet the expenditure on administration and developmental activities.

5.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Develop analytical and consulting skills in the area of public finance.
- provides an overview of government finances with special reference to Himachal Pradesh
- develop students' skills on how to write a public policy paper and make a presentation on public policy issues

5.3 MEANING AND DEFINITION OF PUBLIC FINANCE

Public finance means the study of income and expenditure of central, state and local governments and the principles underlying them. However, economists have defined it in a narrow and wide sense.

Definitions:

According to Bastable, "Public finance deals with expenditure and income of public authorities of the states and their mutual relation and also with the financial administration and control."

Findlay Shirras defines it as "the study of the principles underlying the spending and raising of funds by public authorities."

Prof. Dalton also defines public finance in the same manner: "Public finance is concerned with the income and expenditure of public authorities, and with the adjustment of the one to the other. The 'Principles of Public Finance' are the general principles which may be laid down with regard to these matters."

All these definitions are narrow because they do not include the major divisions of public finance and its main functions.

Harold Groves defines public finance as "a field of inquiry that treats of the income and expenditure of Government. In modern times, this includes four major divisions: public revenue, public expenditure, public debt and certain problems of the fiscal system as a whole such as fiscal administration and fiscal policy."

Thus public finance studies the income and expenditure of central, state and local governments for the collective satisfaction of wants and the principles which govern income and expenditure.

Public finance is the management of a country's revenue, expenditures, and debt load through various government and quasi-government institutions. This guide provides an overview of how public finances are managed, what the various components of public finance are, and how to easily understand what all the numbers mean. A country's financial position can be evaluated in much the same way as a business' financial statements.

IMPORTANCE AND SCOPE OF PUBLIC FINANCE

We will study the importance and area of Public Finance under following three headings –

1. Functions of State
2. Effect of Fiscal Operations on Economic Life,
3. Subject Matter of Public Finance

(1) Functions of the State: Ancient economists believe in laissez faire, therefore they supported that the number of functions of State must be minimum. In 1776 Adam Smith wrote about the functions of State in his book “Wealth of Nations” first of all. According to Adam Smith, the duties of “a complete sovereign rich nation” can be divided into following three categories

(a) To provide security to nation against war and injustice of other nations.

(b) To maintain peace, justice and system among citizens, and

(c) To build and conduct such public functions and public institutes, which can be highly beneficial for whole society, but they will not provide profit if started and conducted by some private persons. Their saying was that in such public functions, those functions must be considered main by which public functions of trade and commerce in State must be created. It is clear that these three functions are the primary functions of any Government. We cannot imagine and static social system which do not consider basic functions to these functions. In today’s time, the Government have to perform functions to achieve the economic and social goals which can be placed into Adam Smith’s third category of work. Here, this is noticeable that in 18th century in England Adam Smith emphasized on the growth of these two branches (i.e., economic and social goals) of Government expenditure also. But many economists, such as Robert Owen and John Stuart Mill in England who were the followers of classical school cast the attention of people towards laissez faire and supported Government interventions. France also criticized the principle of laissez faire and suggested for Government control for the prevention of rights of poor. The socialists of many countries therefore suggested for socialization of resources of production in some form or other, by which labour class can be saved from the cruelty of famous capitalist economy.

Do you Know?

Public finance has been given huge importance due to economic crisis of 1930.

2. Effect of Fiscal Operations on Economic Life: Economic depression of 1930 and the general principle of employment by Keynes proved valley of death for laissez faire. Keynes told that it is possible to raise employment by fiscal operations of state and to maintain it at high level. In this way, Government intervention in economic life and support of admission are increasing continuously and this series is in continuation. But, the concept of state and format of the functions of the state are changing slowly. This fact has been accepted widely that the objective of state is to

provide maximum welfare to whole society. As a result of this concept of state, the functions of state have expanded and therefore they have to arrange for treatment, education, health care, and many other public services, by which there can be increment in the welfare of whole society. In today's time, state helps its public by many ways. For example, it increases the production power of country by arranging basic facilities such as railways, roads, electricity and post and telegraph, it takes necessary steps to reduce the inequalities found in the distribution of income, it controls the production and distribution of deficient things, it controls the rates of essential commodities and takes necessary steps to stop inflation and depression. During war time, state controls the whole resources of the country and gives them right direction to move so as war can be faced successfully. The Government of advanced countries are duty bound and promise bound that they maintain a static and wide level of the employment of the country. Their goal is that the economy of the country becomes active at the level of complete employment. It takes part in these programmes actively by which there must be increment in national income and economy must be moving towards progress. When the question of under developed or developing countries Governments arises, they are committed to the programmes of progressive economic growth. Therefore it can be possible that such countries develop their complete resources systematically. It is clear that the functions of state in all countries developed, under developed or developing have increased concretely and the possibility is that when the duties and responsibilities of the Government will increase, then the functions of state will expand more. The current situations of our country verify this fact. Our country is an under developed country. Therefore, for implementing developing plans, the Government is bearing new responsibilities on it and their admission is expanding and the counting of their works is increasing.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. Effective public financial management is essential forsuccess.
2. Department of Finance deals with all matters related toin the State.
3. Public finance deals with expenditure andof public authorities of the states.
4. A country'scan be evaluated in much the same way as a business' financial statements.
5. The Government of advanced Countries are duty bound and promise bound that they maintain a static and wide level of theof the country.

5.4 PUBLIC FINANCE AND PRIVATE FINANCE

On comparing Public and Private Finance, we know that if there are similarities in them, we also find dissimilarities, which is clear by following description:

Similarities

The similarities found between public and private finance is as follow:-

(1) *Maximum Satisfaction* – The objective of individual and State is basically same and this is satisfaction of human wants. Private Finance is related with the satisfaction of individual needs whereas public finance is related with the satisfaction of social or group needs.

(2) *Balanced Budget* – Man and State both get money and use it and each of them try to balance income and expenditure. Both of them try hardly to get maximum satisfaction by expenditure.

(3) *Borrowing* – When current income becomes less in comparison with current expenditure in both Public and Private Finance, then borrowing becomes important. Not only individual but state also has to pay back the debt taken at the time of loss.

(4) *Economic Choice* - Both Public and Private Finance want to get maximum satisfaction and target by minimum resources, so both have to face the problem of adjustment of income and expenditure and problem of selection of economic choice.

Dissimilarities

Basic difference is found in many ways between Public and Private Finance such as objective, methods for getting Finance and quantity of resources etc. For example, as far as public finance believes in public welfare, whereas the only objective of private finance is getting profit. Former fulfils for the loss by imposing new taxes or by any other means, whereas later cannot do so. In the same way, the resources of Public Finance are big and enormous but the resources of Private Finance are limited. We will explain this topic in detail now.

(1) Determination of Expenditure - Public authority decides the amount of expenditure first of all which it has to use on different aspects to fulfil its some responsibilities and after that it searches for the resources to fulfil that expenditure. But, a person first of all considers his income and he decides the amount of expenditure after that which he has to consume on different aspects of consumption. The reason for this is that public finance can increase or decrease its needs of income accordingly, but no such flexibility is found in the income of a person. Prof. Dalton has expressed this thought in these words, "A person adjusts his expenses according to his income but public finance adjusts its income according to its expenses. "But this statement is true with some limitations." For example, if the expenses and duties of a person increase then he tries to increase his income but on the other hand, any Government or Public authority cannot increase their expenses by indefinite limit. They have to watch out how much income they can get without causing any harm to the economy of the country. Therefore, sometimes, Government has to decrease its expenses due to lack of resources.

(2) Compulsory Character - According to Findlay Shirraj, "Government expenditure has another characteristic that is compulsory character found in it. Some expenses are those which cannot be terminated or divide by State, but it is not possible in case of a person. For example, the expenditure on security and Public Finance etc. is of compulsory nature. In the same way, state can force its people that they use a special variety of clothes, grain and other things, they buy those commodities on Government imposed rates and pay them on the instalments decided by Government. But private person or professional firm cannot do so. Not only this, situations can also force a person that he spends a special amount on food minimum clothes and housing etc., and he must wear and buy a special kind or sample clothes. In all these matters he motivates only by interest, taste and choice but also he gets affected by the availability of goods and environment of society.

(3) Principle of Equi-marginal Utility - For gaining maximum satisfaction "a person divides his expenses on different commodities and services in such a way that marginal utility of expenses on all heads must be equal and total marginal utility must be maximum by getting complete expenses," There must be a same rule on distribution of Government expenditure between different objectives and heads. But, it has been found that a person is more capable to implement this rule in comparison with Government. The reason for this is that a person is more independent while choosing heads of expense of his will, while Government is not independent like that. Normally, there is a standard for a person for spending or not spending that how much profit, he is getting on a special expense - but Government - cannot make the base of its expenses to this standard, specially on the expenditure on security, establishment of law and order, education, help for poors etc. It is clear that Government is not independent on the matter of these expenses. Sometimes, government is forced for spending money on special aspects only, whereas, in the state of lack of pressure, Government does not like to do so. It is possible only when some same favour group or person in the country come in the position of criticism of Government and pressurizing it by becoming more powerful. The result is that Government expenditures increase on important aspects.

(4) Nature of Budget - A person believes in surplus budget or spending less than income normally and does not believe in deficit budget or spending more than income. But, Government or any other Public - sovereign can consider making deficit budget profitable specially making of surplus budget by person during economic growth and during war time is considered good and this task is considered his personal ability because an individual can collect money by savings only and can become rich, but Governments surplus budget means that taxation of high level and Government expenditure of low level, but in normal conditions, for Government balanced budget is considered good not surplus or deficit budget.

(5) Nature of Resources - The resources of getting income of a person are limited. Government can borrow money from general public and foreign countries when needed, but it is not possible for a person to do normally. The Government can take shelter of deficit financing of laws, it means it can print currency notes to increase its income, but no one can do so. Public authority can make such law by which it can handle profitable business and profession for the objective of increasing income itself, for example, it can nationalize private transport and private whole sale business. The Government can adopt coercive method for getting money from general public.

(6) Motive of Expenditure - In professional dealings, the first objective of private person is to get profit. But, the dealings of public bodies are motivated for the objectives of public - welfare not for the objectives of profit. For example, many services like public health, health service, education, activities of social security and water supply etc. are not considered profitable for professional front but they are considered very important for the welfare view of citizens and for the same reason such facilities and services are arranged by public services.

(7) Long term Consideration - Private person or companies invest money liberally in those professional areas where there is a need of getting immediate returns but in those areas in which marginal returns are received and it got lately, Private capital shies, but Government never got affected by these views and thoughts. Therefore, Government handles these projects itself but they must be appropriate for the view of public welfare. The constructions of multipurpose Hydroelectric Projects in India are its direct example. In this way, Government uses many expenses for the view of public welfare which are used for future and present. Future is as important as present and Government arranges for the arrangement for expenses for future and present, a person cannot do so like that.

(8) Publicity and Audit Test - Lastly another difference between public and private finance is important. A private person likes to conceal all his financial deals but Government publicizes more to its means of distribution of resources in various aspects of five - year plans and budget - proposals. In addition to this, audit - examination and evaluation of accounts of public services are done compulsorily but is not essential in respect to the person always.

SELF-CHECK EXERCISE-2

Fill in the Blanks

6. The objective of individual and State is basically the satisfaction ofwants.
7. Both Public and Private Finance want to get maximum satisfaction and target byresources.
8. A person adjusts his expenses according to his income butadjusts its income according to its expenses.

9. For gaining maximum satisfaction a person divides his expenses on different commodities and services in such a way thatutility of expenses on all heads must be equal.

5.5 SUMMARY

The economy of public finance is related to the fulfilment of group needs specially. In this, we study those economic problems which arise in state or public sector, such as how to divide resources between private and public sectors and how allotment of resources for satisfaction of different resources of Government expenditure under public sector. The implementation of General Theory of employment by Keynes and Economic depression of 1930 became the bell of death for the policy. Keynes narrated that it is possible for the state to increase employment by fiscal operations and to maintain it on high level. In under-developed countries too, it is the main motive of the Government that the country must progress fastly, and there must be equitable distribution of national production, and fiscal policy can become an important tool for the fulfilment of these objectives. The area and subject matter of public finance is not static, because it is expanding continuously with the changes in functions of state and problems of economy. The basic difference is found between public finance and private finance in many matters such as objective, the methods of receiving finance and the quantity of resources etc.

5.6 GLOSSARY

- **Public Finance:** Public finance is the study of the role of the government in the economy. It is the branch of economics that assesses the government revenue and government expenditure of the public authorities and the adjustment of one or the other to achieve desirable effects and avoid undesirable ones.
- **Private Finance:** A private finance initiative (PFI) is a way of financing public sector projects through the private sector.
- **Budget:** The account of income and expenditure
- **Fiscal operations:** The activities of fiscal
- **Inflation:** The usage of more money than business needs of the country
- **Taxation:** To impose tax

5.7 ANSWERS TO SELF-CHECK EXERCISES

1. Economic
2. Finance
3. Income
4. Financial Position
5. Employment
6. Human
7. Minimum

8. Public Finance
9. Marginal

5.8 SUGGESTED READINGS

- Public Finance—New Royal Book Company.
- Public Finance—H.L.Bhatia, Vikas Publishing House Pvt. Ltd.
- Public Finance Administration—Manjusha Sharma, O.P.Bohra, Ravi Books.
- Money Banking and Public Finance—Sundaram V, Alpha Pub., 2009.

5.9 TERMINAL QUESTIONS

1. What is the role of public finance in the economic development of a state?
2. What are the various similarities and dissimilarities between public and private finance.
3. Describe briefly about the functions of modern state.

STATE FINANCES-II

STRUCTURE

- 6.1 Introduction
- 6.2 Learning Objectives
- 6.3 Public and Private Finance
Self-Check Exercise-1
- 6.4 Public Revenue
Self-Check Exercise-2
- 6.5 Summary
- 6.6 Glossary
- 6.7 Answers to Self-Check Exercises
- 6.8 Suggested Readings
- 6.9 Terminal Questions

6.1 INTRODUCTION

Effective public financial management is essential for economic success. At its core is the need to build and maintain trust. Trust grows out of a culture of rigorous independent scrutiny which enables citizens to see that the decisions their leaders take are in the public interest. A world of strong economies depends on trust in the public finances. Public servants spend other people's money and citizens and investors need to have confidence that those funds will be properly and effectively used. Governments have a duty to demonstrate that they deserve that trust. Chartered accountancy exists because of the need for financial data to have been scrutinised by skilled, independent and objective professionals with a commitment to high ethical standards and the public interest. Their qualifications ensure these professionals can be trusted to declare that a financial statement provides a true and fair reflection of the facts. Accountancy skills are the foundation of rigorous independent scrutiny. The techniques developed by chartered accountants over many decades build confidence that public finances are being managed for the public good. This in turn provides a key condition for the sustainable economic growth vital to addressing the profound challenges faced by nations in the 21st century. Professional accountancy bodies have a valuable role to play in providing the frameworks and expertise to help government develop effective public financial management. This includes both technical accounting and management know-how and the strong ethical standards expected of professional accountants. Department of Finance deals with all matters related to finance in the State which includes State Budget, Institutional Finance, Pay Revision, Regulations, Expenditure, Pension. Department of Finance acts as a guide to various departments in Financial matters.

Finance department is also responsible for monitoring and review of financial allocations to plan and non-plan budget. The State Government mobilizes financial resources through direct and indirect taxes, non-tax revenue, share of central taxes and grants-in-aid from Central Government to meet the expenditure on administration and developmental activities.

6.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- provides an overview of government finances with special reference to Himachal Pradesh
- develop students' skills on how to write a public policy paper and make a presentation on public policy issues

6.3 PUBLIC AND PRIVATE FINANCE

1. Public Finance

Public finance is a branch of economics that deals with the financial activities of the government and its impact on the economy. It encompasses the study of how governments generate revenue, allocate funds, and manage expenditures to achieve economic and social objectives. Understanding public finance is crucial as it influences the overall economic performance and welfare of a nation. Let's delve deeper into its characteristics, advantages, and disadvantages.

Characteristics of Public Finance:

1. **Government Involvement:** Public finance revolves around the financial activities of the government at various levels, including central, state, and local governments.
2. **Collective Decision Making:** Decisions regarding public finance are made collectively through the political process, involving elected representatives and public officials.
3. **Redistribution of Income and Wealth:** Public finance is often used as a tool for redistributing income and wealth in society through taxation and social welfare programs.
4. **Market Failures:** Governments intervene in the economy to address market failures such as externalities, public goods provision, and imperfect competition.
5. **Long-term Planning:** Public finance involves long-term planning to ensure fiscal sustainability and stability in government finances.
6. **Budgeting:** Budgeting is a key characteristic of public finance, involving the allocation of funds for various government programs and activities.
7. **Public Goods Provision:** Public finance plays a crucial role in providing essential public goods and services such as infrastructure, education, healthcare, and national defense.

Advantages of Public Finance:

1. **Stabilization of the Economy:** Governments use fiscal policy to stabilize the economy by adjusting taxes and government spending to counteract economic fluctuations.
2. **Redistribution of Wealth:** Public finance helps reduce income and wealth inequalities by implementing progressive taxation and social welfare programs.
3. **Public Goods Provision:** Governments finance the provision of public goods that would otherwise be underprovided by the private sector due to market failures.
4. **Infrastructure Development:** Public finance funds infrastructure projects such as roads, bridges, and utilities, which are essential for economic growth and development.
5. **Social Welfare:** Public finance supports social welfare programs such as healthcare, education, and social security, improving the well-being of citizens.
6. **Investment in Human Capital:** Governments invest in human capital through education and training programs, enhancing the productivity and skills of the workforce.
7. **Macroeconomic Stability:** Effective management of public finances can contribute to macroeconomic stability by controlling inflation, reducing unemployment, and promoting sustainable economic growth.

Disadvantages of Public Finance:

1. **Bureaucratic Inefficiency:** Government involvement in the economy can lead to bureaucratic inefficiencies, resulting in delays, waste, and misallocation of resources.
2. **Tax Distortions:** High taxes imposed to finance government expenditure can distort economic incentives, leading to reduced work effort, investment, and economic growth.
3. **Political Interference:** Public finance decisions are susceptible to political interference, which may prioritize short-term electoral gains over long-term economic considerations.
4. **Fiscal Deficits and Debt:** Excessive government borrowing and deficits can lead to unsustainable levels of public debt, crowding out private investment and risking fiscal crises.
5. **Dependency:** Overreliance on government assistance can create a culture of dependency, discourage individual initiative and self-reliance.
6. **Misallocation of Resources:** Government intervention in markets may result in the misallocation of resources, as political considerations may override economic efficiency.

7. **Crowding Out Effect:** High levels of government spending can crowd out private investment by competing for scarce resources in the financial markets, potentially reducing long-term economic growth.

2. Private Finance

Private finance refers to the financial activities and transactions conducted by individuals, households, businesses, and non-governmental organizations in the private sector. It encompasses a wide range of activities, including savings, investment, borrowing, lending, and financial planning. Understanding private finance is essential for individuals and businesses to manage their finances effectively and achieve their financial goals. Let's explore the characteristics, advantages, and disadvantages of private finance in detail.

Characteristics of Private Finance:

1. **Individual Decision Making:** Private finance involves individual decision making by households, businesses, and other private entities regarding their financial activities, such as saving, spending, and investing.
2. **Profit Motive:** The primary objective of private finance is to maximize profits and wealth accumulation for individuals, businesses, and investors.
3. **Risk and Return:** Private finance involves assessing and managing risks associated with financial activities, such as investment in stocks, bonds, real estate, and entrepreneurial ventures, in pursuit of higher returns.
4. **Market Mechanism:** Private finance operates within the framework of market mechanisms, where prices, interest rates, and asset values are determined by supply and demand forces in financial markets.
5. **Financial Intermediation:** Private finance relies on financial intermediaries such as banks, insurance companies, investment firms, and mutual funds to facilitate savings mobilization, investment allocation, and risk management.
6. **Diversification:** Private finance emphasizes diversification as a risk management strategy, spreading investments across different asset classes, industries, and geographic regions to reduce exposure to specific risks.
7. **Long-term Planning:** Private finance involves long-term financial planning to achieve various financial goals, such as retirement planning, education funding, wealth accumulation, and estate planning.

Advantages of Private Finance:

1. **Individual Freedom:** Private finance offers individuals and businesses the freedom to make independent financial decisions based on their preferences, goals, and risk tolerance.
2. **Innovation:** Private finance fosters innovation and entrepreneurship by providing funding and incentives for new ideas, products, and technologies that drive economic growth and development.

3. **Efficiency:** Private finance promotes efficiency in resource allocation through competitive markets, where prices reflect supply and demand conditions, leading to optimal investment and production decisions.
4. **Wealth Creation:** Private finance enables individuals and businesses to accumulate wealth over time through savings, investment, and wealth-building strategies, such as asset allocation and compounding returns.
5. **Tailored Solutions:** Private finance offers tailored financial products and services to meet the diverse needs and preferences of individuals and businesses, including banking, insurance, investment management, and financial advisory services.
6. **Risk Management:** Private finance provides various tools and strategies for managing financial risks, such as diversification, hedging, insurance, and derivatives, to protect against unexpected events and losses.
7. **Financial Inclusion:** Private finance promotes financial inclusion by expanding access to financial services and products, particularly for underserved and marginalized populations, through innovations in technology and financial intermediation.

Disadvantages of Private Finance:

1. **Inequality:** Private finance can exacerbate income and wealth inequalities by favoring those with greater financial resources, knowledge, and access to investment opportunities, leading to social disparities and economic imbalances.
2. **Market Failures:** Private finance is susceptible to market failures, such as information asymmetry, externalities, imperfect competition, and irrational behavior, which can result in suboptimal outcomes and inefficiencies.
3. **Financial Instability:** Private finance is prone to financial crises and instability due to speculative bubbles, excessive leverage, asset price volatility, and contagion effects, leading to systemic risks and economic downturns.
4. **Short-termism:** Private finance may prioritize short-term gains and speculation over long-term value creation and sustainability, leading to excessive risk-taking, volatility, and speculative bubbles in financial markets.
5. **Lack of Regulation:** Private finance can be subject to inadequate regulation and oversight, leading to market abuses, fraud, misconduct, and systemic risks, requiring effective regulation and supervision to safeguard investors and maintain market integrity.
6. **Overleveraging:** Private finance involves the use of leverage and debt financing, which can magnify returns but also increase financial vulnerability and exposure to default risk, particularly during economic downturns and financial crises.

7. **Financial Exclusion:** Private finance may exclude individuals and communities with limited access to financial services and products, such as the unbanked and under banked populations, exacerbating social and economic inequalities and hindering inclusive growth and development.

SELF-CHECK EXERCISE-1

Multiple Choice Questions

1. Which of the following best describes public finance?
 - A) Financial activities conducted by individuals and businesses
 - B) Financial activities conducted by governments and public entities
 - C) Financial activities conducted in the private sector only
 - D) Financial activities conducted by non-profit organizations
2. What is the primary objective of public finance?
 - A) Maximizing profits
 - B) Maximizing social welfare
 - C) Minimizing taxes
 - D) Maximizing government debt
3. Which of the following is a characteristic of public finance?
 - A) Individual decision making
 - B) Profit motive
 - C) Long-term planning
 - D) Market mechanism
4. How does public finance address market failures?
 - A) By maximizing profits
 - B) By promoting competition
 - C) By providing public goods
 - D) By minimizing government intervention
5. What is a disadvantage of public finance?
 - A) Efficiency in resource allocation
 - B) Excessive government borrowing
 - C) Individual freedom in decision making
 - D) Lack of financial inclusion
6. What is the primary objective of private finance?

- A) Maximizing social welfare
 - B) Maximizing profits
 - C) Minimizing government intervention
 - D) Maximizing government borrowing
7. Which of the following is a characteristic of private finance?
- A) Collective decision making
 - B) Market mechanism
 - C) Redistribution of income
 - D) Government involvement
8. How does private finance promote innovation?
- A) By maximizing profits
 - B) By providing public goods
 - C) By fostering entrepreneurship
 - D) By minimizing competition

6.4 PUBLIC REVENUE

Public revenue generally refers to government revenue. Some important sources or concepts that are included in public revenue consist of taxes, fees, sale of public goods and services, fines, donations, etc.

Public Revenue is an important concept of Public Finance. It refers to the income of the Government from different sources. Dalton in his "Principles of Public Finance" mentioned two kinds of public revenue. Public revenue includes income from taxes and goods and services of public enterprises, revenue from administrative activities such as fees, fines etc. and gifts and grants. On the other hand public receipts include all the incomes of the government received from formal sources.

The sources of public revenue have been broadly divided into:

(A) Tax Revenue

(B) Non-Tax Revenue

(A) Tax Revenue: Taxes are the first and foremost sources of public revenue. Taxes are compulsory payments to government without expecting direct benefit or return by the tax-payer. Taxes collected by Government are used to provide common benefits to all. Taxes do not guarantee any direct benefit for person

who pays the tax. It is not based on “quid pro quo principle.” The Tax has been divided into two types such as Direct Taxes and Indirect Taxes.

(A) Direct Taxes: Direct taxes are those taxes which are paid by the same person on whom it has been imposed. The impact and incidence of tax fall on the same person, because the tax burden cannot be shifted to others. Direct taxes include the following taxes.

i) Personal Income tax is a tax imposed on the excess income earned by an individual over and above the limit decided by the finance ministry from time to time. It is progressive in nature.

ii) Corporate Tax is a tax levied on the profits earned by registered companies. iii) Capital Gains Tax is a tax imposed on the net profits earned through capital investment in stock market, Real estate, Gold and Jewelry etc.

iv) Wealth Tax (or) Property Tax is a tax levied upon the property owned by individuals. The property includes Land, Building, shares, Bonds, Fixed Deposits, Gold and Jewelry etc.

v) Other taxes: These taxes include taxes like Gift tax and Estate duty.

Do you Know?

The State's own taxes increased to 15.69 per cent in 2019-20 (BE) which is estimated at ₹ 7,921 crore as against ₹ 6,847 crore in 2018-19 (RE) and ₹ 7,108 crore in 2017-18(A)

(B) Indirect Taxes: Indirect taxes are those taxes which are imposed on one group of people, but the ultimate burden will fall on another group of people. The impact of tax and incidence of tax are on different people. In case of Indirect taxes tax burden can be shifted. There are middlemen between the Government and the tax payer. The important Indirect Taxes are as follows:

i) Excise Duty is a tax imposed on the manufacturers as per the value of goods produced but the ultimate burden will fall on the final consumers. ii) Customs Duty is a tax imposed on import and export of Goods. Customs duty may be specific or advalorem. Advalorem duty is a tax imposed on the basis the value of goods imported while specific duty is imposed as per the number of units imported.

iii) Value Added Tax (VAT) is a part of a sales tax imposed by the state government.

iv) Sales Tax revenue goes to the state government when sale or purchase takes place within the state. Sales tax revenue on interstate transactions goes to the central government.

v) Service Tax is tax imposed on services provided. The impact is on the service provider and the incidence of tax falls on the customers. Service tax is the fastest growing tax in India.

vi) Octroi is a tax levied on transfer of goods from one state to another or from one region to another.

Status of Tax Revenue

According to Budget Estimates of 2019-20, the tax revenue (including central taxes) is estimated at ₹ 15,319 crore as against ₹12,277 crore in 2018-19 (RE) which are 24.78 per cent more than the revised estimates of 2018-19, which stands at 9.26 per cent of GSDP.

(B) Non-Tax Revenue: These sources of revenue are classified as administrative revenues, commercial revenues and grants and gifts.

1) Grants: Grants are made by a higher public authority to a lower one, for example, from the Central to the State government or from the State to the local government. Grants are given so that a public authority is able to perform certain activities at the local level. There is no repayment obligation in case of grants.

2) Gifts: Gifts and donations are voluntarily made by individuals, organizations, foreign governments to the funds of the government, e.g. Prime Minister's Relief Fund. Such gifts are usually made at the time of crisis like war or floods. Gifts cannot be considered a regular source of revenue.

3) Fees: Fees are an important source of administrative non-tax revenue to the government. The government provides certain services and charges, certain fees for them. For example, fees are charged for issuing of passports, granting licenses to telecom companies, driving licenses etc.

4) Fines and Penalties: Another source of administrative non-tax revenue includes fines and penalties. They are imposed as a form of punishment for breaking law or non-fulfillment of certain conditions or for failure to observe some regulations. They are not expected to be a major source of revenue to the government.

5) Special Assessment: It is a kind of special charge levied on certain members of the community who are beneficiaries of certain government activities or public projects. For example, due to public park in a locality or due to the construction of a road, people in the locality may experience an appreciation in the value of their property or land.

6) Surpluses of Public Enterprises: Most countries have government departments and public sector enterprises involved in commercial activities. The surpluses of these departments and enterprises are an important source of non-tax revenue.

These revenues are in the form of profits and interests and are termed as commercial revenues.

Status of Non-Tax Revenue

The non-tax revenue is likely to increase to ₹ 2,443 crore in 2019-20 as against ₹ 2,324 crore in 2018-19 showing a increase of 5.13 per cent and is 1.48 per cent of State GSDP. Non-Debt capital receipts consist of recovery of loans and advances and disinvestment receipts. The budget estimate for 2019-2020 envisages ₹ 27 Crore as recovery of loans and no income from disinvestment.

Do you Know?

The total revenue receipts are estimated at ₹ 33,747 Crore showing an increase of 8.20 per cent.

SELF-CHECK EXERCISE-2

State whether the following statements are True/False

10. Indirect taxes are those taxes which are imposed on one group of people, but the ultimate burden will fall on another group of people.
11. Octroi is a tax imposed on services provided.
12. Sales tax revenue on interstate transactions goes to the state government.
13. Capital Gains Tax is a tax imposed on the net profits earned through capital investment in stock market.
14. Fees are an important source of administrative tax revenue to the government.

6.5 SUMMARY

The economy of public finance is related to the fulfillment of group needs specially. In this, we study those economic problems which arise in state or public sector, such as how to divide resources between private and public sectors and how allotment of resources for satisfaction of different resources of Government expenditure under public sector. The implementation of General Theory of employment by Keynes and Economic depression of 1930 became the bell of death for the policy. Keynes narrated that it is possible for the state to increase employment by fiscal operations and to maintain it on high level. In under-developed countries too, it is the main motive of the Government that the country must progress fastly economically and there must be equitable distribution of national production, and fiscal policy can become an important tool for the fulfillment of these objectives. The area and subject matter of public finance is not static, because it is expanding

continuously with the changes in functions of state and problems of economy. The basic difference is found between public finance and private finance in many matters such as objective, the methods of receiving finance and the quantity of resources etc.

6.6 GLOSSARY

- **Public Finance:** Public finance is the study of the role of the government in the economy. It is the branch of economics that assesses the government revenue and government expenditure of the public authorities and the adjustment of one or the other to achieve desirable effects and avoid undesirable ones.
- **Private Finance:** A private finance initiative (PFI) is a way of financing public sector projects through the private sector.
- **Budget:** The account of income and expenditure
- **Fiscal operations:** The activities of fiscal
- **Inflation:** The usage of more money than business needs of the country

6.7 ANSWERS TO SELF-CHECK EXERCISES

1. B) Financial activities conducted by governments and public entities
2. B) Maximizing social welfare
3. C) Long-term planning
4. C) By providing public goods
5. B) Excessive government borrowing
6. B) Maximizing profits
7. B) Market mechanism
8. C) By fostering entrepreneurship
9. True
10. False
11. False
12. True
13. False

6.8 SUGGESTED READINGS

- Public Finance—New Royal Book Company.
- Public Finance—H.L.Bhatia, Vikas Publishing House Pvt. Ltd.
- Public Finance Administration—Manjusha Sharma, O.P.Bohra, Ravi Books.
- Money Banking and Public Finance—Sundaram V, Alpha Pub., 2009.

6.9 TERMINAL QUESTIONS

1. What are the various similarities and dissimilarities between public and private finance.
2. Describe briefly about the functions of modern state.

PLANNING IN HIMACHAL PRADESH

STRUCTURE

- 7.1 Introduction
- 7.2 Learning Objectives
- 7.3 Policy Initiative Highlights
Self-Check Exercise-1
- 7.4 Current Year Budget
Self-Check Exercise-2
- 7.5 Expenditure and Receipts In 2019-20
Self-Check Exercise-3
- 7.6 Summary
- 7.7 Glossary
- 7.8 Answers to Self-Check Exercises
- 7.9 Suggested Readings
- 7.10 Terminal Questions

7.1 INTRODUCTION

The most important aim of planning is to identify a process of development which will raise living standards and open out to the people new opportunities for a richer and more prosperous life. The basic objectives of planning can be grouped under four heads, growth, modernization, self-reliance and social justice. In one form or another but possibly with varying emphasis, these objectives reflect the views of all sections of the population and represent a national consensus on the aim of planning.

7.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Know the concept of planning
- Know about the various policies
- Analyze the current year budget (2019-20)
- Know the sector-wise expenditure of the state Govt.

7.3 POLICY INITIATIVE HIGHLIGHTS

- **Reservation:** 10 per cent reservation will be provided to the economically weaker sections of the general category in employment and educational institutions.
- **Education:** Rs 7,858 crore has been allocated towards the education sector. Video conference facility will be setup in schools. 15 new Atal Aadarsh Vidya Kendras will be established under the ongoing “Atal Aadarsh Vidya Kendra Yojna”. Further, a new “Atal Nirmal Jal Yojna” will provide water filters in all government schools in the state.
- **Agriculture and Irrigation:** Rs 3,995 Crore has been allocated towards agriculture, irrigation and flood control. The allocation includes a subsidy of up to Rs 25,000 for purchase of indigenous cow breeds, Rs 150 Crore allocated towards the Mukhya Mantri Nutan Polyhouse Yojna for construction of 5,000 poly houses, and an increase of two rupees per litre in milk procurement price. Further, electricity charges paid by farmers for irrigation will be reduced from 75 paise to 50 paise per unit.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. The basic objectives of planning can be grouped under four heads, growth, modernization, self reliance and.....
2. Tourism Policy 2019 includes training and skill.....
3. 10 per cent reservation will be provided to the economically weaker sections of the general category in
4. “Atal Nirmal Jal Yojna” will provide water filters in all governmentin the state.
5. For 2019-20 electricity charges paid by farmers for irrigation will be reduced from 75 paise toper unit.

7.4 CURRENT YEAR BUDGET

Budget Highlights

- The Gross State Domestic Product (GSDP) of Himachal Pradesh for 2019-20 (at current prices) is estimated to be Rs 1,68,972.
- Total Expenditure for 2019-20 is estimated to be Rs 44,388 Crore, a 1.7 per cent increase over the revised estimate of 2018-19. In 2018-19, as per the revised estimate, there is estimated to be an increase of Rs 2,185 Crore (5.3 per cent) of expenditure over the budgeted estimate.
- Total Receipts (excluding borrowings) for 2019-20 are estimated to be Rs 35,024 Crore, an increase of 8 per cent as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) are estimated to surpass the budgeted estimate by Rs 781 Crore (2.5 per cent).
- Revenue deficit for the next financial year is targeted at Rs 2,342 Crore, or 1.4 per cent of the Gross State Domestic Product (GSDP).

- Fiscal Deficit is targeted at Rs 7,352 Crore (4.4 per cent of GSDP). The sectors of Education Transport, and Water Supply, Sanitation, Housing and Urban Development saw the highest increase in allocations.

Do you Know?

The Gross State Domestic Product (GSDP) of Himachal Pradesh for 2019-20 is 12 per cent higher than the revised estimate for 2018-19.

Budget Estimates for 2019-20

The total expenditure in 2019-20 is targeted at Rs 44,388 Crore. This is 1.7 per cent higher than the revised estimates of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 35,024 Crore and borrowings of Rs 7,081 Crore. Total receipts for 2019-20 (other than borrowings) are expected to be 8 per cent higher than the revised estimate of 2018-19.

Table 1: Budget 2019-20 - Key figures (in Rs Crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	%age change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	%age change from RE 2018- 19 to BE 2019-20
Total Expenditure	34,812	41,440	43,625	5.3 per cent	44,388	1.7 per cent
A. Receipts (except borrowings)	29,114	31,660	32,441	2.5 per cent	35,024	8.0 per cent
B. Borrowings	5,600	6,505	7,944	22.1 per cent	7,081	-10.9 per cent
Total Receipts (A+B)	34,714	38,165	40,385	5.8 per cent	42,105	4.3 per cent

Sources: Himachal Pradesh Budget Documents 2019-20.

Notes: BE is Budget Estimate; RE is Revised Estimate. The budget reports all numbers in net figures.

SELF-CHECK EXERCISE-2

Fill in the Blanks

- Total Expenditure for 2019-20 is estimated to be Rs
- Fiscalis targeted at Rs 7,352 Crore (4.4 per cent of GSDP).
- Total receipts for 2019-20 other thanare expected to be 8 per cent higher than the revised estimate of 2018-19.

7.5 EXPENDITURE AND RECEIPTS IN 2019-20

1. Expenditure in 2019-20

Capital Expenditure

- It is proposed to be Rs 8,299 Crore, which is a decrease of 18.8 per cent over the revised estimates of 2018-19.
- Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as:
 - (i) capital outlay, i.e. expenditure which leads to creation of assets (such as bridges and hospitals), and
 - (ii) repayment and grant of loans by the state government.
- Himachal Pradesh capital outlay for 2019-20 is estimated to be Rs 4,580 Crore, which is 6.4 per cent lower than the revised estimate of 2018-19.

Revenue Expenditure

- It is proposed to be Rs 36,089 Crore, which is an increase of 8 per cent over revised estimates of 2018-19. This expenditure includes payment of salaries and maintenance of assets.

Do You Know?

Committed liabilities of a state typically include expenditure on payment of salaries, pensions, and interest payments.

Table 2: Expenditure Budget 2019-20 (in Rs crore)

Items	2017-18 Actual	2018-19 Budgeted	2018-19 Revised	%age change from BE 2018- 19 to RE 2018- 19	2019-20 Budgeted	%age change from RE 2018- 19 to BE 2019- 20
Capital Expenditure	7,759	7,872	10,217	29.8 per cent	8,299	-18.8 per cent
of which Capital Outlay	3,756	4,240	4,894	15.4 per cent	4,580	-6.4 per cent
Revenue Expenditure	27,053	33,568	33,408	-0.5 per cent	36,089	8.0 per cent
Total Expenditure	34,812	41,440	43,625	5.3 per cent	44,388	1.7 per cent
A. Debt Repayment	3,500	3,184	4,623	45.2 per cent	3,261	-29.5 per cent
B. Interest Payments	3,788	4,260	4,100	-3.8 per cent	4,550	11.0 per cent
Debt Servicing (A+B)	7,288	7,444	8,723	17.2 per cent	7,811	-10.5 per cent

Notes: 1. The budget reports all numbers in net figures. 2. Capital outlay denotes expenditure which leads to creation of assets.

Sector-wise Expenditure in 2019-20

The sectors listed below account for 60 per cent of the total budgeted expenditure of Himachal Pradesh in 2019-20.

Table 3: Sector-wise Expenditure for Himachal Pradesh Budget 2019-20

(Rs Crore)

Departments	2017-18 Actuals	2018-19 BE	2018-19 RE	2019-20 BE	%age change from RE 2018-19 to BE 2019-20	Budget Provisions for 2019-20
Education	6,041	7,282	7,339	7,858	7 per cent	15 new Atal Aadarsh Vidya Kendras will be established under the ongoing "Atal Aadarsh Vidya Kendra Yojna". "Atal Nirmal Jal Yojna" will be started to provide water filters in schools.
Transport	2,667	3,348	3,362	3,561	6 per cent	500 kilometres of roads will be constructed and metalling and tarring of 1,000 kilometres of roads will be undertaken under the "Pradhan Mantri Gram Sadak Yojana". An outlay of Rs. 600 crore will be made under "Mukhya Mantri Gram Sadak Yojna".
Water Supply, Sanitation, Housing and Urban Development	2,723	2,853	3,017	3,207	6 per cent	Households belonging to economically weaker sections will be provided pipe length up to 50 meters at a 50 per cent subsidy under a new 'Mukhya Mantri Swajal Yojana' for supply of tap water.
Health and Family Welfare	2,006	2,557	2,644	2,751	4 per cent	500 Health Sub Centres and 125 Primary Health Centres will be upgraded to Health and Wellness Centres. Free health insurance cover will be provided to MGNREGA workers, who have completed at least 50 days of wage employment.
Agriculture and allied	1,908	2,553	2,554	2,633	3 per cent	The allocation includes assured income support of

activities						Rs 6,000 per annum to farmers with land holdings of less than 2 hectares under the central "Pradhan Mantri Kisan Samman Nidhi" scheme.
Social Welfare and Nutrition	1,280	1,444	1,604	1,592	-1 per cent	Pension amount for pensioners getting Rs.750 per month will be increased to Rs. 850, and to Rs. 1,500 per month for all pensioners getting a pension of Rs. 1,300. The contribution of the government under the New Pension Scheme will be increased from 10 per cent to 14 per cent.
Rural Development	924	1,809	1,432	1,722	20 per cent	A new skill development programme called "Mukhya Mantri Gram Kaushal Yojna" will be launched which will provide skill training to artisans in traditional arts and help them gain an assured income. An outlay of over Rs 200 crore have been promised to Panchayati Raj institutions.
Police	1,094	1,303	1,314	1,425	8 per cent	The honorarium of SPOs deployed along J&K border will be increased from Rs. 6,000 to Rs.7,000. Five de-addiction and rehabilitation centres will be set up for drug victims.
Irrigation and Flood Control	917	1,311	1,480	1,362	-8 per cent	Electricity rate paid by farmers for irrigation will be reduced from 75 paise to 50 paise per unit.
%age of total expenditure	58 per cent	61 per cent	61 per cent	60 per cent		

Source: Himachal Pradesh Budget Speech 2019-20, Himachal Pradesh AFS 2019-20, Himachal Pradesh Demand for Grants 2019-20.

2. Receipts in 2019-20

Total Revenue Receipts

These are estimated to be Rs 33,747 Crore, an increase of 8.2 per cent over the revised estimates of 2018-19. of this, Rs 10,364 Crore (31 per cent of the revenue receipts) will be raised by the state through its own resources, and Rs 23,383 Crore (69 per cent of the revenue receipts) will be devolved by the centre in the form of grants and the state's share in taxes.

Non-Tax Revenue: Himachal Pradesh has estimated to generate Rs 2,443 Crore through non-tax sources in 2019-20. Of this, Rs 973 Crore will be received by the state as revenue from power.

Table 4: Break up of State Government Receipts (Rs crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	%age change from BE 2018-19 to RE 2018- 19	2019-20 Budgeted	%age change from RE 2018-19 to BE 2019- 20
State's Own Tax	7,108	8,248	6,847	-16.99 per cent	7,921	15.69 per cent
State's Own Non-Tax	2,364	1,981	2,324	17.31 per cent	2,443	5.12 per cent
Share in Central Taxes	4,801	6,387	5,430	-14.99 per cent	7,398	36.25 per cent
Grants-in-aid from Centre	13,094	13,784	16,589	20.35 per cent	15,985	-3.64 per cent
Total Revenue Receipts	27,367	30,400	31,190	2.60 per cent	33,747	8.20 per cent
Borrowings	5,600	6,505	7,944	22.12 per cent	7,081	-10.87 per cent
Other receipts	1,746	1,260	1,252	-0.62 per cent	1,277	2.00 per cent
Total Capital Receipts	7,347	7,765	9,196	18.43 per cent	8,357	-9.11 per cent
Total Receipts	34,714	38,165	40,385	5.82 per cent	42,105	4.26 per cent

Sources: Himachal Pradesh Budget Documents 2019-20.

Note: The budget reports all numbers in net figures.

- **Tax Revenue:** Total own tax revenue of Himachal Pradesh is estimated to be Rs 7,921 Crore in 2019-20. The composition of the state's own tax revenue is shown in Figure 2. The tax to GSDP ratio is targeted at 4.7 per cent in 2019-20, which is in the same range as the revised estimate of 4.5 per cent in 2018-19. This implies that growth in collection of taxes has been at par with the growth in the economy.

Do You Know?

Himachal Pradesh total GST revenue (including central transfers) is estimated to be Rs 5,477 Crore in 2019-20

SELF-CHECK EXERCISE-3

State whether the following statements are True/False

9. Capital outlay is that income which leads to creation of assets (such as bridges and hospitals).
10. Himachal Pradesh capital outlay for 2019-20 is 8.4 per cent lower than the revised estimate of 2018-19.
11. 50 per cent subsidy will be provided under a new 'Mukhya Mantri Swajal Yojana' for supply of tap water.
12. Revenue Expenditure includes payment of salaries and maintenance of assets.
13. The honorarium of SPOs deployed along J&K border will be increased from Rs. 6,000 to Rs.7,000.

7.6 SUMMARY

In any developing economy like Himachal Pradesh, a systematic record of time series data for future planning and policy formulation is very important. The Govt. of Himachal Pradesh is engaged in changing the face of Rural Himachal through its many fold development schemes, working in a participatory manner with the rural folks. The State Rural Development Department is engaged in the implementation of different rural development and poverty alleviation programmes. The Gross State Domestic Product (GSDP) of Himachal Pradesh for 2019-20 (at current prices) is estimated to be Rs 1,68,972, whereas Total expenditure for 2019-20 is estimated to be Rs 44,388 Crore. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 35,024 Crore and borrowings of Rs 7,081 Crore.

7.7 GLOSSARY

- **Fiscal Deficit:** is a shortfall in a government's income compared with its spending.
- **GST:** The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services.
- **Government Revenue:** it is the money received by a government from taxes and non-tax sources to enable it to undertake government expenditures. Government revenue as well as government spending are components of the government budget and important tools of the government's fiscal policy.
- **Capital Receipts:** refer to those receipts which either create a liability or cause a reduction in the assets of the government. They are non-recurring and non-routine in nature.
- **Revenue Receipts:** refer to those receipts which neither create any liability nor cause any reduction in the assets of the government. They are regular and recurring in nature and government receives them in its normal course of activities.

7.8 ANSWERS TO SELF-CHECK EXERCISES

- | | | | |
|-------------------|-----------------|---------------|-------------------|
| 1. Social Justice | 2. Up gradation | 3. Employment | 4. Schools |
| 5. 50 Paise | 6. 44,388 Crore | 7. Deficit | 8. Borrowings |
| 9. False | 10. False | 11. True | 12. True 13. True |

7.9 SUGGESTED READINGS

Himachal Pradesh Development Report: Published Under Arrangement with Planning Commission (State Development Report Series).

- Economic Survey of Himachal Pradesh; 2019-20.
- Annual Report 2019-20 of the Planning Commission of India.

7.10 TERMINAL QUESTIONS

1. Distinguish between the following:
 - (a) Revenue receipts and Capital receipts
 - (b) Revenue deficit and Fiscal deficit.
2. Explain the concept of fiscal deficit in a govt. budget. What does it indicate?
3. What is the basis of classifying government expenditure into revenue expenditure and capital expenditure?
4. "GST is a destination based tax on consumption of goods and services" comment.

AGRICULTURE IN HIMACHAL PRADESH

STRUCTURE

- 8.1 Introduction
- 8.2 Learning Objectives
- 8.3 Agriculture in Himachal Pradesh
Self-Check Exercise-1
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- 8.5 Summary
- 8.6 Glossary
- 8.7 Answers to Self-Check Exercises
- 8.8 Suggested Readings
- 8.9 Terminal Questions

8.1 INTRODUCTION

Agriculture contributes nearly about 45 per cent to the net state domestic product. It is the main source of income as well as employment in Himachal. About 93 per cent of the state population depend directly upon agriculture. The main cereals grown in the state are wheat, maize, rice and barley.

8.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- know about agriculture in Himachal Pradesh
- know how agriculture helps in economic development
- understand the various sponsored schemes for farmers

8.3 AGRICULTURE IN HIMACHAL PRADESH

Himachal Pradesh agriculture is a very crucial part of the state's economy as agriculture is the chief occupation of people in Himachal Pradesh. The agricultural sector of the Himachal Pradesh has more than 45 per cent contribution in its economy in terms of the state's domestic product. The entire population of the state more or less depends directly upon the agriculture of Himachal Pradesh. The major portion of the revenue earning in the state's economy is carried out by the cash crops in the Himachal Pradesh agriculture. The chief food crops cultivated in

Himachal Pradesh agriculture include wheat, maize, rice, barley, seed-potato, ginger, vegetables, vegetable seeds, mushrooms, chicory seeds, hops and olives. Farmers have engaged themselves highly in the fruit cultivation and it is also a great blessing to the economy of the state. Some very important factors that has led to the outstanding development in the agriculture of Himachal Pradesh are an efficient irrigation system, accessibility of low-cost cargo, and marketing facilities structured in an organized form. Himachal Pradesh agriculture provides employment to around 71 per cent of the working population in the state. The agricultural sector and the allied sector generates a revenue of nearly 22.5 per cent of the gross State Domestic Product. The farming community of the state holds an area of 9.99 lakh hectares which is run by 8.63 lakh farmers out of the total geographical area of 55.673 lakh hectares. Around 84.5 per cent of the total land held by the farming community of Himachal Pradesh is owned by the small and marginal farmers. Only 10.4 per cent of the area of the state is cultivated and about 80 per cent of the area experiences rainfall.

The agricultural sector of Himachal Pradesh has adopted a diversification approach that demands for a focus on the production of off-season vegetables that include potato, ginger, soyabean, oilseeds, and pulses. At present, about 41,500 hectare area constitutes vegetable production and the production level of those vegetables is 7.85 lakh tonne. The farmers focus more upon generating the cash crops for more revenue earning as it suits the agro-climactic conditions in Himachal Pradesh. The main cereals cultivated in Himachal Pradesh agriculture are wheat, maize, rice, and barley. Kangra, Mandi district and to some extent Paonta valley of Sirmur district are the major producers of wheat, maize, and rice. Barley is cultivated largely in Shimla district of Himachal Pradesh. The main sources of irrigation in Himachal Pradesh are small water channels that are filled from the perennial and seasonal springs, well irrigation in few areas, and lift irrigation. All these development witnessed by the agricultural sector of Himachal Pradesh have stepped-up the productivity of the crops to a large extent.

Do you Know?

Himachal Pradesh is also known as the 'Apple State of India' for its large-scale production of fruits.

Role of Agriculture in Economic Development

Agricultural sector plays a strategic role in the process of economic development of a state. It has already made a significant contribution to the economic prosperity and its role in the economic development of the state is of vital importance. According to Prof. Kinderberger, Todaro, Lewis and Nurkse etc., agriculture makes its contribution to economic development in several ways, viz.

1. By providing food and raw material to non-agricultural sectors of the economy;
2. By creating demand for goods produced in non-agricultural sectors, by the rural people on the strength of the purchasing power, earned by them on selling the marketable surplus;
3. By providing investable surplus in the form of savings and taxes to be invested in non-agricultural sector;
4. By earning valuable foreign exchange through the export of agricultural products;
5. Providing employment to a vast army of uneducated, backward and unskilled labour. As a matter of fact, if the process of economic development is to be initiated and made self-sustaining, it must begin for agricultural sector.

The role of agriculture for the development of an economy may be stated as below:

1. Share in National Income:

The lessons drawn from the economic history of many advanced countries tell us that agricultural prosperity contributed considerably in fostering economic advancement. It is correctly observed that, "The leading industrialized countries of today were once predominantly agricultural while the developing economies still have the dominance of agriculture and it largely contributes to the national income. In India, still 28 per cent of national income comes from this sector.

2. Source of Food Supply:

Agriculture is the basic source of food supply of all the countries of the world whether underdeveloped, developing or even developed. Due to heavy pressure of population in underdeveloped and developing countries and its rapid increase, the demand for food is increasing at a fast rate. If agriculture fails to meet the rising demand of food products, it is found to affect adversely the growth rate of the economy. Raising supply of food by agricultural sector has, therefore, great importance for economic growth of a country. Increase in demand for food in an economy is determined by the following equation:

$$D = P + 2g$$

Here,

D stands for Annual Rate of Growth in demand for food.

P stands for Population Growth Rate.

g stands for Rate of Increase in per Capita Income.

2 stand for Income Elasticity of Demand for Agricultural Products.

3. Pre-Requisite for Raw Material:

Agricultural advancement is necessary for improving the supply of raw materials for the agro-based industries especially in developing countries. The shortage of agricultural goods has its impact upon on industrial production and a consequent increase in the general price level. It will impede the growth of the country's economy. The flour mills, rice, oil & dal mills, bread, meat, milk products sugar factories, wineries, jute mills, textile mills and numerous other industries are based on agricultural products.

4. Provision of Surplus:

The progress in agricultural sector provides surplus for increasing the exports of agricultural products. In the earlier stages of development, an increase in the exports earning is more desirable because of the greater strains on the foreign exchange situation needed for the financing of imports of basic and essential capital goods. Johnson and Mellor are of the opinion, "In view of the urgent need for enlarged foreign exchange earnings and the lack of alternative opportunities, substantial expansion of agricultural export production is frequently a rational policy even though the world supply demand situation for a commodity is unfavourable."

5. Shift of Manpower:

Initially, agriculture absorbs a large quantity of labour force. In India still about 62 per cent labour is absorbed in this sector. Agricultural progress permits the shift of manpower from agricultural to non-agricultural sector. In the initial stages, the diversion of labour from agricultural to non-agricultural sector is more important from the point of view of economic development as it eases the burden of surplus labour force over the limited land. Thus, the release of surplus manpower from the agricultural sector is necessary for the progress of agricultural sector and for expanding the non-agricultural sector.

6. Creation of Infrastructure:

The development of agriculture requires roads, market yards, storage, transportation railways, postal services and many others for an infrastructure creating demand for industrial products and the development of commercial sector.

7. Relief from Shortage of Capital:

The development of agricultural sector has minimized the burden of several developed countries that were facing the shortage of foreign capital. If foreign capital is available with the 'strings' attached to it, it will create another significant problem.

8. Helpful to Reduce Inequality:

In a country which is predominantly agricultural and overpopulated, there is greater inequality of income between the rural and urban areas of the country. To reduce this inequality of income, it is necessary to accord higher priority to agriculture. The prosperity of agriculture would raise the income of the majority of the rural population and thus the disparity in income may be reduced to a certain extent.

9. Based on Democratic Notions:

If the agricultural sector does not grow at a faster rate, it may result in the growing discontentment amongst the masses which is never healthy for the smooth running of democratic governments. For economic development, it is necessary to minimize political as well as social tensions. In case the majority of the people have to be kindled with the hopes of prosperity, this can be attained with the help of agricultural progress. Thus development of agriculture sector is also relevant on political and social grounds.

10. Create Effective Demand:

The development of agricultural sector would tend to increase the purchasing power of agriculturists which will help the growth of the non-agricultural sector of the country. It will provide a market for increased production. In underdeveloped countries, it is well known that the majority of people depend upon agriculture and it is they who must be able to afford to consume the goods produced. Therefore, it will be helpful in stimulating the growth of the non- agricultural sector. Similarly improvement in the productivity of cash crops may pave the way for the promotion of exchange economy which may help the growth of non-agricultural sector. Purchase of industrial products such as pesticides, farm machinery etc. also provide boost to industrial dead out.

Do you Know?

Agriculture sector requires less capital for its development thus it minimizes growth problem of foreign capital.

11. Helpful in Phasing out Economic Depression:

During depression, industrial production can be stopped or reduced but agricultural production continues as it produces basic necessities of life. Thus it continues to create effective demand even during adverse conditions of the economy.

12. Source of Foreign Exchange for the Country:

Most of the developing countries of the world are exporters of primary products. These products contribute 60 to 70 per cent of their total export earnings. Thus, the capacity to import capital goods and machinery for industrial development depends crucially on the export earning of the agriculture sector. If exports of agricultural goods fail to increase at a sufficiently high rate, these countries are forced to incur heavy deficit in the balance of payments resulting in a serious foreign exchange problem. However, primary goods face declining prices in international market and the prospects of increasing export earnings through them are limited. Due to this, large developing countries like India (having potentialities of industrial development) are trying to diversify their production structure and promote the exports of manufactured goods even though this requires the adoption of protective measures in the initial period of planning.

13. Contribution to Capital Formation:

Underdeveloped and developing countries need huge amount of capital for its economic development. In the initial stages of economic development, it is agriculture that constitutes a significant source of capital formation.

Agriculture sector provides funds for capital formation in many ways as:

- (i) agricultural taxation,
- (ii) export of agricultural products,
- (iii) collection of agricultural products at low prices by the government and selling it at higher prices. This method is adopted by Russia and China,
- (iv) labour in disguised unemployment, largely confined to agriculture, is viewed as a source of investible surplus,

14. Employment Opportunities for Rural People:

Agriculture provides employment opportunities for rural people on a large scale in underdeveloped and developing countries. It is an important source of livelihood. Generally, landless workers and marginal farmers are engaged in non-

agricultural jobs like handicrafts, furniture, textiles, leather, metal work, processing industries, and in other service sectors. These rural units fulfil merely local demands. In India about 70.6 per cent of total labour force depends upon agriculture.

15. Improving Rural Welfare:

It is time that rural economy depends on agriculture and allied occupations in an underdeveloped country. The rising agricultural surplus caused by increasing agricultural production and productivity tends to improve social welfare, particularly in rural areas. The living standard of rural masses rises and they start consuming nutritious diet including eggs, milk, ghee and fruits. They lead a comfortable life having all modern amenities like a better house, motor-cycle, radio, television and use of better clothes.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. During depression, industrial production can be stopped butproduction continues.
2. The development of agricultural sector would tend to increase thepower of agriculturists.
3. To reduce this inequality of....., it is necessary to accord higher priority to agriculture.
4.sector requires less capital for its development thus it minimizes growth problem of foreign capital.
5. Agricultural progress permits the shift offrom agricultural to non-agricultural sector.
6. The agricultural sector and the allied sector generates aof nearly 22.5 per cent of the gross State Domestic Product.
7. Around 84.5 per cent of the total land held by the farming community of Himachal Pradesh areby the small and marginal farmers.

Do you Know?

On March 11, 2020, the World Bank, Government of India and Government of Himachal Pradesh signed a loan agreement of 80 million USD to increase agriculture productivity and improve water management practices in Himachal Pradesh.

8.4 SCHEMES FOR FARMERS

1. National Mission on Sustainable Agriculture (NMSA)

Sustainable agriculture productivity depends upon quality and availability of Natural resources like soil and water. Agricultural growth can be sustained by promoting conservation and sustainable use of these scarce natural resources through appropriate location specific measures. Thus, conservation of natural resources in conjunction with development of rain fed agriculture holds the key to meet burgeoning demand for food grain in the state. Towards this end, National Mission for Sustainable Agriculture (NMSA) has been formulated for enhancing agricultural productivity especially in rain fed areas. Main deliverable under this mission is:

1. Developing rain fed agriculture.
2. Natural resources management
3. Enhancing water use efficiency.
4. Improving soil health.
5. Promoting conservation agriculture.

It is a centrally sponsored scheme and the component will be in the ratio of 90:10 center and state share respectively.

2. National Food Security Mission (NFSM)

National Food Security Mission was launched in 2007-08 to increase the production of rice, wheat and pulses by 10, 8 and 2 million tonnes, respectively by the end of XI Plan through area expansion and productivity enhancement; restoring soil fertility and productivity; creating employment opportunities; and enhancing farm level economy. The National Food Security Mission (NFSM), during the 12th Five Year Plan, had five components

- (i) NFSM-Rice;
- (ii) NFSM-Wheat;
- (iii) NFSM-Pulses;
- (iv) NFSM-Coarse Cereals;
- (v) NFSM-Commercial Crops.

During 2017-18, the programme was implemented with components/ interventions/ cost norms/pattern of assistance of 12th plan. On the basis of EFC recommendations which were held on 29.11.2017, from the years 2018-19 and 2019-20, NMOOP and Seed Village Programme are now a part of NFSM and thus NFSM have three more components viz.

1. NFSM-Commercial Crops;
2. NFSM-Oil seeds and Oil palm;
3. NFSM-Seed Village Programme.

3. National Mission on Sustainable Agriculture (NMSA)

National Mission for Sustainable Agriculture (NMSA) has been formulated for enhancing agricultural productivity especially in rain fed areas focusing on integrated farming, water use efficiency, soil health management and synergizing resource conservation.

4. Efficient Irrigation through Micro-Irrigation Scheme

State Government is committed to promote Agriculture in the State by increasing the productivity of crops. For efficient system of irrigation the Government has launched crucial Project named 'Rajiv Gandhi Micro-Irrigation Scheme' with an outlay of Rs.154 Crore over a period of 4 years. Through this Project, 8,500 hectare area will be brought under Drip/ Sprinkler Irrigation System benefitting 14,000 farmers. Farmers will get a subsidy of Rs.113 Crore during the project period. The project is under appraisal with NABARD under RIDF funding.

A. 80 per cent assistance shall be provided to individual farmer for Micro- irrigation Systems.

B. 50 per cent assistance for construction of shallow wells, shallow bore wells- Shallow well with minimum depth 8 m and diameter 2.45 m, limited to Rs. 70,000/- Shallow bore well with minimum depth 35 m and minimum diameter 125 mm limited to Rs. 1.0 lac .

C. 50 per cent assistance for lifting water with electric motor of 3 HP and 7.5 HP and above i.e. low and medium lifts, limited to Rs. 70,000/- and Rs. 2,00,000/- respectively.

D. 50 per cent assistance for pumping machinery.

5. Pradhan Mantri Krishi Sinchai Yojana: The major objectives of the PMKSY are:

a) Creation of new water sources through Minor Irrigation (both surface and ground water

b) Repair, restoration and renovation of water bodies; strengthening carrying capacity of traditional water sources, construction rain water harvesting structures (Jal Sanchay) ;

- c) Command area development, strengthening and creation of distribution network from source to the farm;
- d) Ground water development in the areas where it is abundant, so that sink is created to store runoff/ flood water during peak rainy season.
- e) Improvement in water management and distribution system for water bodies to take advantage of the available source which is not tapped to its fullest capacity (deriving benefits from low hanging fruits).
- f) Diversion of water from source of different location where it is plenty to nearby water scarce areas.

6. Mukhya Mantri Khet Sanrakshan Yojna:

Under this scheme, a subsidy of 80 per cent will be provided. The fence will be energized with the help of solar power. Current in the fence around the farms will be sufficient to keep away the stray animals, wild animals and monkeys from the farms. Under this scheme a budget provision of `30.00 crore has been made for the year 2018-19 and about 1,800 hectares cultivated land shall be fenced and protected from wild/ stray animals and monkeys menace under this scheme.

7. Mukhya Mantri Kisaan Evam Khetihar Mazdoor Jeevan Suraksha Yojna:

With a view to provide Insurance cover to the Farmers and Agricultural Labourers in the event of sustaining injury or death due to operation of farm machinery, the State Government has launched a Scheme called; 'Mukhya Mantra Kisaan evam Khetihar Mazdoor Jeevan Surakhsha Yojna in 2015-16. In case of the death and permanent disability, a compensation of Rs.1.5 Lakh and in case of partial disabilities, compensation up to Rs.50,000 will be provided to the affected. A budget provision of Rs. 40.00 lakh has been kept for the year 2018-19.

8. Jal Se Krishi Ko Bal Yojna:

Under this scheme check dams and ponds will be constructed. Farmers can use this water for irrigation purpose after construction of small lifting schemes or Flow Irrigation schemes on individual basis. The total outlay for this scheme is Rs. 250.00 crore for next Five years. A budget provision of Rs. 40.00 crore has been kept for this. Under this scheme, 100 per cent expenditure would be borne by the Government for implementation of community based small water saving scheme.

9. Saur Sinchayee Yojna:

Under this scheme, govt. will provide 90 per cent financial assistance to small and marginal farmers for purchase of pumpsets. Govt. will provide 80 per cent subsidy to all individual medium and big farmers. This scheme will benefit 9,580 farmers.

10. Lift Irrigation and Borewell Scheme:

In most parts of the State, water has to be lifted for irrigation purpose. As an incentive to the farmers, Government has decided to grant 50 per cent subsidy for construction of Lift Irrigation Schemes and installation of Bore-Wells by individual or group of farmers for irrigation purposes. A budget provision of Rs. 10.00 crore has been kept for the year 2018-19. The same will be increased as per the actual demand from the farmers.

SELF-CHECK EXERCISE-2

State weather the following statements are True/False

8. National Mission for Sustainable Agriculture (NMSA) has been formulated for enhancing agricultural productivity especially in rain fed areas.
9. Under Saur Sinchayee Yojna govt. will provide 10 per cent financial assistance to small and marginal farmers for purchase of pumpsets.
10. Under Jal Se krishi Ko Bal Yojna 100 per cent expenditure would be borne by the Government for implementation of community based small water saving scheme.
11. 'Mukhya Mantra Kisaan evam Khetihar Mazdoor Jeevan Surakhsha Yojna has been started in 2016-17.
12. National Mission on Sustainable Agriculture (NMSA) is a state sponsored scheme.

8.5 SUMMARY

Himachal Pradesh is predominately an agricultural State where Agriculture provides direct employment to about 71 per cent of the total population. The Agriculture sector contributes nearly 30 per cent of the total state domestic product. The Department of Agriculture is dedicated to serve the farming community by implementing various developmental programmes and disseminating the relevant technology to increase productivity, production and profitability of field crops. The natural endowments like soil, land, water etc. are being harnessed in such a way that cherished goals of ecological sustainability, economic upliftment of farming community are achieved. About 18-20 per cent area is irrigated and rest is rain fed.

8.6 GLOSSARY

- **Living Standard:** A standard of living is the level of wealth, comfort, material goods, and necessities available to a certain socioeconomic class or a certain geographic area
- **Depression:** is a sustained, long-term downturn in economic activity in one or more economies. It is a more severe economic downturn than a recession, which is a slowdown in economic activity over the course of a normal business cycle.
- **Industrial Product:** An industrial product is a good used by a company for business consumption. It is distinct from a consumable good, which is purchased by individuals for personal and family consumption.
- **Surplus:** It is the gain that producers and consumers make when they sell or buy products. Economic surplus is also known as “total welfare” or Marshallian surplus.
- **Cash Crops:** A cash crop or profit crop is an agricultural crop which is grown to sell for profit. It is typically purchased by parties separate from a farm.

8.7 ANSWERS TO SELF-CHECK EXERCISES

1. Agricultural
2. Purchasing
3. Income
4. Agriculture
5. Manpower
6. Revenue
7. Owned
8. True
9. False
10. True
11. False
12. False.

8.8 SUGGESTED READINGS

- Environment Agriculture and Community in Himachal Pradesh by D. Richa.

- Government of Himachal Pradesh. 2019. "Economic Survey" Economics and Statistics Department, Kasumpti Shimla.

8.9 TERMINAL QUESTIONS

1. What are the different weather parameters which affects the crop growth?
2. Explain demand and supply concept in agriculture. How to get better economic returns in agriculture?
3. What are the various schemes launched by the Government of Himachal Pradesh for the farmers?
4. Is the economic growth of state is more important than protecting the environment?
5. "Farming produces the vast majority of food that humans consume on a regular basis. This include both crop farming and ranching upon which climate change can have a major impact" comment.

HORTICULTURE IN HIMACHAL PRADESH

STRUCTURE

- 9.1 Introduction
- 9.2 Learning Objectives
- 9.3 Meaning of Horticulture
Self-Check Exercise-1
- 9.4 Horticulture in Himachal Pradesh
Self-Check Exercise-2
- 9.5 Impact and Role of Horticulture
Self-Check Exercise-3
- 9.6 Summary
- 9.7 Glossary
- 9.8 Answers to Self-Check Exercises
- 9.9 Suggested Readings
- 9.10 Terminal Questions

9.1 INTRODUCTION

Agriculture and horticulture emerged as the two most important occupations of the people of Himachal Pradesh. Fruit production is one of the major occupations of the people of the state and fruit crop is the main source of livelihood for the farmers. All these aspects make the horticulture a significant sector for the farmers and the state government as well.

9.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Understand the concept of Horticulture
- Know about the various branches of horticulture
- Know the significance of horticulture in the development of the economy

9.3 MEANING OF HORTICULTURE

Horticulture, deals with garden crops, generally fruits, vegetables, and ornamental plants. The word is derived from the Latin hortus, "garden," and colere, "to cultivate." As a general term, it covers all forms of garden management, but in ordinary use it refers to intensive commercial production. In terms of scale, horticulture falls between domestic gardening and field agriculture; though all forms

of cultivation naturally have close links. Horticulture is divided into the cultivation of plants for food (pomology and olericulture) and plants for ornament (floriculture and landscape horticulture). Pomology deals with fruit and nut crops. Olericulture deals with herbaceous plants for the kitchen, including, for example, carrots (edible root), asparagus (edible stem), lettuce (edible leaf), cauliflower (edible flower buds), tomatoes (edible fruit), and peas (edible seed). Floriculture deals with the production of flowers and ornamental plants; generally, cut flowers, pot plants, and greenery. Landscape horticulture is a broad category that includes plants for the landscape, including lawn turf but particularly nursery crops such as shrubs, trees, and vines. The specialization of the horticulturist and the success of the crop are influenced by many factors. Among these are climate, terrain, and other regional variations.

Scope and Components:

Horticulture encompasses a wide range of activities and practices aimed at maximizing the yield, quality, and diversity of plants. Its scope includes:

1. **Fruit Cultivation:** Horticulture involves the cultivation of various fruits such as apples, oranges, grapes, mangoes, and bananas. Fruit cultivation techniques include orchard management, grafting, pruning, and pest control to ensure optimal yield and quality.
2. **Vegetable Cultivation:** Horticulture encompasses the cultivation of vegetables such as tomatoes, potatoes, carrots, lettuce, and bell peppers. Techniques such as crop rotation, companion planting, and organic farming are employed to maximize productivity and minimize pest and disease pressure.
3. **Floriculture:** Horticulture includes the cultivation of flowers and ornamental plants for decorative and aesthetic purposes. Floriculture involves the production of cut flowers, potted plants, and landscaping materials for use in gardens, parks, and floral arrangements.
4. **Medicinal and Aromatic Plants:** Horticulture involves the cultivation of medicinal and aromatic plants such as lavender, chamomile, aloe vera, and mint. These plants are valued for their therapeutic properties and are used in traditional medicine, herbal remedies, and aromatherapy.
5. **Herbiculture:** Horticulture encompasses the cultivation of culinary and medicinal herbs such as basil, parsley, thyme, and cilantro. Herbiculture techniques include propagation, pruning, and harvesting to maintain plant health and optimize essential oil production.

Branches of Horticulture

- **Arboriculture:** Study of, and the selection, planting, care, and removal of, individual trees, shrubs, vines, and other perennial woody plants.
- **Floriculture:** Production and marketing of floral crops.

- **Landscape horticulture:** Production, marketing and maintenance of landscape plants.
- **Olericulture:** Includes the production and marketing of vegetables.
- **Pomology:** Production and marketing of fruits.
- **Viticulture:** Production and marketing of grapes.
- **Oenology:** All aspects of wine and winemaking.
- **Postharvest:** Maintaining the quality of and preventing the spoilage of horticultural crops.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. The word Horticulture has been derived from the Latin word hortus, “garden,” and....., “to cultivate.”
2.is the study of, planting, care, and removal of individual trees.
3. Olericulture deals with herbaceous plants for the
4. Floriculture deals with the production ofand ornamental plants.

9.4 HORTICULTURE IN HIMACHAL PRADESH

Himachal Pradesh has been endowed with a wide range of agro climatic conditions due to which a large number of horticulture commodities like fruit crops (from temperate to subtropical), flowers, vegetables, mushrooms, hops, tea, medicinal & aromatic plants etc. are successfully grown here. Amongst the fruit crops, perhaps all kind of fruits grown in the country, except those which are grown in the warm humid coastal regions, can be produced in the State. Depending upon the agro climatic conditions and the suitability of a particular area for the growing of specific fruit crops in that area, the State is broadly divided into four agro climatic zones as described in the table below

Horticulture Zones in Himachal Pradesh

Sr. No	Zone Description	Elevation Range (Meters)	Rainfall (Cms)	Suitable Fruit Crops
1.	Low Hill and Valley areas near the plains	365-914	60 – 100	Mango, Litchi, Guava, Loquat, Citrus Fig, Ber, Papaya, Early varieties of Grapes, Jack Fruit, Banana, Low chilling varieties of Peach, Plum and Pear, Strawberry.
2.	Mid Hills (Sub Temperate)	915-1523	90 – 100	Stone Fruits (Peach, Plum, Apricot, Almond), Persimmon, Pear, Pomegranate, Pecan nut, Walnut, Kiwi Fruit, Strawberry.
3.	High Hills and Valleys in the interiors (Temperate)	1524-2742	90 – 100	Apple, Pear (Soft), Cherry, Almond, Walnut, Chestnut, Hazel- nut, Strawberry.
4.	Cold and Dry Zone (Dry Temperate)	1524-3656	24 – 40	Apples, Prunes, Drying type of Apricot, Almond, Chilgoza, Pistachio nut, Walnut, Hazel-nut, Grapes and Hops.

In addition to fruits, vegetable and flower cultivation is undertaken for off season supplies to the plains, mushroom cultivation is being taken up even by the landless for the augmentation of their income. The horticulture industry therefore is playing a great role in the amelioration of the rural economy of the State with respect to:

- a) generation of sources for cash income to the rural people,
- b) generation of employment opportunities in the pre and post-harvest sectors of the horticulture industry,
- c) provision of nutritive foods in the form of fruits, vegetables, nuts, mushrooms, honey, etc.,
- d) satisfaction of the aesthetic needs of the people, and
- e) development of a sustainable system of permanent agriculture in the hilly areas.

Do you Know?

Beekkeeping is a necessary activity adjunct to the horticulture industry in the state

In Himachal Pradesh, diversification from cereal-based cropping system to vegetables is gaining momentum because of the tourism industry. More area is being put under cultivation of exotic vegetables on account of suitable temperate climate which has proven to be a remunerative venture. At present, the area under vegetable farming in the state is 72,000 hectares and production is 14 lakh tones, with annual growth rate of 6.5 per cent in area and 7.4 per cent in production. Vegetable productivity of Himachal Pradesh is 19.5 tonnes per hectare which is higher than the national productivity of 17.5 tonnes per hectare. Vegetables are generating more revenue than fruits by contributing more than Rs 3,000 Crore, leaving behind fruits, which contribute Rs 2,200 Crore annually.

SELF-CHECK EXERCISE-2

Fill in the Blanks

5. The State is broadly divided into four agrozones.
6. The production of fruit is suitable in high hills area.
7. The horticulture industry is playing a great role in theof the rural economy of the State.
8. Vegetable productivity of Himachal Pradesh is tonnes per hectare.

9.5 IMPACT AND ROLE OF HORTICULTURE

1. Initiatives taken by the Government to Promote Horticulture in Himachal Pradesh

Horticulture Development scheme is a major programme aiming at the creation and maintenance of infrastructural facilities in the rural areas for ensuring equitable access to the resources and inputs required for the promotion of all fruit crops. Some of the major initiatives taken by the Govt. are as follows:

- At present 2.30 lakh hectare area is under horticulture.
- Fruit production has been increased to 10.38 lakh MT in 2019.

- Horticulture's contribution to the state's annual income is approximately Rs 3000 to Rs. 5000 Crore and about 9 lakh people are involved in horticulture activities for their livelihood.
- More than 30.37 lakh fruit plants have been distributed among farmers of the state and approximately 8446.93 hectare additional area was brought under horticulture in the state by the present government.
- The government has also decided to increase procurement prices of citrus fruits in the state under market intervention scheme (MIS) and the government would encourage food processing industries for optimum utilisation of horticulture crop.
- To bring diversification in horticulture industry a total area of 493.47 hectares has been brought under flower cultivation upto 31.12.2019.
- To promote flower cultivation, two Tissue Culture Laboratories have been established under Model Flower Cultivation Centres at Mahogbagh (Chail, District Solan) and Palampur.
- Under the Bee keeping programme, 467.78 MT of Honey has been produced during the year up to 31.12.2019 in the state.
- For providing employment to the skilled and unskilled unemployed youth and promoting Commercial Floriculture Farming in the State, funds have been allocated under 'Himachal Pushp Kranti Yojna' amounting to ₹10.00 crore during the year 2019-20.
- To produce quality fruit crops and increasing production, to increase honey production and other bee products, 'Mukhya Mantri Madhu Vikas Yojna' has been started.
- "Mission for Integrated Development of Horticulture" (MIDH) is being implemented in the state by Department of Horticulture

2. Role of Horticulture in Production of Fruits and Vegetables

The horticulture sector is perhaps the most profitable venture of all farming activities. The importance of horticulture in improving the productivity of the land, generating employment, improving economic conditions of the farmers and entrepreneurs, enhancing exports and above all, providing nutritional security to the desert dwellers, can hardly be overemphasized. Horticulture has been one of the fastest growing sectors within the larger agriculture activities and one of the driving forces of overall agricultural development in India. Horticulture sector encompasses a wide range of crops, for example, fruit crops, vegetable crops, potato and tuber crops, ornamental crops, medicinal and aromatic crops, spices and plantation crops. With the growth of urbanization, modernization, and increase in disposable income of the individuals, food consumption pattern gets changed greatly, shifted proportionately more toward the non-cereal crops. As a result, in the recent past, change in cropping pattern from conventional/ traditional to high-value cash crops has also been experienced in the Indian agriculture⁴ and at the same time, farmers

are attracted by the higher market prices of the high-value cash crops. Also, growth of the horticulture sectors is not only enthused by the domestic needs but also by a large quantity of export requirements.

Production:

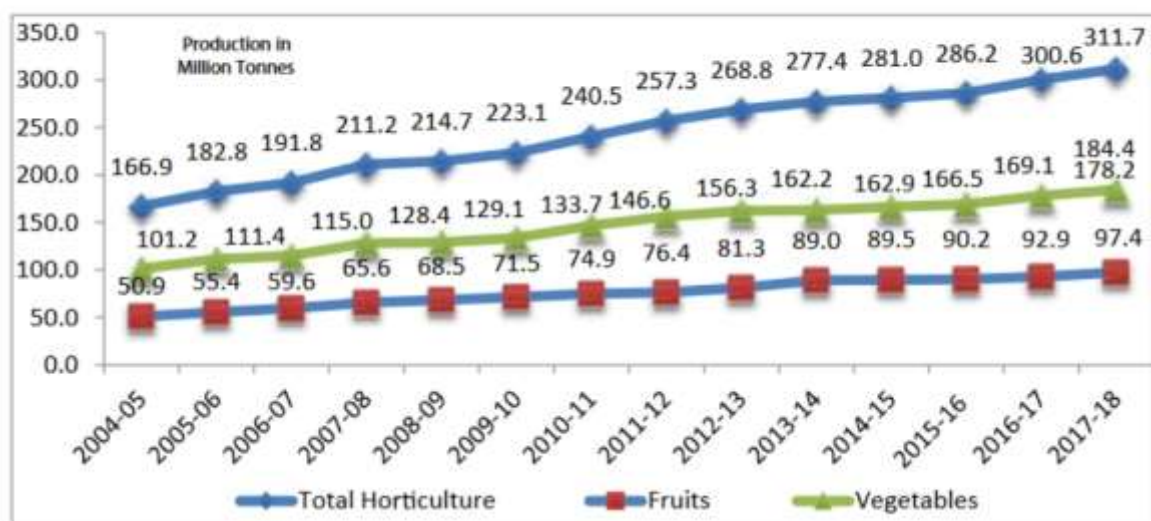
The growth in the production of fruits and vegetables assumes critical importance nowadays due to the increase in the demand generated by the rapid increase in population and has been accelerated by the rise in the levels of income of the people and the consequent changes in the pattern of consumption. Fruits play a unique role in developing countries like India both in economic and social sphere for improving income and nutritional status particularly of rural masses. The State of Himachal Pradesh is endowed with agro-climatic conditions conducive for growing a wide range of horticulture crops such as fruits, vegetables, spices, plantation crops, flowers, medicinal and aromatic plants. Vegetables are important constituents of Indian agriculture and nutritional security due to their short duration, high yield, nutritional richness, economic viability and ability to generate on-farm and off-farm employment. Our country is blessed with diverse agro-climates with distinct seasons, making it possible to grow wide array of vegetables. Total area under horticultural crops is 21.83 million and production is 240.53 million. Fruits and vegetables together contribute about 92 per cent of the total horticultural production in the country. Vegetables are vital sources of proteins, vitamins, minerals, dietary fibers, micro nutrients and antioxidants in our daily diet.

Do you Know?

India is the second largest producer of fruits and vegetables in the world.

India has witnessed increase in horticulture production over the last few years as indicated in Fig 1.1. Significant progress has been made in area expansion resulting in higher production. Over the last decade, the area under horticulture grew by 2.6 per cent per annum and annual production increased by 4.8 per cent. During 2017-18, the production of horticulture crops was 311.71 Million Tonnes from an area of 25.43 Million Hectares. The production of vegetables has increased from 101.2 Million Tonnes to 184.40 Million Tonnes since 2004-05 to 2017-18 and production of fruits has increased from 50.9 Million Tonnes to 97.35 Million Tonnes since 2004-05 to 2017-18.

Figure-1.1



SELF-CHECK EXERCISE-3

State Weather the Following Statements are True/False

9. To bring diversification in horticulture industry a total area of 493.47 hectares has been brought under flower cultivation upto 31.12.2019.
10. The horticulture sector is perhaps the least profitable venture of all farming activities.
11. To increase honey production and other bee products, 'Mukhya Mantri Madhu Vikas Yojna' has been started.
12. Fruits and vegetables together contribute about 92 per cent of the total horticultural production in the country.

9.6 SUMMARY

Horticulture is the branch of agriculture that deals with the art, science, technology, and business of vegetable garden plant growing (fruits, nuts, vegetables, herbs, seeds, and flowers). Horticulture is distinguished from agriculture by scale of production, specialization, and commercialization. The term horticulture has a quite different meaning in urban-industrial societies, which can confuse the unwary. It refers to the intensive production, often under artificial glasshouse conditions, of high-value crops, such as early vegetables, salads, and flowers by commercial growers. The term horticulture has a quite different meaning in urban-industrial societies, which can confuse the unwary. It refers to the intensive production, often under artificial glasshouse conditions, of high-value crops, such as early vegetables, salads, and flowers by commercial growers. The rich diversity of agro-climatic conditions, topographical variations and altitudinal differences coupled with fertile, deep and well drained soils favour the cultivation of temperate to sub-tropical fruits in Himachal. The region is also suitable for cultivation of ancillary horticultural produce like flowers, mushroom, honey and hops. Horticulture Development scheme is the

major programme aiming at the creation and maintenance of infrastructural facilities in the rural areas for ensuring equitable access to the resources and inputs required for the promotion of all fruit crops. Under this scheme, the programmes like development of fruit production, area expansion programme, demonstration of new technologies and improved package of practices on the orchards of fruit growers, development of Walnut/ Hazelnut / Pistachio nut, mango / litchi, strawberry and olive are being implemented. Horticulture has emerged as the key instrument of the Indian agricultural development strategy against the scourge of poverty, unemployment and malnourishment. The importance of horticulture in improving the productivity of land, generating employment, improving economic conditions of the farmers and entrepreneurs, enhancing exports and, above all, providing nutritional security to the people, is widely acknowledged. Horticulture sector is very important as there are various operations involved, which generate sufficient employment and hence increase the income of the farming families. The importance of horticulture in improving the economy of Himachal Pradesh is pivotal and cannot be over emphasized. Before independence little attention was paid to the development of horticulture, which mostly remained under the small princely states, rulers of which neither had the resources and nor the urge to develop horticulture. The importance and promotion of horticulture in Himachal Pradesh is a national priority, because undulating physiography of land in the hill areas is more suitable for cultivating horticulture crops. The development of horticulture in Himachal Pradesh is not only supplementing the national food grid by way of providing nutritive food in the form of fruits and vegetables but also playing a vital role in promoting environmental conservation. It has also proved significant for supplementing the otherwise major income of the people of the State.

9.7 GLOSSARY

- **Horticulture:** is the growing of flowers, fruits and vegetables, and of plants for ornament and fancy."
- **Agro climate:** An "Agro-climatic zone" is a land unit in terms of major climates, suitable for a certain range of crops and cultivars. Agro-climatic conditions mainly refer to soil types, rainfall, temperature and water availability which influences the type of vegetations.
- **Cultivation:** is an agriculture practice, involving the production of food by preparing the land to grow crops on a large scale
- **Regional Variations:** A variation is a change or slight difference in a level, amount, or quantity.

9.8 ANSWERS TO SELF-CHECK EXERCISES

1. Colere
2. Arboriculture
3. Kitchen
4. Flowers

5. Climatic
6. Apple
7. Amelioration
8. 19.5
9. True
10. False
11. True
12. True

9.9 SUGGESTED READINGS

- Government of Himachal Pradesh. 2019. "Economic Survey." Economics and Statistics Department, Kasumpti Shimla.
- Attri, Rajendra. 2010. "Horticulture." Himachal Pradesh: A Himalyan Dream land Shimla: Sarla Publication.
- Chauhan, Ramesh. 1989. Economy of Himachal Pradesh: A Perspective. Shimla: Minerwa Book Publication

9.10 TERMINAL QUESTIONS

1. Discuss major business opportunities in horticulture.
2. Define urban and semi-urban horticulture. Commercially, which among the two is better and why?
3. What is preservation? Discuss different methods of preservation of fruits and vegetables.
4. "Horticulture is one of the driving forces of overall agricultural development in India" comment.

MARGINALISATION AND DIVERSIFICATION OF AGRICULTURE IN HIMACHAL PRADESH-I

STRUCTURE

- 10.1 Introduction
- 10.2 Learning Objectives
- 10.3 The Concept Of Marginality
 - Self-Check Exercise-1
- 10.4 Cropping Pattern & Crop Diversification
 - Self-Check Exercise-2
- 10.5 Summary
- 10.6 Glossary
- 10.7 Answers to Self-Check Exercises
- 10.8 Suggested Readings
- 10.9 Terminal Questions

10.1 INTRODUCTION

Indian agriculture has experienced a significant change since 1990s, with farmers incorporating more of horticultural crops and other commercial crops in their cropping system. Although the 'green revolution' in the 1960s brought a significant change in crop productivities in the country, yet Indian agriculture still remains burdened with many problems. These include mainly the dominance of marginal and small farmers, rural poverty, seasonal and disguised unemployment, dependency on monsoons and low level of mechanization. All these impact development of agriculture, particularly diversification with high value crops. To achieve balanced growth of agriculture, location specific farming strategies shall have to be pursued and agriculture potentials of each region, for which it has a comparative advantage, shall have to be harnessed to meet the emerging challenges.

10.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- The concept of Marginality
- Know the concept of Diversification
- Know about the various state & centre sponsored schemes

10.3 THE CONCEPT OF MARGINALITY

In an agrarian economy size of land holding is an important determinant of the economic condition of the family. Indian agriculture is characterized by the pre-dominance of small and marginal farmers. These farmers are facing economic hardship due to poor resources position which has caused unemployment. Along with this the rapid increase of population has put tremendous pressure on land. The ever increasing number of marginal holding is a matter of great concern. Marginalisation of holdings has been rising due to increasing pressure of population on land. Implementation of land reforms has also contributed to this process of marginalisation. During the economic reform period two fold factors responsible for marginalization of Indian agriculture include:

- (i) Rise in input costs and
- (ii) The cost of credit has increased.

Other factors causing/promoting the marginalisation include increase in population, land reform measures, tenancy system and land utilization pattern over period. High productivity on the marginal farms as compared to the large ones also made the farmers choose cultivation on marginal size holding.

Diversification

Diversification of agriculture in favour of more competitive and high value commodities is reckoned as an important strategy to augment farm income, stabilize income flows, generate employment, increase efficiency of resource utilization, help to secure food and nutritional security, alleviate poverty and conserve precious soil and water resources. The crop diversification has made a profound impact on the quality of life of cultivating households. The often seen marginalized hill areas have also benefited from crop diversification, and development story of some hilly areas like Himachal Pradesh amply reflect this fact. At the macro or the state level, this impact in Himachal Pradesh is apparent in improvement in a number of socio-economic indicators that compare favourably both with other mountainous areas as well as with developed states of the country. The micro level experiences further show that crop diversification towards high value crops is economically beneficial and also reduces stress on natural resource base which is so crucial for sustainability of hill agriculture. Diversification becomes necessary since growing of basic problems such as cereal can't alone support economic development notwithstanding the need to ensure food security to the people. In the context of state agriculture diversification has occurred across and within crop, horticulture and vegetable production. In Himachal there are four major objectives of agricultural diversification:

1. First to increase the income of the small households,
2. Second to attain the fuller employment in the farm household,
3. Third to stabilize the farm income over the seasons, and fourth conservation and enhancement of natural resources.

Diversification is an integral part of structural transformation of an economy. The agriculture diversification is not possible without appropriate infrastructural and institutional reforms. Agricultural diversification needs appropriate credit facilities for purchasing of inputs, high yielding varieties of seeds and chemicals, insecticides etc. the irrigated and un-irrigated land also affects it. There is need for development of not only appropriate farm production technology, but also processing and marketing technology. It also depends on availability of infrastructural facilities, which would link the local farmers with national and global markets.

Do you Know?

Agricultural diversification requires high investment of capital and labour inputs.

SELF-CHECK EXERCISE-1**Fill in the Blanks**

1. The objectives of agricultural diversification is to increase the income of thehouseholds.
2. Diversification is anpart of structural transformation of an economy.
3. During the economic reform period rise incosts was responsible for marginalization of Indian agriculture.
4. Crop diversification towards high value crops reduces stress onresource.

10.4 CROPPING PATTERN & CROP DIVERSIFICATION

Cropping pattern indicates the efficiency with which land has been put under cultivation by the farmers. By using the same piece of land for growing more than one crop during a year, the farmers utilize his fixed resources more efficiently, and maximizes his production per unit area and per unit time. No cropping pattern will be good or bad for all the times. Cropping pattern of a particular region is governed by number of factors viz; soil, climate including temperature, irrigation, land productivity, market situation; type of demand, prices etc. Therefore, it should be evolved through a careful study of all prevailing conditions including the quantity and distribution of rainfall. A study of cropping pattern and balanced programme of crop raising in such a manner as to secure, for the people of the country, adequate food and raw material for agro-based industries.

Agricultural diversification towards fruit and vegetable crops in Himachal Pradesh, especially in some areas in the districts of Shimla, Kullu, Solan, and Lahaul & Spiti, started in the late sixties and continued in the seventies and the eighties. The process of crop diversification gained momentum in the nineties and has now encompassed many new areas in the low and mid hill districts. The crop diversification has made a profound impact on the quality of life of cultivating households of whom a preponderant majority operates less than one hectare of land. At the macro level, this impact is manifested in a number of socio-economic

indicators and poverty level that compare favourably both with the mountainous and other developed states. The micro level experiences further show that crop diversification towards high value crops is economically beneficial and ameliorates stress on natural resource base.

The agriculture plays a vital role in shaping the Indian economy. In recent years though its contribution to the Gross Domestic Product is progressively declining approximately from 50 per cent in 1950-51 to 14.6 per cent in 2009-10 however a substantial proportion (64 per cent) of population depends on this sector. Scarcity of cultivated land hampers the agricultural sector compare to secondary and tertiary sectors (industrial and service sector). Land use pattern has a great impact on the agricultural economy. The process of diversification within agriculture has now switched on to high value crops instead of low value crops which causes change in land utilization in agriculture. Change in cropping pattern is an essential part and common mode of diversification, which has great impacts on agricultural development and alleviation of rural poverty. The rapid increase in human and livestock population has resulted in a change in cropping pattern and intensity of land use. In this situation where the scope of bringing more land under cultivation is very limited, appropriate choice of cropping pattern can prove to be helpful in raising income from their limited land holdings. To generate and sustain the farm income for a long period it becomes necessary to use land optimally. This also affects the productivity of soil in a least hampered manner.

Among the hill states prevailing in India, Himachal Pradesh is observed to be the most progressive state, which has made remarkable achievement in socio-economic development of its people. The agro climatic conditions of the state ranging from sub-tropical to humid temperature and cold deserts. Traditional field crop based farming is also done by majority of farmer for sustaining their rural economy. The growing interest of the farmers to run farming from business purpose has also encouraged them to reconstitute the cropping pattern and related activities. Consequently, there is wide difference in the system of cultivation, cropping pattern and cropping season between different regions and districts. Many researchers have carried out and utilize these cropping patterns along with diversification in different form sand in different geographical areas.

Do you Know?

Himachal Pradesh offers a model of hill farming in India.

STATE SPONSORED SCHEMES**1. Quality Seed Multiplication and Distribution:**

Under this scheme, expenditure on seed multiplication farms, seed testing and certification, subsidy on cost of seeds and cost on demonstrations etc is incurred. Department owns 36 Seed Farms where foundation seeds of Kharif and

Rabi crops are produced. At present 5 grading centres are in operation for various crops.

2. Manure and Fertilizers:

(a) Distribution of Fertilizers:

The State Govt. has allowed cost subsidy on complex fertilizers NPK 12:32:16, NPK 10:26:26 and NPK 15:15:15 @ Rs.1000/-per MT. Apart from this cost subsidy @ 25 per cent is also being provided on 100 per cent water soluble complex fertilizers to the farmers (limited to Rs. 2500 per farmer). In order to ensure adequate supply of fertilizers, the Govt. has entrusted this responsibility to HIMFED/Cooperative Societies. The farmers are educated about balanced use of fertilizers and as per soil testing nutrient basis.

(b) Soil Testing Centres:

Soil testing has great importance for raising agriculture production. The department is providing free soil testing facilities to the farmers. Department has 11 Soil Testing Laboratories besides four mobile soil testing labs to provide free soil testing facilities to the farmers. About 1,25,000 samples are analysed annually. Besides this Soil Health Cards are being provided to the farmers and about one lakh farmers are being covered every year.

3. Plant Protection:

The Department exercise vigil on pest situation. To overcome this, about 150 MT of pesticides through 991 sale centres are supplied to the farmers. Besides this, Pesticide Testing Laboratory at Shimla has been set up with a capacity of 150 to 250 samples per year. One Bio Control Laboratory has been set up at Palampur where conservation pest situation augmentation, rearing and multiplication of bio-agents and training to extension staff and farmers are being done. The plant protection material including equipments are supplied to the SCs/STs/IRDP families at 50 per cent cost. The outlay proposed is to meet expenditure on subsidies.

4. Commercial Crops:

Under diversification approach, major emphasis is being laid on the production of off-season vegetables, quality vegetable seeds, Potato and Ginger besides Soybean, Oilseeds and Pulses;

(a) Development of Seed Potato:

(b) Development of Vegetables including Farms:

(c) Ginger Development:

5. Quality Control:

Under this scheme, implementation of various acts on seeds, fertilizers and pesticides is ensured. Quality control functionaries have been notified. The Department has three fertilizer testing labs (Hamirpur, Sundernagar, Shimla), one state pesticides testing lab at Shimla, Biofertilizer and Biopesticide lab at Palampur and three seed testing labs (Solan, palampur and Mandi). 2000 fertilizer samples, 300 pesticide and 1200 seed samples are being analysed annually.

6. Agricultural Marketing:

This is controlled in the State through H.P. Agricultural and Horticultural Produce Marketing (Development and Regulation) Act, 2005. Under this Act, H.P. State Agricultural Marketing Board has been set-up. At present, 10 market committees are functioning. 53 markets have been made functional. Market information is being disseminated through different media i.e AIR Doordershan print media and through Net to farmers. The work of development of marketing infrastructure is done out of the funds of APMCs. The APMC act has been repeated as per the model act and provision has been made for private markets, single point market fee, contract farming etc.

7. H.P. Crop Diversification Project:

Himachal Pradesh Crop Diversification Project being supported by JICA through ODA loan. The study on diversified agriculture for enhanced farm income in Himachal Pradesh was got conducted from Japan International Cooperative agency (JICA) w.e.f. February, 2007 to December, 2008. Draft report of the study was submitted by JICA in December, 2008 and final report in March, 2009. The study was fully funded by JICA as grant under bilateral cooperation.

8. Dr. Y. S. Parmar Kisan Sawrozgar Yojna:

In order to achieve faster and more inclusive growth in Agriculture sector Government of Himachal Pradesh has started. "Dr. Y.S. Parmar Kisan Swarozgar Yojna" (Poly House and Micro Irrigation). Project components include creation of need based infrastructure and are expected to fulfill objectives of high productivity, quality, safeguard against adverse weather, efficient input use etc. Project components include construction of location specific models of poly houses with micro irrigation facility. For this, 85 per cent project assistance shall be provided to the farmers. Also for creation for water sources individually and collectively by a group of farmers (Low/medium lift, pumping machinery), 50 per cent subsidy shall be provided.

9. Soil and Water Conservation:

Due to topographical factors, the soil is subject to splash, sheet and Gully erosion resulting into degradation of the soil. Besides this, there is biotic pressure on the lands to the curb this menace particularly on the agricultural lands. The Department of Agriculture, H.P. is executing two Soil and Water Conservation schemes under State Sector Scheme. The schemes are:

- a) Soil Conservation Works
- b) Water Conservation and Development

10. Rajiv Gandhi Micro-Irrigation Scheme:

State Government is committed to promote Agriculture in the State by increasing the productivity of crops. For efficient system of irrigation the Government has launched crucial Project named 'Rajiv Gandhi Micro-Irrigation Scheme' with an outlay of Rs.154 Crore over a period of 4 years. Through this Project, 8,500 hectare area will be brought under Drip/ Sprinkler Irrigation System benefitting 14,000

farmers. Farmers will get a subsidy of Rs.113 Crore during the project period. The project is under appraisal with NABARD under RIDF funding. A. 80 per cent assistance shall be provided to individual farmer for Micro- irrigation Systems. B. 50 per cent assistance for construction of shallow wells, shallow bore wells- Shallow well with minimum depth 8 m and diameter 2.45 m, limited to Rs. 70,000/- Shallow bore well with minimum depth 35 m and minimum diameter 125 mm limited to Rs. 1.0 lac . C. 50 per cent assistance for lifting water with electric motor of 3 HP and 7.5 HP and above i.e. low and medium lifts, limited to Rs. 70,000/- and Rs. 2,00,000/- respectively. D. 50 per cent assistance for pumping machinery.

11. Mukhya Mantri Kisaan Evam Khetihar Mazdoor Jeevan Suraksha Yojna:

This scheme is being launched for the welfare of farmers and shall be implemented by the Agriculture Department. This Scheme is to provide compensation to the farmers and agricultural labourers in the event of sustaining injury or death during the operation of farm machinery. The scheme is limited to the domicile farmers and farm labourers and not to a worker/employee of any company/contractor.

12. Establishment of Centers of Excellence for Vegetable Nursery Production:

The state Government has started new scheme named 'Establishment of Centres of Excellence for Vegetable Nursery Production' by farmers to raise the vegetables seedling, flower and other valuable plants under controlled environment to provide better planting material to the farmers and to provide gainful employment to the farming youth. Ten such high tech nurseries are being setup in the State during this year.

13. Uttam Chaara Utpadan Yojna:

With a view to increase fodder production in the State, The State Government has launched a new scheme; 'Uttam Chaara Utpadan Yojana' for fodder development by bringing an area of 25,000 hectare under fodder production. Quality Seed of Fodder Grasses, Cuttings, Seedlings of Improved Fodder Varieties will be supplied on subsidised rates to the farmers.

14. Lift Irrigation and Borewell Scheme:

In most parts of the State, water has to be lifted for irrigation purpose. As an incentive to the farmers, Government has decided to grant 50 per cent subsidy for construction of Lift Irrigation Schemes and installation of Bore-Wells by individual or group of farmers for irrigation purposes. A provision of Rs.20 Crore has been kept for 2018-2019. The same will be increased as per the actual demand from the farmers.

15. Organic Farming:

The State has diverse agro-climate conditions and due to its favourable positioning in the Himalayan region, has great scope for promotion of Organic farming. The use of chemical fertilizers and pesticides in the State is very low and 80 per cent of the area is rainfed. The State Government formulated a Policy on Organic Farming in 2010 and has covered 30,110 farmers with an area of 17,848 ha under Organic farming.

SELF-CHECK EXERCISE-2

Fill in the Blanks

5. One Bio Control Laboratory has been set up atwhere conservation pest situation augmentation are being done.
6. The Department has three fertilizer testing labs i.e at Hamirpur, Sundernagar and.....
7. The Department of Agriculture, H.P. is executingSoil and Water Conservation schemes under State Sector Scheme.
8. Under 'UttamChaaraUtpadanYojana' for fodder developmentarea has been considered for fodder production.
9.per cent subsidy has been provided for construction of Lift Irrigation Schemes for irrigation purposes.

10.5 SUMMARY

Agricultural diversification towards fruit and vegetable crops in Himachal Pradesh, especially in some areas in the districts of Shimla, Kullu, Solan, and Lahaul&Spiti, started in the late sixties and continued in the seventies and the eighties. The process of crop diversification gained momentum in the nineties and has now encompassed many new areas in the low and mid hill districts. The crop diversification has made a profound impact on the quality of life of cultivating households of whom a preponderant majority operates less than one hectare of land. At the macro level, this impact is manifested in a number of socio-economic indicators and poverty level that compare favourably both with the mountainous and other developed states. The micro level experiences further show that crop diversification towards high value crops is economically beneficial and ameliorates stress on natural resource base

10.6 GLOSSARY

- **Traditional Field Crop:** Traditional crops / cultivars are grown by local farmers which have their own land races of seeds. These seeds are highly adapted to the local climatic and geographical conditions.
- **Organic Agriculture:** Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. It emphasises the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems.
- **Cropping Pattern:** Cropping pattern refers to proportion of area under different crops at different points of time. It also indicates the time and spatial arrangement or sequence of crops and / or fallow in a particular land area.
- **Crop Diversification:** Crop diversification means growing a variety of crops in an area, not just one. And by growing number of crops that region can meet the increasing demand of cereals, pulses, oilseeds etc.

10.7 ANSWERS TO SELF-CHECK EXERCISES

1. Small
2. Integral
3. Input
4. Natural
5. Palampur
6. Shimla
7. Two
8. 25,000
9. 50

10.8 SUGGESTED READINGS

- Agricultural Diversification and Development of Mountain Regions: With Special Reference to Himachal Pradesh by Ramesh Chand.
- Balokhra, Jag Mohan, 2003. The Wonderland Himachal Pradesh, AnEncyclopedia, H.G. Publications, New Delhi.
- Agricultural development and crop diversification in Himachal Pradesh: Understanding the patterns, processes, determinants and lessons by H.R. Sharma, Indian Journal of Agriculture Economics.

10.9 TERMINAL QUESTIONS

1. What is the role of crop diversification in improving household food security?
2. Short Notes on:
 - i. Crop Diversification
 - ii. Organic Farming

MARGINALISATION AND DIVERSIFICATION OF AGRICULTURE IN HIMACHAL PRADESH-II

STRUCTURE

- 11.1 Introduction
- 11.2 Learning Objectives
- 11.3 State Sponsored Schemes
Self-Check Exercise-1
- 11.4 Central Sponsored Schemes
Self-Check Exercise-1
- 11.5 Summary
- 11.6 Glossary
- 11.7 Answers To Self-Check Exercises
- 11.8 Suggested Readings
- 11.9 Terminal Questions

11.1 INTRODUCTION

Indian agriculture has experienced a significant change since 1990s, with farmers incorporating more of horticultural crops and other commercial crops in their cropping system. Although the 'green revolution' in the 1960s brought a significant change in crop productivities in the country, yet Indian agriculture still remains burdened with many problems. These include mainly the dominance of marginal and small farmers, rural poverty, seasonal and disguised unemployment, dependency on monsoons and low level of mechanization. All these impact development of agriculture, particularly diversification with high value crops. To achieve balanced growth of agriculture, location specific farming strategies shall have to be pursued and agriculture potentials of each region, for which it has a comparative advantage, shall have to be harnessed to meet the emerging challenges.

11.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- The concept of Marginality
- Know the concept of Diversification
- Know about the various state & centre sponsored schemes

11.3 STATE SPONSORED SCHEME

The Government of Himachal Pradesh has introduced several schemes to support agriculture, enhance productivity, and uplift farmers' livelihoods in the state. Here are some notable agriculture schemes sponsored by the Himachal Pradesh government:

1. **Pradhan Mantri Fasal Bima Yojana (PMFBY):** Implemented in collaboration with the central government, PMFBY provides crop insurance coverage to farmers against crop loss due to natural calamities, pests, and diseases. It aims to mitigate the financial risks associated with farming and ensure farmers' income security.
2. **Mukhya Mantri Khet Sanrakshan Yojana (MMKSY):** This scheme focuses on soil conservation and moisture retention measures to prevent soil erosion and improve soil health. It includes initiatives such as the construction of check dams, contour bunding, and terrace farming to conserve water and enhance agricultural productivity sustainably.
3. **Subsidy Schemes for Agricultural Inputs:** The Himachal Pradesh government provides subsidies on various agricultural inputs such as seeds, fertilizers, pesticides, and agricultural machinery to reduce the financial burden on farmers and encourage the adoption of modern agricultural practices.
4. **Pradhan Mantri Krishi Sinchai Yojana (PMKSY):** PMKSY aims to improve water use efficiency in agriculture by promoting the adoption of micro-irrigation systems such as drip and sprinkler irrigation. It also focuses on creating water harvesting structures and promoting efficient water management practices to enhance irrigation coverage and agricultural productivity.
5. **Horticulture Development Schemes:** Given the significance of horticulture in Himachal Pradesh, the government has launched various schemes to promote the cultivation of fruits, vegetables, and flowers. These schemes include support for orchard development, establishment of cold storage facilities, and promotion of high-value horticulture crops.
6. **Organic Farming Promotion:** Recognizing the growing demand for organic produce, the Himachal Pradesh government encourages farmers to adopt organic farming practices. It provides financial assistance, training, and certification support to promote organic farming and boost farmers' income.
7. **Livestock Development Schemes:** Apart from crop-centric schemes, the government also focuses on livestock development by providing support for breed improvement, veterinary healthcare, fodder development, and livestock insurance to enhance the productivity and income of livestock farmers.

These agriculture schemes reflect the Himachal Pradesh government's commitment to promoting sustainable agriculture, ensuring food security, and improving the socio-economic status of farmers in the state.

Benefits of Schemes

State-sponsored schemes on crop development offer several benefits to farmers and the agricultural sector as a whole:

1. **Financial Support:** State-sponsored schemes often provide financial assistance to farmers in the form of subsidies, grants, or loans for various activities such as purchasing seeds, fertilizers, pesticides, and machinery. This financial support helps farmers overcome financial constraints and invest in crop production.
2. **Technology Adoption:** Many crop development schemes promote the adoption of modern agricultural technologies and practices. This includes the use of high-yielding crop varieties, precision farming techniques, drip irrigation, mechanization, and post-harvest management practices. By incorporating these technologies, farmers can enhance productivity, reduce input costs, and improve crop quality.
3. **Capacity Building:** State-sponsored schemes often include provisions for training and capacity building programs for farmers. These programs aim to educate farmers about best agronomic practices, crop management techniques, pest and disease management, and the use of new technologies. By enhancing farmers' knowledge and skills, these programs empower them to make informed decisions and improve crop yields.
4. **Infrastructure Development:** Many crop development schemes include provisions for infrastructure development in rural areas. This may include the construction of irrigation systems, water storage facilities, rural roads, market yards, and cold storage facilities. Improved infrastructure enhances farmers' access to essential resources, markets, and agricultural services, thereby facilitating crop production and marketing.
5. **Risk Mitigation:** Some crop development schemes include components for crop insurance and risk mitigation. These schemes provide financial protection to farmers against crop losses due to natural disasters, pest and disease outbreaks, or market fluctuations. Crop insurance schemes help farmers manage risks and stabilize their incomes, encouraging them to invest in crop production without the fear of financial losses.
6. **Market Access:** State-sponsored schemes often include measures to improve market access for farmers. This may include the establishment of market linkages, promotion of farmer-producer organizations (FPOs), setting up of agro-processing units, and organizing agricultural fairs and exhibitions.

Improved market access enables farmers to fetch better prices for their produce and enhances their bargaining power in the market.

Overall, state-sponsored schemes on crop development play a crucial role in promoting agricultural growth, improving farmers' livelihoods, and ensuring food security. By providing financial support, promoting technology adoption, building capacity, developing infrastructure, mitigating risks, and enhancing market access, these schemes contribute to the sustainable development of the agricultural sector.

Limitations of Schemes

1. **Limited Coverage:** State-sponsored schemes may not reach all farmers, especially those in remote or marginalized areas. Limited outreach can result in unequal access to benefits, leaving some farmers underserved or excluded from the scheme's provisions.
2. **Administrative Bottlenecks:** Bureaucratic hurdles and administrative inefficiencies can hinder the effective implementation of state-sponsored schemes. Delays in fund disbursement, paperwork requirements, and cumbersome procedures may discourage farmers from participating in the scheme or accessing its benefits.
3. **Inadequate Funding:** Many state-sponsored schemes suffer from inadequate funding, leading to budget constraints and limited resources for implementation. Insufficient funding may result in reduced coverage, lower subsidy rates, and compromised quality of services, impacting the scheme's effectiveness.
4. **Lack of Monitoring and Evaluation:** Weak monitoring and evaluation mechanisms can undermine the accountability and transparency of state-sponsored schemes. Inadequate monitoring may lead to misuse of funds, leakage, corruption, and ineffective delivery of services, compromising the scheme's impact and outcomes.
5. **Dependency Syndrome:** Over-reliance on state-sponsored schemes may foster a dependency syndrome among farmers, discouraging self-reliance, innovation, and entrepreneurship. Dependency on government support can inhibit farmers' ability to adapt to changing market dynamics, technological advancements, and climate variability.
6. **Fragmented Approach:** Fragmentation and lack of coordination among different departments and agencies involved in crop development can lead to duplication of efforts, overlapping mandates, and inefficient resource allocation. A fragmented approach may result in disjointed implementation, conflicting policies, and suboptimal outcomes.
7. **One-Size-Fits-All Approach:** State-sponsored schemes often follow a one-size-fits-all approach, overlooking the diverse needs, preferences, and

constraints of farmers. Uniform schemes may not be responsive to local agro-climatic conditions, cropping patterns, and socio-economic contexts, limiting their relevance and effectiveness.

8. **Sustainability Challenges:** Some state-sponsored schemes may prioritize short-term gains over long-term sustainability, leading to environmental degradation, soil fertility decline, and water resource depletion. Unsustainable agricultural practices promoted under these schemes can exacerbate ecological challenges and compromise the resilience of agro-ecosystems.

SELF-CHECK EXERCISE-1

State whether the following statements are True/False

1. The Himachal Pradesh government does not provide any subsidies on agricultural inputs.
2. The Pradhan Mantri Krishi Sinchai Yojana (PMKSY) aims to promote the use of traditional irrigation methods in agriculture.
3. Mukhya Mantri Khet Sanrakshan Yojana (MMKSY) focuses solely on promoting terrace farming techniques.
4. Horticulture development schemes are not a priority for the Himachal Pradesh government.
5. The Himachal Pradesh government does not support organic farming initiatives.

11.4 CENTRAL SPONSORED SCHEMES

1. National Mission on Agricultural Extension and Technology (NMAET):

Agricultural Technology, including the adoption/ promotion of critical inputs, and improved agronomic practices were being disseminated under 17 different schemes of the Department of Agriculture & Cooperation during the 11th Plan. The Modified Extension Reforms Scheme was introduced in 2010 with the objective of strengthening the extension machinery and utilizing it for synergizing the interventions under these schemes under the umbrella of Agriculture Technology Management Agency (ATMA). NMAET has been envisaged as the next step towards this objective through the amalgamation of these schemes. National Mission on Agricultural Extension and Technology (NMAET) consists of 4 Sub Missions: (i) Sub Mission on Agricultural Extension (SMAE) (ii) Sub-Mission on Seed and Planting Material (SMSP) (iii) Sub Mission on Agricultural Mechanization (SMAM) (iv) Sub Mission on Plant Protection and Plant Quarantine (SMPP)

- (i) Support to State Extension Programmes for Extension Reforms (ATMA) (90:10):
- (ii) Sub-Mission on Seed and Planting Material (SMSP)
- (iii) Sub Mission on Agricultural Mechanization (SMAM)

(iv) Sub Mission on Plant Protection and Plant Quarantine (SMPP)

2. Mass Media Support to Agriculture Extension (100 per cent CSS)

The primary objective of the scheme is to use television and radio with their massive penetration, as a vehicle for agricultural extension. Basically, the scheme is focusing on two initiatives;

- Doordarshan
- All India Radio

3. Kisan Call Centre:

Under this, farmers can get any information on agriculture by dialling toll free number 1800-180-1551 or 1551. The service is available from 6.00 AM to 10.00 PM on all days. This is 100 per cent Centrally Sponsored Scheme.

4. National Crop Insurance Schemes:

(A) Rashtriya Krishi Bima Yojna (RKBY):

The State Govt. has introduced this scheme from Rabi, 1999-2000 season. Crops covered are Wheat, Barley, Maize, Paddy, Potato and Ginger. 50 per cent subsidy on premium is being provided to small and marginal farmers. The scheme is compulsory for loanee farmers and optional for non-loanee farmers. The scheme provides comprehensive risks insurance against yield losses viz. drought, hailstorm, floods and pests disease etc. The Agriculture Insurance Co. of India (AICI) is implementing the scheme. The farmers of the State can get benefit out of this programme.

(B) Pilot Weather Based Crop Insurance Scheme (WBCIS):

Tomato crop of District Solan has been covered under weather based crop insurance scheme for the first time. From the Rabi 2009-10 season, Rabi potato crop has also been covered under weather based crop insurance scheme in the Districts of Kangra and Una. During this year kharif season tomato crop of Solan, Bilaspur, Shimla, Sirmaur, Kangra, Kullu and Mandi and for Ginger crop Solan, Bilaspur, Shimla, Sirmaur and for Pea crop Shimla, Kiannaur, Lahaul, Mandi, Kullu and Chamba districts have been covered under WBCIS & during Rabi season Tomato crop of Solan & Potato crop of Kangra, Palampur and Dharamshala blocks of Kangra District & Capsicum crop of Dharampur block of Solan District has been covered under WBCIS.

5. Biogas Development Programmes (100 per cent):

This is 100 per cent Centrally Sponsored Scheme under which subsidy @ Rs.7000 per biogas plant of one cubic meter and Rs.11,000/- per biogas plant of two & above cubic meter capacity is being provided.

6. Rashtriya Krishi Vikas Yojna (RKVY) (90:10):

Concerned by the slow growth in Agriculture and allied sectors, the Government of India has launched a special Additional Central Assistance Scheme Rashtriya Krishi Vikas Yojna (RKVY). The RKVY aims at achieving 4 per cent annual growth in the agriculture sector during the XI Plan period, by ensuring a holistic development of Agriculture and allied sectors. The scheme is being implemented in the State of Himachal Pradesh from the year 2007-08 to achieve envisaged annual growth rate.

7. National Food Security Mission (NFSM):

The National Food Security Mission is a centrally sponsored scheme has been launched in 2007. Himachal Pradesh has been included under this Mission to increase the production and productivity of Wheat, Maize, pulses and Rice. Under this Mission, 11 Districts in Wheat Except Shimla, two Districts Kangra & Mandi under Rice & 9 districts except Shimla, Kinnaur & Lahul Spiti under Maize & all Districts have been selected in the State for pulses. The Mission provides assistance for laying cluster demonstrations, distribution of Certified Seed, Micro-Nutrients, Plant and soil protection material, liming of acidic soils, improved implements and machinery, introduction of IPM, INM and capacity building of the farmers.

8. Organic Farming:

Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. Its emphasis is on the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems. This is accomplished by using, where possible, cultural, biological and mechanical methods, as opposed to using synthetic material, to fulfill any specific function within the system. The State of Himachal Pradesh has started taking steady strides towards the promotion of organic farming. There is an increasing awareness about organic agriculture practices in the state. Besides, most of the remote and inaccessible areas are still continuing with the traditional methods of crop production using organic manures as the only source of the nutrients. It includes all the agricultural production systems that promote environmentally, socially and economically sound production of food and fibers. The main features of organic policy are as under:

1. Incorporation of organic into agriculture development.
2. Awareness raising.
3. Research and Technology support.
4. Strengthening Organic Extension services support.
5. Organic quality assurance.
6. Meeting organic input requirement.

7. Supply chain and marketing.
8. Identifying Niche Areas for organic farming and converting institutional farms etc.

SELF-CHECK EXERCISE-2

State Weather the Following Statements are True/False

6. ATMA stands for Agriculture Technology Management Agency.
7. National Mission on Agricultural Extension and Technology (NMAET) consists of three Sub Missions.
8. The main objective of National Mission on Agricultural Extension and Technology is to use television and radio for agricultural extension.
9. Potato crop of District Solan has been covered under weather based crop insurance scheme for the first time.
10. Biogas Development Programmes is 50 per cent centrally sponsored scheme.

11.5 SUMMARY

Agricultural diversification towards fruit and vegetable crops in Himachal Pradesh, especially in some areas in the districts of Shimla, Kullu, Solan, and Lahaul & Spiti, started in the late sixties and continued in the seventies and the eighties. The process of crop diversification gained momentum in the nineties and has now encompassed many new areas in the low and mid hill districts. The crop diversification has made a profound impact on the quality of life of cultivating households of whom a preponderant majority operates less than one hectare of land. At the macro level, this impact is manifested in a number of socio-economic indicators and poverty level that compare favourably both with the mountainous and other developed states. The micro level experiences further show that crop diversification towards high value crops is economically beneficial and ameliorates stress on natural resource base

11.6 GLOSSARY

- **Traditional Field Crop:** Traditional crops / cultivars are grown by local farmers which have their own land races of seeds. These seeds are highly adapted to the local climatic and geographical conditions.
- **Organic Agriculture:** Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. It emphasises the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems.
- **Cropping Pattern:** Cropping pattern refers to proportion of area under different crops at different points of time. It also indicates the time and spatial arrangement or sequence of crops and / or fallow in a particular land area.
- **Crop Diversification:** Crop diversification means growing a variety of crops in an area, not just one. And by growing number of crops that region can meet the increasing demand of cereals, pulses, oilseeds etc.

11.7 ANSWERS TO SELF-CHECK EXERCISES

1. False
2. False
3. False
4. False
5. False
6. True
7. False
8. True
9. False
10. False

11.8 SUGGESTED READINGS

- Agricultural Diversification and Development of Mountain Regions: With Special Reference to Himachal Pradesh by Ramesh Chand.
- Balokhra, Jag Mohan, 2003. The Wonderland Himachal Pradesh, AnEncyclopedia, H.G. Publications, New Delhi.
- Agricultural development and crop diversification in Himachal Pradesh: Understanding the patterns, processes, determinants and lessons by H.R. Sharma, Indian Journal of Agriculture Economics.

11.9 TERMINAL QUESTIONS

1. What are the various state sponsored schemes for the crop development?
2. “Marginalisation of holdings has been rising due to increasing pressure of population on land” Discuss.

AGRICULTURE MARKETING & FINANCE

STRUCTURE

- 12.1 Introduction
- 12.2 Learning Objectives
- 12.3 Agricultural Marketing
Self-Check Exercise-1
- 12.4 Importance of Agricultural Marketing
Self-Check Exercise-2
- 12.5 Factors Affecting Capital Requirements of an Agricultural Marketing Firm
Self-Check Exercise-3
- 12.6 Summary
- 12.7 Glossary
- 12.8 Answers to Self-Check Exercises
- 12.9 Suggested Readings
- 12.10 Terminal Questions

12.1 INTRODUCTION

Indian farmers have been registering sustainable production enhancements and serving the nation's food and security needs. It is now time to pay for their services, by facilitating monetization of their produces adequately. It is therefore, necessary to build a robust agricultural marketing structure in the state.

12.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Know the concept of market & marketing
- Understand the Subject Matter of Agricultural Marketing
- Know the significance of Agricultural Marketing
- Know about the various Factors Affecting Capital Requirements

12.3 AGRICULTURAL MARKETING

The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, i.e., it includes all the primary activities of production. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all the activities involved in the creation of time, place, form and possession utility. The concept of marketing have undergone significant changes as we witness in the real world. Its approach was solely and exclusively product-oriented in the first half of the twentieth century. Its approach thereafter became sale-oriented in the middle of this century and now it is consumer-oriented. To fulfil and utilise the marketing concept to

serve the needs of the firms and, in turn, increases the sale of the firm through consumer satisfaction. The term Marketing is a very comprehensive one. Marketing starts well before production commences and ends after rendering after sale satisfaction. In other words we can say it starts with customer preference and ends with customer satisfaction. According to Philip Kotler, "Marketing is the analysis, planning, implementation and control of programmes designed to bring about desired exchange with target audiences for the purpose of personnel and mutual gain". It is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential customers. It is the set of all those activities necessary and incidental to bring about exchange relationships and fulfilling consumer desires in such a way that a dose of money put in brings back maximum return.

According to Thomsen, the study of agricultural marketing, comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives. A study of the agricultural marketing system is necessary to an understanding of the complexities involved and the identification of bottlenecks with a view to providing efficient services in the transfer of farm products and inputs from producers to consumers.

Agricultural marketing has been defined by the National Commission on Farmers as "a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre and post-harvest operations viz. assembling, grading, storage, transportation and distribution." In an expansive manner, this definition conveys the crux that the farmers goods reach the end consumer – either an individual or an organization such as a processor or exporter.

Scope and Subject Matter of Agricultural Marketing:

Agricultural marketing in a broader sense is concerned with:

- The marketing of farm products produced by farmers.
- The marketing of farm inputs required by farmers in the production of farm products

Subject Matter of agricultural marketing

This includes product marketing as well as input marketing. The subject of output marketing is as old as civilization itself. The importance of output marketing has become more conspicuous in the recent past with the increased marketable surplus of the crops following the technological breakthrough. The farmers produce their products for the markets. Input marketing is a comparatively new subject. Farmers in the past used such farm sector inputs as local seeds and farmyard manure. These inputs were available with them; the purchase of inputs for production of crops from the market by the farmers was almost negligible. The new

agricultural technology is input-responsive. Thus, the scope of agricultural marketing must include both product marketing and input marketing. Specially, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and costs, price spread and market integration, producer's surplus, government policy and research, training and statistics on agricultural marketing.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. The scope of agricultural marketing must include both product marketing andmarketing.
2. Marketing starts well beforecommences.
3. The term agricultural marketing is composed of two words-..... and marketing.
4. Marketing connotes a series of activities involved in moving the goods from the point ofto the point of consumption.

12.4 IMPORTANCE OF AGRICULTURAL MARKETING

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are of primary importance in promoting economic development. Some of the significance are as follows:

1. Optimization of Resource use and Output Management:

An efficient agricultural marketing system leads to the optimization of resource use and output management. An efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation.

2. Growth of Agro-based Industries:

An improved and efficient system of agricultural marketing helps in the growth of agro-based industries and stimulates the overall development process of the economy.

3. Price Signals: An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy.

4. Employment: The marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation, storage and processing, etc.

5. Addition to National Income: Marketing activities add value to the product thereby increasing the nation's gross national product and net national product.

Do you Know?

An efficient marketing system ensures higher levels of income for the farmers by reducing the number of middlemen.

6. Creation of Utility: Marketing adds cost to the product; but, at the same time, it adds utilities to the product. The following four types of utilities of the product are created by marketing:

(a) **Form Utility:** The processing function adds form utility to the product by changing the raw material into a finished form. With this change, the product becomes more useful than it is in the form in which it is produced by the farmer.

(b) **Place Utility:** The transportation function adds place utility to products by shifting them to a place of need from the place of plenty. Products command higher prices at the place of need than at the place of production because of the increased utility of the product.

(c) **Time Utility:** The storage function adds time utility to the products by making them available at the time when they are needed.

(d) **Possession Utility:** The marketing function of buying and selling helps in the transfer of ownership from one person to another. Products are transferred through marketing to persons having a higher utility from persons having a low utility.

6. Financing: The financing function of marketing involves the use of capital to meet the financial requirements of the agencies engaged in various marketing activities. No business is possible nowadays without the financial support of other agencies because the owned funds available with the producers and market middlemen (such as wholesalers, retailers and processors) are not sufficient.

SELF-CHECK EXERCISE-2

State whether the following statements are True/False

5. An efficient marketing system ensures higher levels of income for the farmers by reducing the number of middlemen.

6. The marketing system provides employment to only those persons who are engaged in packaging activities.

7. Marketing adds cost to the product; but, at the same time, it adds utilities to the product.

8. Products are transferred through marketing to persons having a low utility from persons having a higher utility.

12.5 FACTORS AFFECTING CAPITAL REQUIREMENTS OF AN AGRICULTURAL MARKETING FIRM:

The capital requirements of a marketing agency for its marketing business vary with the following factors:

- (i) Nature and Volume of Business
- (ii) Necessity of Carrying Large Stocks
- (iii) Continuity of Business during Various Seasons
- (iv) Time Required between Production and Sale
- (v) Terms of Payment for Purchase and Sale
- (vi) Fluctuations in Prices
- (vii) Risk-taking Capacity
- (viii) General Conditions in the Economy

Agricultural Price Policy

The major concern of Indian Agriculture is price fluctuation. Therefore price stabilization is the main aim of price policy; stable price means stable income and sustainable growth in agricultural sector. The importance of fixing fair prices been advanced since long. The incentive price to producer would increase production in the country. 'The paradox of poverty is plenty' is seen in agriculture. Increased production does not have increased income. There is also high risk in agriculture. So there is a need to guarantee stable income to farmers.

Objectives of Agricultural Price Policy

1. To ensure reasonable relationship between prices of food and non-food and between agriculture and non-agricultural sectors.
2. To achieve an economic balance between both producer and consumers to produce price spread.
3. To stabilize prices in the country interaction of market and prices in different regions.
4. To encourage production of certain commodity in the national interest.

Agricultural Finance

Agriculture finance and agricultural insurance are strategically important for eradicating extreme poverty and boosting shared prosperity. Globally, there are an estimated 500 million smallholder farming households representing 2.5 billion people relying, to varying degrees, on agricultural production for their livelihoods. Agricultural finance needs of the farmers can be examined from two different angles:

- (i) On the basis of time and
- (ii) On the basis of purpose.

Do you Know?

The objective of Agricultural Price Policy is to maintain proper relationship between output and input prices.

On the Basis of Time:

The needs of the farmers can be classified into three categories on the basis of time:

- (i) Short term.
- (ii) Medium term, and
- (iii) Long term.

Short-term loans are required for the purchase of seeds, fertilizers, pesticides, feeds on fodder of livestock, marketing of agricultural produce, payment of wages of hired labour are classified according to the use and kind of application as insecticides, fungicides, herbicides and other pesticides. Period of such loans are up to 15 months.

Medium-term loans are obtained for the purchase of cattle, small agricultural implements, repair and construction of wells etc. The period of such loans extends from 15 months to 5 years. These loans are generally provided by money-lenders, relatives of farmers, cooperative societies and commercial banks.

Long-term loans are required for effecting] permanent improvement on land, digging tube wells,' purchase of larger agriculture implements and' machinery like tractors, harvesters etc. and repayment; of old debts. The period of such loans extends beyond; 5 years. Such loans are normally taken from Primary Cooperative Agricultural and Rural Development Banks (PCARDBS).

On the Basis of Purpose:

Agricultural credit needs of the farmers can be classified on the basis of purpose into the following categories:

- (i) Productive:
- (ii) Consumption needs and;
- (iii) Unproductive.

Under *productive* needs we can include all credit requirements which directly affect agricultural productivity. Farmers need loans for the purchase of seeds, fertilizers, manures, agricultural implements, livestock, digging and repair of wells and tube wells, payment of wage, effecting permanent improvements on land, marketing of agricultural produce, etc. Repayment of these loans is generally not difficult because the very process of production generally creates the withdrawal for repayments.

Farmers often require *loans for consumption* as well. Institutional credit agencies do not provide loan for consumption purpose. Therefore farmers stretch their hand towards the moneylenders.

Loans are taken for *unproductive purposes* such as litigation, marriages, social ceremonies on birth and death of a family member, religious functions, festivals etc. Farmers take loans from Mahajans since institutional credit agencies do not give such loans.

Sources of Agricultural Finance:

This can be divided into two categories:

- (i) Non-institutional sources.
- (ii) Institutional sources

(i) Non-Institutional sources are the following:

- (a) Moneylenders
- (b) Relatives
- (c) Traders
- (d) Commission agents
- (e) Landlords

(ii) Institutional sources:

- (a) Cooperatives
- (b) Scheduled Commercial Banks
- (c) Regional Rural Banks (RRBs)

SELF-CHECK EXERCISE-3

Fill in the Blanks

9. The incentive price to producer would increasein the country.
10. Agricultureand agricultural insurance are strategically important for eradicating extreme poverty.
11.loans are required for the purchase of seeds, fertilizers, pesticides.
12. Long term loans are normally taken from Primary Cooperative Agricultural andDevelopment Banks.

12.6 SUMMARY

Agriculture plays a critical role in India's story since, as an economic sector, it employs the largest number of people. As the marketable surplus of a farmer increases, the needs to have efficient markets become crucial. A strong and transparent agricultural marketing system is imperative for ensuring remunerative returns to the farmers. It needs to be reiterated that without liberalizing the current marketing scenario, farmers are unlikely to benefit from the growing consumer preference. Agriculture is an important sector to fuel in economic growth and it needs to be made more attractive. By creating necessary framework for strengthening the entire agriculture value chain, the Government of India will not only help improve socio-economic condition of the nation's farmers, but will also enable Indian agriculture to become economically profitable eventually leading to more inclusive development. Enabling policies for access to inputs, credit, markets and innovations will result in increased productivity, profitability and growth. Further with changes in production scenario it is also necessary to have effective agricultural marketing reforms to ensure that the farming is remunerative. For the Indian farmers to remain competitive, both in the domestic and international markets, Agriculture marketing services will have to be strengthened.

12.7 GLOSSARY

- **Market:** A market is the set of all actual and potential buyers of a product
- **Marketing:** Marketing starts well before production commences and ends after rendering after sale satisfaction.
- **Utility:** Utility is a term in economics that refers to the total satisfaction received from consuming a good or service.

12.8 ANSWERS TO SELF-CHECK EXERCISES

1. Input
2. Production
3. Agriculture
4. Production
5. True
6. False
7. True
8. False
9. Production
10. Finance
11. Short-term
12. Rural

12.9 SUGGESTED READINGS

- Role of financial institutions in agricultural development in India: A case study of Himachal Pradesh by Raj Kumar.
- Budget & Annual Report by H.P State Agricultural & Marketing Board.
- “Banking Reforms and Agricultural Finance in India” by S M Jawed Akhtar and Nahid Akhtar Siddiqi.
- “Agricultural Finance in India: The Role of NABARD” by K Prabhakar Rajkumar.
- “Banking Sector Reforms And Agricultural Finance” by R K Mishra.

12.10 TERMINAL QUESTIONS

1. What role has agribusiness played in international trade?
2. What is market concentration, and how does it affect trade and economy?
3. What has been the role of agribusiness in developing countries, and how do they fit in their agricultural production processes and development?
4. What is Agribusiness anyway and how can it help students identify their passion in life and turn it into a career?

INDUSTRIALIZATION AND LABOUR WELFARE MEASURES IN HIMACHAL PRADESH-I

STRUCTURE

- 13.1 Introduction
- 13.2 Learning Objectives
- 13.3 Industrial Profile of Himachal Pradesh-An Overview
Self-Check Exercise
- 13.4 Summary
- 13.5 Glossary
- 13.6 Answers to Self-Check Exercises
- 13.7 Suggested Readings
- 13.8 Terminal Questions

13.1 INTRODUCTION

Himachal Pradesh has made significant achievements in the field of industrialisation in the past few years. The rich natural resources of the state are favourably suited for investments in major sectors such as procurement of agricultural produce, hydroelectric power, cement and tourism. Now a days almost every enterprise incurs expenditure on the welfare of its employees. The ultimate aim behind these facilities is to improve the welfare of workers, the degree of their efficiency and the quantum and quality of service. The facilities are both of statutory and non -statutory in nature. The welfare of measures to safeguard the health of factory workers within the work-place have been made statutory under the Factories Act, 1948.

13.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Know about the industrial profile of Himachal Pradesh
- Know the scope of industries in Himachal Pradesh
- Understand about the various labour measures

13.3 INDUSTRIAL PROFILE OF HIMACHAL PRADESH - AN OVERVIEW

In the State of Himachal Pradesh, the process of industrialization started during the planning period especially after the merger of some areas of Punjab in 1966. Prior to merger, Himachal Pradesh contained many scattered hilly areas which were not connected by roads and other communication facilities and therefore it was not possible to plan industrial development in such areas as a result of which, the government had to ignore

industrialization in the state. The Government of India and the State Government of Himachal Pradesh made tremendous efforts for the development of infrastructural facilities in the state. The entire state of Himachal Pradesh was declared a backward state and a number of incentives and facilities were introduced to attract entrepreneurs from outside the state. It is only during the period the seventy onwards that State Government has explicitly recognised the need of Industrialisation. Before this, the number of large Industrial units was negligible. Himachal was one of the most industrially backward states, prior to Independence. However, efforts of State Government and entrepreneurs readiness to invest has paced up the industrialisation in the state.

The state of Himachal Pradesh has made significant progress in the field of industrialization in the past few years. With the ushering in of liberalized economy and the consequence delicensing of most of the industries, the flow of investment in our state has increased manifold. State have received a tremendous response for setting up new industrial ventures from investors in the past few years and this trend is by and large continuing despite the recent deep countrywide recession. The State Government have responded to the rapidly changing national and international economic environment and have formulated a pragmatic and forward looking industrial policy. Today, there have been investments from reputed industrial houses in a variety of projects ranging from agro-processing to engineering and electronic goods. The focus of the State Government is to create a congenial and investor-friendly climate by creating quality infrastructure and providing an attractive package of incentives and concessions e.g. interest subsidy. Investment subsidy, exemption from payment of electricity duty and power tariff freeze have been provided. Besides, State Government is laying emphasis on development of Industrial Areas/Estates where basic amenities like Roads, Power, Sewerage, Water and Communication etc. are developed. In order to spread the pace of industrialization process in state and to woo indigenous and foreign investment in the Pradesh so as to generate employment opportunities for local persons, the State Government opportunities for local persons, the State Government has announced a new industrial policy guidelines.

Do you Know?

An Entrepreneur development Centre in collaboration with the Government of India has been set up at Parwanoo.

Scope of Industries in Himachal Pradesh

There is vast scope for setting up small scale industries in Himachal Pradesh. It is discussed under following heads:

- i) Resource based Industries
- ii) Skill based industries
- iii) Demand based industries

i) Resource Based Industries:

The State is having very limited surplus resources. However there are some surplus resources in agriculture, horticulture, forests and minerals etc. on the basis of which following products may be suggested:

- | | |
|-----------------------------------|------------------------------|
| 1. Cattle Feed | 2. Poultry food |
| 3. Maize base snacks | 4. Potato chips |
| 5. Dehydration of vegetable | 6. Jam, Juices, Jellies etc. |
| 7. Pickle, Chutney, Squashes etc. | 8. Fruit canning |
| 9. Mushroom canning/growing | 10. Galgal based products |
| 11. Apple cider/fruit wine | 12. Wool/cotton carding |
| 13. Wooden toys | 14. Pine needles wool |
| 15. Wooden novelties | 16. Bamboo sticks/poles |
| 17. Photo frames (Wooden) | 18. Wooden Furniture |
| 19. Joinery items (Wooden) | 20. Sisal fiber |
| 21. Stone grit | 22. Mineral water in pouches |
| 23. Board from pine needles | 24. Bricks |
| 25. Lime kiln | 26. Refractoriness |
| 27. Tooth picks | 28. Cedar wood oil |
| 29. Essential oil | 30. Wooden bee-hives |
| 33. Dhoop/Aggravaties | 34. Fruit pulp |
| 35. Bone crushing | 36. Garlic powder |
| 37. Ginger powder | 38. Bone- china |
| 39. Crockery | 40. Hydrated lime |

ii) Skill Based Industries:

There are certain skills available in Himachal Pradesh in the form of artisans, ITI trained persons and other skill persons who are working as skilled workers in existing industries in the State as well as in neighboring States. The following types of units may be set up in the State on the basis of skills available:

- | | |
|---|--------------------------------|
| 1. Bamboo Basket/ Kiltas | 2. Leather shoes |
| 3. Carpets | 4. Shawls/patti weaing |
| 5. Hosiery products (knitted) | 6. Pattoos / wooles shawls |
| 7. Auto repair shop | 8. Kullu caps / Himachali Caps |
| 9. Embroidery | 10. Repair workshop |
| 11. Tailoring | 12. Carpentry |
| 13. Black smithy (agriculture implements) | 14. Pottery |
| 15. Ornaments | 16. Ban making |
| 17. Radio/TV/watch repair | 18. General fabrication |
| 19. Electrical repair | 20. Refrigeration |

iii) DEMAND BASED INDUSTRIES:

Demand for various items depends on social, cultural, economic, climatic conditions, policies and ongoing development programmes of the Govt. Hence, demand for a product may come from sources like inhabitants of the State, various sectors of the economy like agriculture, horticulture, forestry, power and purchases made by Govt., Boards and Corporations etc. All the factors have been kept in mind while identifying items having scope for development in the State. The list includes some items which are included in the resource based items because there is demand for these items from various sectors discussed above. Major industry group wise list of such items having scope for development in the State is given below:

Food Products

- | | |
|-----------------------------|-------------------------|
| 1. Bread | 2. Biscuits |
| 3. Confectionery | 4. Ice cream/candy |
| 5. Spice Grinding | 6. Mushroom cultivation |
| 7. Flour Mill | 8. Atta chakki |
| 9. Mustard oil | 10. Aerated soft drink |
| 11. Milk product | 12. Papad bariyan |
| 13. Tomato ketchup & sauces | 14. Ice factory |
| 15. Soya bean products | 16. Bakery products |
| 17. Namkeen | |

Hosiery and Textiles

- | | |
|----------------------------------|-------------------------------|
| 1. Cotton socks/vests knitted | 2. Cotton/under garments |
| 3. Woolen socks/caps | 4. Woolen blankets |
| 5. Woolen Cardigans | 6. Woolen shawls |
| 7. Readymade garments | 8. Rain coats |
| 9. Bed sheets/covers | 10. Canvas & rexin bag |
| 11. Hospital patient suits | 12. Paranda /ribbon |
| 13. Tents & kanats | 14. Jute mats |
| 15. Cotton / wool carding | 16. Nets for protecting apple |
| 17. Synthetic fiber based quilts | 18. Tarpaulins |
| 19. Carpets | 20. Niwar cotton |
| 21. Niwar Synthetic | 22. Rajai/ gadas |
| 23. Cotton daries | 24. Fishing & sport nets |
| 25. School bags | 26. Laces/tags |

WOODEN PRODUCTS

- | | |
|------------------------------|----------------------------------|
| 1. Wooden furniture/fixtures | 2. Wooden electric accessories |
| 3. Truck/bus body building | 4. Wooden joinery items |
| 5. Rifle but/cases | 6. Lead pencils |
| 7. Plywood | 8. Shuttles & bobbins (Handloom) |
| 9. Cub- board/wooden slates | 10. Bee- hives |
| 11. Photo frames | 12. Black board wooden slate |
| 13. Bamboo poles/products | |

PAPER PRODUCTS

- | | |
|------------------------|---------------------------|
| 1. Exercise book | 2. Paper envelope |
| 3. File covers | 4. Sweet boxes/card board |
| 5. Paper cones | 6. Sanitary tapes |
| 7. Paper cartons boxes | 8. Corrugated paper boxes |

LEATHER AND LEATHER PRODUCTS

- | | |
|-----------------------------|-------------------------|
| 1. Leather shoes | 2. Leather shoes upper |
| 3. Leather sandals/Chappals | 4. Purses and hand bags |
| 5. Leather belts | 6. Watch strap |
| 7. School bags | 8. Hand gloves |

CHEMICAL AND ALLIED PRODUCTS

- | | |
|------------------------------------|-----------------------------------|
| 1. Ayurvedic medicines | 2. Allopathic medicine |
| 3. Paints & varnishes | 4. Laundry soap |
| 5. Cleansing powder | 6. Phenyl/liquid phenyl |
| 7. Shoe polish | 8. Writing ink |
| 9. Washers & erasers | 10. Sodium silicat |
| 11. Insecticides/pesticides | 12. Bleaching powder |
| 13. Grease | 14. Acrylic sheet novelties |
| 15. Plastic combs | 16. Storage battery |
| 17. Black ink | 18. Absorbent cotton |
| 19. Refill (pen) | 20. Tooth powder |
| 21. Hair oil | 22. Adhesives |
| 23. Cedar wood oil | 24. Essential oil |
| 25. Dhoop & aggrvatti | 26. Wax candle |
| 27. French polish | 28. Detergent powder |
| 29. Pens and ball pens | 30. Cosmetics |
| 31. Vet, Medicines/vaccines | 32. Injection molded plastic |
| 33. Blow molded plastic products | 34. Polythene films |
| 35. Thermo welded plastic products | 36. FRP moulded products |
| 37. Plastic rain coats | 38. PVC pipe |
| 39. PVC foot ware | 40. PVC wire & cables |
| 41. Micro cellular sheet | 42. Mineral mixture for cattle |
| 43. HDPE box strapping | 44. Paper trays for apple packing |
| 45. Water & artistic colors | 46. Spectacles frames |
| 47. Distemper | 48. Liquid soap |
| 49. Sealing wax | 50. French polish |
| 51. Acrylic sheet button | 52. LDPE pipe |
| 53. Hawai Chappals | 54. Plastic buttons |
| 55. Tyre retreating | 56. PVC granules |

GLASS & CERAMICS PRODUCTS

- | | |
|--------------------------|------------------------------------|
| 1. Chalk crayons | 2. Tailor chalk |
| 3. Low tension insulator | 4. Bricks |
| 5. Stone grit | 6. Lime |
| 7. RCC pipe/poles | 8. Cement jallies |
| 9. Thermometers | 10. Flooring tiles, mosaic concret |
| 11. Stone slates | 12. Scientific glass apparatus |

13. Glass toys / show pcs

14. Toys/dolls of plaster of paris

ELECTRONIC & ELECTRICAL ITEMS

- | | |
|----------------------------------|-------------------------------|
| 1. Emergency/CFL lamps | 2. Electronic toys |
| 3. Voltage stabilizer/regulators | 4. Elect. Domestic appliances |
| 5. EPBX | 6. Electrical kit-kat |
| 7. Bakelite electrical products | 8. Tube light fixture |
| 9. Ultrasonic rodent killer | 10. Electronic teaching aids |
| 11. Geyser/water filter | 12. Elect. Switches |
| 13. Tube chokes/starters | 14. PVC wire and cables |
| 15. Auto bulbs | 16. Washing machines |
| 17. Mixes/juicers | 18. Gas lighter |

MISC. SERVICE ESTABLISHMENTS

- | | |
|--------------------------|-------------------------------|
| 1. Dairy farming | 2. Poultry farming |
| 3. Bee keeping | 4. Sericulture |
| 5. Hatchery | 6. Mushrooms |
| 7. Rabbit rearing farm | 8. PCO |
| 9. Photography | 10. Printing press |
| 11. Silk screen printing | 12. Travel agencies |
| 13. Beauty parlors | 14. Fast food restaurants |
| 15. Pig farming | 16. Photostat/lamination etc. |
| 17. Handlooms | 18. Cyber café |

SELF-CHECK EXERCISE

Fill in the Blanks

1. Himachal was one of the mostbackward states, prior to Independence.
2. Leather shoes units may be set up in the State underindustries.
3. Mushroom cultivation comes under the category ofbase industries.
4. Washing machine is a part of.....&items.

13.4 SUMMARY

Himachal Pradesh has made significant achievements in the field of industrialization in the past few years. The rich natural resources of the state are favorably suited for investments in major sectors such as procurement of agricultural produce, hydroelectric power, cement and tourism. Industrial progress depends on a satisfied labour force. In recognition to this fact, the importance of labour welfare measures was accepted as early as 1931, when the Royal Commission on labour stated; "The benefits, which go under these nomenclature are of great importance to the worker and which he is unable to secure by himself",. The schemes of labour welfare may be regarded as a wide investment which should and usually does bring a profitable return for a greater efficiency. According to the Department for Promotion of Industry & Internal Trade (DPIIT), during April 2000 to June 2019, FDI inflows in the state totalled to US\$ 2.15 billion. During 2019 (up to October 2019), 12 investment intentions were filed in Himachal Pradesh with a proposed investment of Rs 279 Crore (US\$ 39.92 million).

13.5 GLOSSARY

- **Industry:** An industry is a group of companies that are related based on their primary business activities.
- **Factory:** A factory is a large building where machines are used to make large quantities of goods.
- **Skill Development:** refers to the identification of skill gaps and developing the existing skills to enable a person to achieve his/her goals.
- **Entrepreneur:** An entrepreneur is an initiator, a challenger and a driver. Someone that creates something new either a business or a company.

13.6 ANSWERS TO SELF-CHECK EXERCISES

1. Industrially
2. Skill Based
3. Demand
4. Electronic & Electrical Items

13.7 SUGGESTED READINGS

- Factories Act, 1948, Labour Year Book, Labour Bureau, Shimla.
- L.S. Kudchedkar, Aspects of Personnel Management and Industrial Relations. Tata Mc Graw, New Delhi.
- Infrastructure and Economic Development in Himachal Pradesh by A.K. Tiwari.
- Lakshmi Narasaiah, Suresh, Industrial Development, Discovery Publishing House,
- Government of Himachal Pradesh. 2019. "Economic Survey." Economics and Statistics Department, Kasumpti Shimla.

13.8 TERMINAL QUESTIONS

1. What do we say that industrial policy can lead to inefficient use of resources?
2. How did income from proto-industrial production supplement the shrinking income of small farmers?

INDUSTRIALIZATION AND LABOUR WELFARE MEASURES IN HIMACHAL PRADESH-II

STRUCTURE

- 14.1 Introduction
- 14.2 Learning Objectives
- 14.3 Scope of Industries in Himachal Pradesh
Self-Check Exercise-1
- 14.4 Labour Welfare Measures
Self-Check Exercise-2
- 14.5 Summary
- 14.6 Glossary
- 14.7 Answers To Self-Check Exercises
- 14.8 Suggested Readings
- 14.9 Terminal Questions

14.1 INTRODUCTION

Himachal Pradesh has made significant achievements in the field of industrialisation in the past few years. The rich natural resources of the state are favourably suited for investments in major sectors such as procurement of agricultural produce, hydroelectric power, cement and tourism. Now a days almost every enterprise incurs expenditure on the welfare of its employees. The ultimate aim behind these facilities is to improve the welfare of workers, the degree of their efficiency and the quantum and quality of service. The facilities are both of statutory and non-statutory in nature. The welfare of measures to safeguard the health of factory workers within the work-place have been made statutory under the Factories Act, 1948.

14.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Know the scope of industries in Himachal Pradesh
- Understand about the various labour measures

14.3 SCOPE OF INDUSTRIES IN HIMACHAL PRADESH

Himachal Pradesh, nestled in the lap of the Himalayas, boasts a burgeoning industrial landscape that extends far beyond its picturesque landscapes and serene valleys. While traditionally known for its agriculture, horticulture, and tourism sectors, the state has made significant strides in diversifying its industrial base, presenting a promising scope for various industries.

- **Expanding Horizons:** Himachal Pradesh offers a conducive environment for industrial growth, backed by abundant natural resources, a skilled workforce, and

proactive government policies. The state's industrial policy focuses on attracting investments across sectors, fostering innovation, and promoting sustainable development.

- **Hydropower:** With its vast hydroelectric potential, Himachal Pradesh is a frontrunner in the hydropower sector. The state's rivers, including the Beas, Sutlej, and Ravi, offer ample opportunities for hydroelectric projects, making it a hub for clean and renewable energy generation.
- **Pharmaceuticals:** Himachal Pradesh has emerged as a pharmaceutical hub in northern India, with a robust pharmaceutical manufacturing sector. The state's favorable industrial policies, coupled with infrastructure support and skilled manpower, have attracted several pharmaceutical companies to establish their operations here.
- **Textiles and Apparel:** The textile and apparel industry in Himachal Pradesh is witnessing steady growth, driven by initiatives to promote textile parks, handloom clusters, and garment manufacturing units. The state's rich tradition of handicrafts and handlooms further enhances its potential in this sector.
- **Food Processing:** With its abundant agricultural produce, Himachal Pradesh offers significant opportunities in the food processing industry. The state government has been actively promoting food processing units, cold storage facilities, and agro-based industries to add value to agricultural produce and generate employment.
- **Tourism Infrastructure:** Himachal Pradesh's breathtaking landscapes, hill stations, and adventure tourism destinations make it a magnet for tourists. The tourism industry presents vast opportunities for investment in hospitality, adventure sports, eco-tourism, and infrastructure development, contributing significantly to the state's economy.
- **Information Technology:** While still in its nascent stage, the information technology sector in Himachal Pradesh shows promise, particularly in areas like software development, IT-enabled services, and e-governance initiatives. The state government's efforts to promote IT parks and incubation centers aim to harness the potential of the IT industry further.

Industries in Himachal Pradesh

Himachal Pradesh, despite its hilly terrain and relatively smaller size, hosts a diverse range of industries. Here are some notable industries in Himachal Pradesh:

1. **Hydropower:** One of the most significant industries in Himachal Pradesh is hydropower generation. The state's rivers, including the Sutlej, Beas, and Ravi, provide abundant hydroelectric potential, making it a hub for hydroelectric projects. Major hydropower plants such as Bhakra Nangal, Nathpa Jhakri, and Chamera contribute significantly to the state's power generation capacity.

2. **Tourism:** Himachal Pradesh is renowned for its scenic beauty, hill stations, and adventure tourism destinations. The tourism industry is a vital contributor to the state's economy, attracting millions of tourists annually to places like Shimla, Manali, Dharamshala, and Kasauli. Hospitality, travel agencies, adventure sports, and eco-tourism are key segments of the tourism industry in the state.
3. **Pharmaceuticals:** Himachal Pradesh has emerged as a prominent pharmaceutical manufacturing hub in India. The state offers various incentives and a conducive business environment for pharmaceutical companies. Major pharmaceutical firms have established manufacturing units in locations like Baddi, Solan, and Nalagarh, contributing significantly to the state's industrial growth and employment generation.
4. **Textiles and Apparel:** The textile and apparel industry is another important sector in Himachal Pradesh. The state is known for its handloom and handicraft products, including shawls, carpets, and woolen garments. Textile parks and handloom clusters have been established to promote the textile industry and provide employment opportunities to local artisans.
5. **Food Processing:** Himachal Pradesh's rich agricultural produce forms the basis for its food processing industry. The state is known for fruits such as apples, peaches, and cherries, along with crops like maize, wheat, and barley. Food processing units, cold storage facilities, and fruit processing plants are prevalent in regions like Shimla, Mandi, and Kullu.
6. **IT and ITES:** While still in its nascent stage, the Information Technology (IT) and IT-enabled services (ITES) industry is gradually gaining momentum in Himachal Pradesh. The state government has initiated steps to promote IT parks, software development centers, and incubation facilities to attract IT companies and create employment opportunities for the youth.
7. **Handicrafts and Handlooms:** Himachal Pradesh has a rich tradition of handicrafts and handlooms, including pottery, woodcarving, metalwork, and traditional textiles. Artisans across the state produce a wide range of handicraft items that are popular among tourists and collectors, contributing to the state's cultural heritage and economic growth.

SELF-CHECK EXERCISE-1

1. Which industry is known for its prominent presence in Himachal Pradesh due to the abundance of rivers and hydroelectric potential?
 - a) Textiles
 - b) Pharmaceuticals
 - c) Hydropower
 - d) Food Processing
2. Which sector significantly contributes to the economy of Himachal Pradesh by attracting millions of tourists annually?

- a) Information Technology
 - b) Agriculture
 - c) Tourism
 - d) Healthcare
3. Which industry has emerged as a prominent manufacturing hub in Himachal Pradesh, particularly in regions like Baddi, Solan, and Nalagarh?
- a) Textiles and Apparel
 - b) Pharmaceuticals
 - c) Food Processing
 - d) Handicrafts and Handlooms
4. What is one of the key agricultural products that form the basis for the food processing industry in Himachal Pradesh?
- a) Rice
 - b) Apples
 - c) Cotton
 - d) Sugarcane
5. Which industry is gradually gaining momentum in Himachal Pradesh, with initiatives to promote IT parks and software development centers?
- a) Hydropower
 - b) Information Technology
 - c) Pharmaceuticals
 - d) Handicrafts and Handlooms

14.4 LABOUR WELFARE MEASURES

Industrial progress depends on a satisfied labour force-in recognition to this fact, the importance of labour welfare measures was accepted as early as 1931, when the Royal Commission on labour stated; " the benefits, which go under these nomenclature are of great importance to the worker and which he is unable to secure by himself,. The schemes of labour welfare may be regarded as a wide investment which should and usually does bring a profitable return in the form of greater efficiency.

In Himachal Pradesh the Department of Labour and Employment came into being as a separate Department in 1972. Its activities can be divided broadly into two wings pertaining to Labour and Employment. Labour wing is responsible for the implementation of 28 Labour Laws (Central & State) with a view to establishing and maintaining peace in the Industrial Establishments. Under the provisions of the Industrial Disputes Act 1947, Labour Courts-cum-Industrial Tribunals have been set up at Shimla & Dharamsala to decide industrial disputes.

Do you Know?

Under the Factories Act, 1948, registration and renewal of factories licenses is done and also ensuring safety of workers.

Schemes

- i) Unemployment Allowance Scheme, 2017
- ii) Industrial Skill Development Allowance Scheme, 2018
- iii) Skill Development Allowance Scheme

i) Unemployment Allowance Scheme, 2017.

This scheme intends to provide allowance to eligible educated unemployed youth of Himachal, to enable them to sustain themselves for a certain period. The allowance shall be payable to eligible persons in the age group of 20 years to below 35 years. A candidate must pass 10th and must be between the age of 17 to 40 years. The annual family income of candidates must be less than Rs.12000. Candidate should not be a regular student and he must be unemployed. Under the scheme, the state government would provide unemployment allowance of Rs. 1000 per month to every unemployed youth who have passed at least intermediate. Rs. 1500 per month would be provided to such unemployed youth with disability.

ii) Industrial Skill Development Allowance Scheme, 2018

The Scheme of granting Industrial Skill Development Allowance to the new employees employed in industries in H.P. The scheme aims at providing allowance to such eligible persons for their on job Skill up gradation. This scheme intends to provide allowance to eligible Himachali youth for their on job skill up gradation by way of working in an Industry/Industrial Establishment. This in turn will enable such youth to develop their skill in employment and boost prospective of better employment. The allowance shall be payable to eligible persons in the age group of 18 to below 36 years. Allowance shall be payable to each eligible applicant for a maximum period of two years; subject to fulfilling eligibility criteria & timely submission of attested copies of 5th/ 8th/matriculation marks sheet/certificate (in case of illiterate applicant birth certificate issued by the competent authority), to ascertain age & educational qualification and Affidavit as perform (iii), at the following rates:

- a) For Physically Challenged person who have minimum 50 per cent permanent disability recorded in her/his Employment Exchange record (X-I), @ Rs. 1500.
- b) For all other categories of Persons @ Rs. 1000 per month.

The Industrial Skill Development Allowance Scheme, 2018, introduced by the Government of Himachal Pradesh, aims to empower the youth of the state by enhancing their employability through skill development in industrial trades. The scheme is designed to provide financial support to eligible candidates undergoing skill training in recognized industrial training institutes (ITIs) and industrial establishments.

Key Features:

1. **Financial Assistance:** Under the scheme, eligible candidates receive a monthly stipend as financial assistance to support their living expenses during

the duration of the skill training program. The stipend amount is determined based on the duration of the training course and is disbursed directly to the beneficiary's bank account.

2. **Eligibility Criteria:** The scheme is open to unemployed youth between the ages of 18 to 45 years who are domiciled in Himachal Pradesh. Candidates must possess a minimum educational qualification as prescribed by the scheme guidelines and should enroll in recognized skill training programs offered by ITIs or industrial establishments.
3. **Skill Training Programs:** The scheme covers a wide range of skill training programs in industrial trades such as manufacturing, engineering, electronics, information technology, hospitality, healthcare, and tourism. Training programs are aligned with industry requirements and emphasize practical skills development to enhance employability.
4. **Duration of Assistance:** The financial assistance provided under the scheme is available for the entire duration of the skill training program, subject to the maximum duration prescribed by the scheme guidelines. Candidates receive monthly stipends for the duration of their training, helping them meet their living expenses and focus on acquiring new skills.
5. **Employment Opportunities:** Upon successful completion of the skill training program, candidates are expected to possess industry-relevant skills and qualifications that enhance their employability. The scheme aims to facilitate placement opportunities for trained candidates in relevant industries, either through direct placement or by linking them with employment agencies and job fairs.
6. **Monitoring and Evaluation:** The implementation of the scheme is closely monitored and evaluated by the concerned authorities to ensure transparency, accountability, and effectiveness. Periodic reviews are conducted to assess the scheme's impact, identify challenges, and make necessary adjustments to improve its outcomes.

iii) Skill Development Allowance Scheme

Skill Development Allowance to the unemployed youth scheme aims at providing allowance to educated unemployed Himachali youth for their skill upgradation. The objective is to enable such youth to develop their skill so as to take up employment or self-employment in the sector of their choice from training institute of their choice. Skill Development Allowance of Rs, 1,000 per month is being provided to the youth who undertake skill training to enhance their employability, Youth with disabilities are provided Rs 1,500 per month as Skill Development Allowance. This allowance is being given to unemployed youth whose family income is less than Rs 2 lakh per annum. The unemployed youth are allowed to utilize this allowance for upgrading their skill in any sector where they propose to get

employment.

The Skill Development Allowance Scheme is a flagship initiative introduced by various state governments and the central government of India to empower the youth with employable skills and enhance their prospects for gainful employment. The scheme aims to bridge the gap between the demand and supply of skilled workforce in various industries by providing financial support to eligible candidates undergoing skill development training.

Key Features:

1. **Financial Assistance:** The scheme offers financial assistance to eligible candidates in the form of a monthly allowance or stipend during the duration of their skill development training. This allowance helps candidates cover their living expenses, such as food, accommodation, transportation, and other incidental costs.
2. **Eligibility Criteria:** The scheme is typically open to unemployed youth between the ages of 18 to 35 years, although the age limit may vary depending on the specific guidelines of each state or central government. Candidates must meet certain educational qualifications or undergo an assessment to determine their eligibility for the scheme.
3. **Skill Training Programs:** The Skill Development Allowance Scheme covers a wide range of skill training programs across various sectors such as manufacturing, construction, healthcare, hospitality, information technology, and agriculture. Training programs are designed to align with industry requirements and emphasize practical skills development to enhance employability.
4. **Duration of Assistance:** The financial assistance provided under the scheme is available for the entire duration of the skill development training program, subject to the maximum duration prescribed by the scheme guidelines. Candidates receive monthly allowances or stipends for the duration of their training, which may vary depending on the type and duration of the training program.
5. **Placement Opportunities:** Upon successful completion of the skill development training program, candidates are expected to possess industry-relevant skills and qualifications that enhance their employability. The scheme aims to facilitate placement opportunities for trained candidates in relevant industries, either through direct placement or by linking them with employers, recruitment agencies, and job fairs.
6. **Monitoring and Evaluation:** The implementation of the Skill Development Allowance Scheme is closely monitored and evaluated by the concerned authorities to ensure transparency, accountability, and effectiveness. Periodic reviews are conducted to assess the scheme's impact, identify challenges, and make necessary adjustments to improve its outcomes.

Overall, the Skill Development Allowance Scheme plays a crucial role in addressing unemployment, skill shortages, and youth empowerment by providing financial support to candidates undergoing skill development training. By equipping beneficiaries with industry-relevant skills and enhancing their employability, the scheme contributes to economic growth, social development, and inclusive prosperity.

SELF-CHECK EXERCISE-2

State whether the following statements are True/False

6. In Himachal Pradesh the Department of Labour and Employment came into being as a separate Department in 1972.
7. Labour wing is responsible for the implementation of 28 Labour Laws.
8. In order to avail benefit under Unemployment Allowance Scheme, 2017 Candidate should not be a regular student and he must be unemployed.
9. Industrial Skill Development Allowance Scheme, 2018 shall be payable to eligible persons in the age group of 18 to below 46 years.
10. Skill Development Allowance of Rs, 5,000 per month is being provided to the youth who undertake skill training to enhance their employability.

14.5 SUMMARY

Himachal Pradesh has made significant achievements in the field of industrialization in the past few years. The rich natural resources of the state are favorably suited for investments in major sectors such as procurement of agricultural produce, hydroelectric power, cement and tourism. Industrial progress depends on a satisfied labour force. In recognition to this fact, the importance of labour welfare measures was accepted as early as 1931, when the Royal Commission on labour stated; "The benefits, which go under these nomenclature are of great importance to the worker and which he is unable to secure by himself",. The schemes of labour welfare may be regarded as a wide investment which should and usually does bring a profitable return for a greater efficiency. According to the Department for Promotion of Industry & Internal Trade (DPIIT), during April 2000 to June 2019, FDI inflows in the state totalled to US\$ 2.15 billion. During 2019 (up to October 2019), 12 investment intentions were filed in Himachal Pradesh with a proposed investment of Rs 279 Crore (US\$ 39.92 million).

14.6 GLOSSARY

- **Industry:** An industry is a group of companies that are related based on their primary business activities.
- **Factory:** A factory is a large building where machines are used to make large quantities of goods.
- **Skill Development:** refers to the identification of skill gaps and developing the existing skills to enable a person to achieve his/her goals.
- **Entrepreneur:** An entrepreneur is an initiator, a challenger and a driver. Someone that creates something new either a business or a company.

14.7 ANSWERS TO SELF-CHECK EXERCISES

- 1 c) Hydropower
- 2 c) Tourism
- 3 b) Pharmaceuticals
- 4 b) Apples
- 5 b) Information Technology
- 6 True
- 7 True
- 8 True
- 9 False
- 10 False

14.8 SUGGESTED READINGS

- Factories Act, 1948, Labour Year Book, Labour Bureau, Shimla.
- L.S. Kudchedkar, Aspects of Personnel Management and Industrial Relations. Tata Mc Graw, New Delhi.
- Infrastructure and Economic Development in Himachal Pradesh by A.K. Tiwari.
- Lakshmi Narasaiah, Suresh, Industrial Development, Discovery Publishing House, New Delhi.
- Government of Himachal Pradesh. 2019. "Economic Survey." Economics and Statistics Department, Kasumpti Shimla.

14.9 TERMINAL QUESTIONS

1. What was the drawback of new technology for merchants and industrialists?
2. "Industrial progress depends on a satisfied labour force". Comment.

HYDRO POWER PROJECT

STRUCTURE

- 15.1 Introduction
- 15.2 Learning Objectives
- 15.3 Hydro Power Project : A Snapshot
Self-Check Exercise-1
- 15.4 Hydropower Development
Self-Check Exercise-2
- 15.5 Environmental Impacts of Hydro Power Projects in Himachal Pradesh
Self-Check Exercise-3
- 15.6 Summary
- 15.7 Glossary
- 15.8 Answers to Self-Check Exercises
- 15.9 Suggested Readings
- 15.10 Terminal Questions

15.1 INTRODUCTION

Himachal Pradesh is extremely rich in its hydroelectricity resources. The state has about twenty five per cent of the national potential. About 27,436 MW of hydroelectric power can be generated in the state by the construction of various hydroelectric projects on the five perennial river basins. Out of total hydroelectric potential of the state, 10,519 MW is harnessed so far, out of which only 7.6 per cent is under the control of Himachal Pradesh Government while the rest is exploited by the Central Government. The state government has been giving the highest priority for its development, since hydroelectric generation can meet the growing need of power for industry, agriculture and rural electrification. It is also the biggest source of income to the state as it provides electricity to other states.

15.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Understand about the hydropower project
- Know the potential of hydropower project
- Know about the development of hydropower project in Himachal Pradesh
- Impact of hydropower project on socio-economic development of the community in Himachal Pradesh

15.3 HYDRO POWER PROJECT: A SNAPSHOT

Himachal has enough resources to generate surplus power but in winter less flow of water in rivers and increases in lighting and heating load can result in power shortages that overshoot ten lakh units per day. Resources rich Himachal Pradesh

has great potential for hydroelectric projects, Below is the list of all Hydel projects having capacity more than 25 MW commenced in the state of Himachal Pradesh.

S. No.	Project	Capacity (MW)	District	River	Agency
1	Nathpa Jhakri Project	1500	Kinnaur	Satluj	SJVN Ltd.
2	Bhakra Nangal Project	1325	Bilaspur	Satluj	BBMB
3	Karcham Wangtoo Project	1000	Kinnaur	Satluj	Jaypee Group.
4	Dehar Hydroelectric Project	990	Mandi	Beas	BBMB
5	Jangi Thopan Project	960	Kinnaur	Satluj	–
6	Parbati II Project	800	Kullu	Parbati	NHPC
7	Koldam Project	800	Mandi, Bilaspur	Satluj	NTPC
8	Chamera – I Project	540	Chamba	Ravi	NHPC
9	Parbati III Project	520	Kullu	Parbati	NHPC
10	Yamuna Hydroelectric Project	474	Sirmaur/ Dehradun(UK)	Yamuna	UJVNL
11	Rampur Project	412	Shimla	Satluj	SJVNL
12	Seli Hydroelectric Project	400	Lahul&Spiti	Chenab	Hindustan Power
13	Pong Dam Project	1325	Kangra	Beas	BBMB
14	Chamera – II Project	300	Chamba	Ravi	NHPC
15	Jispa Project	300	Lahul&Spiti	Chenab	HPPCL
16	YangThangKhab Project	261	Kinnaur	Spiti River	HPPCL
17	Kuthar Project	260	Chamba	Ravi	JSW Energy
18	Chamera – III Project	231	Chamba	Ravi	NHPC
19	Allain Duhangan Hydroelectric Project	192	Kullu	Allain and Duhang	AD Hydro Pvt. Ltd.
20	Baira Siul Project	180	Chamba	Baira	NHPC
21	Bajoli Holi Project	180	Chamba	Ravi	GMR
22	Largi Hydroelectric Project	126	Kullu	Beas	HPSEB
23	Sanjay Vidyut Pariyojna (Bhabha) Project	120	Kinnaur	Bhabha	HPSEB
24	Shanan Hydroelectric Project	110	Mandi	Uhl	PSPCL
25	Sorang Hydroelectric Project	100	Kullu	Sorang	Himachal Sorang Power
26	Uhl III Project	99	Kangra	Rana Nerikhad	Beas Valley Power
27	Malana Project	86	Kullu	Malana	Malana PCL
28	Keshang Hydroelectric Project	65	Kinnaur	Satluj	HPPCL
29	Giri Hydroelectric Project	60	Sirmaur	Giri	HPSEB
30	Bassi Hydroelectric Project	60	Mandi	Beas	HPSEB
31	Tangnu Romai Hydroelectric Project	44	Shimla	Pabbar	Tangnu Romai Power

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. Nathpa Jhakri Project is in district.....of Himachal Pradesh.
2. Sorang Hydroelectric Project is in the base of.....river.
3. 7.6 per cent hydroelectric potential is under the control of Himachal Pradesh Government while the rest is exploited by theGovernment.
4. Hydroelectric Project is the biggest source of income to the state as it providesto other states.

15.4 HYDROPOWER DEVELOPMENT

Hydropower exploitation in Himachal Pradesh began even before it was a full-fledged state with the commissioning of a 0.45 MW HEP by the Raja of Chamba in 1908. There were couple of other small projects that were executed like the 110 MW Shanan HEP in Mandi district and the 60 MW HEPs each of Bassi and Giri (Department of Environment, Science and Technology, Government of Himachal Pradesh, 2005). In the late 50's and early 60's, the erstwhile Punjab government started the construction of Shansha and Billing HEPs in Lahaul and Spiti.

Do you Know?

Himachal Pradesh has harnessed only 10351 MW capacity of total approximate of 27436 MW.

Hydropower Potential

Himachal Pradesh has a generation potential of 23 GW as per preliminary hydrological, topographical and geological investigations and out of which only 8432.47 MW has been exploited by various agencies across the state which also include 477.50 MW by HPSEBL. Five major snow fed rivers emanating from the Western Himalayas flow within Himachal Pradesh include Ravi, Chenab, Satluj, Beas and Yamuna. These snow-fed rivers and their tributaries carry abundant discharge all the year round which can be exploited for power generation.

Hydropower, the generation of electricity from flowing water, stands as one of the oldest and most reliable forms of renewable energy. With its ability to provide clean, sustainable electricity, hydropower development plays a significant role in meeting global energy demands while mitigating the environmental impacts of traditional fossil fuel-based power generation. Here's a detailed note on the various aspects of hydropower development:

1. History and Evolution: Hydropower has been utilized for centuries, dating back to ancient civilizations harnessing the energy of rivers for mechanical tasks like grinding grains. The industrial revolution saw the rise of hydropower plants for electricity generation, marking the beginning of modern hydropower development. Over time, technological advancements have led to the construction of larger, more efficient hydropower facilities worldwide.

2. Types of Hydropower: Hydropower can be categorized into different types based on the scale and technology used:

- **Large Hydropower:** Typically refers to facilities with a capacity greater than 30 megawatts (MW). These projects often involve the construction of dams, reservoirs, and powerhouse facilities.
- **Small Hydropower:** Involves projects with capacities ranging from a few kilowatts to 30 MW. Small hydropower projects can be run-of-river, without the need for large dams, making them more environmentally friendly and suitable for decentralized energy production.
- **Pumped Storage Hydropower:** These facilities store energy by pumping water uphill to a reservoir during periods of low demand and release it through turbines to generate electricity during peak demand periods.

3. Environmental and Social Impacts: While hydropower is considered a renewable energy source, the construction of dams and reservoirs can have significant environmental and social impacts. These include habitat alteration, disruption of aquatic ecosystems, displacement of communities, and changes in river flow patterns. Sustainable hydropower development requires careful planning, environmental assessment, and mitigation measures to minimize adverse impacts.

4. Benefits of Hydropower: Hydropower offers several benefits as a source of clean, renewable energy:

- **Low Emissions:** Hydropower generates electricity without emitting greenhouse gases or air pollutants, contributing to climate change mitigation and improving air quality.
- **Reliability:** Hydropower provides a stable and reliable source of electricity, helping to balance fluctuations in demand and supply in the grid.
- **Water Management:** Hydropower facilities can serve multiple purposes, including flood control, irrigation, and water supply, enhancing water resource management and resilience to climate variability.
- **Energy Security:** Hydropower reduces dependence on fossil fuels for electricity generation, enhancing energy security and reducing vulnerability to fuel price volatility and supply disruptions.

5. Challenges and Future Outlook: Despite its benefits, hydropower development faces challenges such as environmental concerns, land acquisition issues, regulatory hurdles, and opposition from affected communities and environmental groups. Future hydropower development will likely focus on optimizing existing facilities, enhancing efficiency, and adopting innovative technologies to minimize environmental impacts. There's also growing interest in small-scale and decentralized hydropower projects, as well as pumped storage hydropower for grid stabilization and energy storage.

Policy Interventions

The HP state government formulated the Hydro Power Policy in 2006 to accelerate the growth of the sector with a more inclusive growth and strengthen local participation in project execution, operation and maintenance. In line with the National Hydropower policy 2008, the state government have introduced a provision where hydropower developers shall provide an additional free power post the commissioning of the HEPs at the rate of 1 per cent of the generated energy from all hydel power projects which would be earmarked for Local Area Development Fund (LADF). The fund would be available in the form of free power as an annuity over the entire project life and contribute towards upliftment of the local population in the project affected areas. Prior to the commissioning of the project, the developer will make a provision of 1.5 per cent of final cost of the project towards LADF for projects more than 5MW capacity and a minimum of 1 per cent in case of projects with capacity up to 5MW. The policy states reservation for employment for bonafide Himachalis with respect to unskilled/ skilled and other no-executive staff according to the requirements of the project operation. The state government has also stipulated a 15 per cent minimum release for discharge of in the case of Run-of-the river (ROR) projects. The state government has also initiated cumulative impact assessment for the Satluj basin in a phased manner for all the river basins in the state to evaluate the aggregate environmental impact of hydropower projects planned on various rivers and its tributaries.

SELF-CHECK EXERCISE-2

Fill in the Blanks

5. Hydropower exploitation in Himachal Pradesh began by the Raja ofin 1908.
6. The state government has initiated cumulative impact assessment for thebasin in a phased manner for all the river basins in the state.
7. LADF stands for Local AreaFund.
8. The state government has stipulated a minimum release for discharge of in the case of Run-of-the river (ROR) projects.

15.5 ENVIRONMENTAL IMPACTS OF HYDRO POWER PROJECTS IN HIMACHAL PRADESH

Until recently, environment protection and preservation was merely a peripheral issue in Himachal Pradesh. The state has incredibly maintained its environmental quality and sustainability for quite a long time. However, the recently increased commercialization of natural resources, industrialization and urbanization has contributed to the imbalance in environmental quality and sustainability in the state. The increased socio-economic and environmental impacts of developmental projects are getting prominence in public policy debates and discussions today. The unbridled commercialization of natural resources and unsustainable human induced activities in past one and a half decades has widely threatened the rich natural eco-

system of the state. Although there has been a number of factors responsible for the emergence of environment anxiety in the state but, the execution of mega hydropower projects have been primarily under serious environmental scrutiny.

Hydropower generation has been under serious scrutiny in both environmental and social security perspectives. The geomorphic structure of the state, dense forest cover, rich and wide-varieties of flora and fauna, and seismic viability has deeply questioned the relevance of big power projects in the state. Furthermore, the social cost of the hydropower dams has triggered a wide-range of controversy between the government of Himachal Pradesh, project developers and the project affected people. In most of the cases, the project developers have experienced severe protest from the project victims, environmental groups and civil society. In the case of Kol dam in Bilaspur district, Nathpa Jhakri in Shimla, Chamera in Chamba and Karcham Bangtoo in Kinnaur, all has resulted into serious public outrage against the power project developers with variety of reasons. Consequently, the impacts of climate change resulted from human induced activates has begin to effect the socio-economic and ecological stability and sustainability of the state. The unexpected change in climate and weather system has badly affected the agricultural and horticultural industry of the state. The qualitative decay in the annual snowfall and melting of the mighty Himalayan glaciers has not only challenged the perennial nature of the Himalayan river systems but has also questioned the relevance of big dams in the region.

Effective Measures & Regulations

As mentioned earlier, there has been frequent clashed between project company and the project affected people in the state. Consequently in some cases the projects have either been abandoned or stopped. Environmentally, the geographic settings of project vicinity in the state has been badly degraded and destroyed. The destruction of upstream and downstream flora and fauna and the escalated risk of land sliding in the sloppy terrace are some of the major environmental challenges of the hydropower projects in the state. Now the dilemma of the day is that, both energy and environmental sustainability is equally significant in human life. Development activities have to follow optimum environmental safety norms. However, the government, both central and state need to ensure the effective regulation of the functioning of corporate governance and responsibility. Companies should be made accountable towards their social and environmental responsibilities. Similarly, hydropower projects in Himachal Pradesh need to follow a holistic and stringent environmental management guideline. Small dams should be given priority over large dams. The construction of small dams could be an effective alternative and solution to the emerging crisis.

Small dams are comparatively low cost intensive and are equally helpful to maintain a balance between environmental security norms and natural resource utilization. The risk of large scale displacement is considerable low in micro power dams. This is significant in two reasons, first, it reduce the intensity of ecological

hazards because of less submergence of rich flora and fauna into the water as it has been experienced in terms of large dams world-wide. Secondly, small dams are helpful to prevent large scale displacement. Moreover a separate and specialized vigilance and supervision committee should be appointed to keep constant watch on the activities of corporate world. The company breaching environmental norms should be exemplary penalized. Finally, to avoid the conflict between project developers and project affected people the needs and grievances of project victims should be properly addressed. The basic demands of adequate compensation, effective alternatives of safe houses and land for the displaced people should be solved. Therefore, if the above mentioned remedial directives are judiciously institutionalized the conflicting and deteriorating tendencies will make way to the environmentally sustained and socially maintained and accepted developmental paradigm.

SELF-CHECK EXERCISE-3

State whether the following statements are True/False

9. Hydropower generation has been under scrutiny in both environmental and social security perspectives.
10. Himalayan glaciers has not only challenged the perennial nature of the Himalayan river systems but has also questioned the relevance of small dams in the region.
11. The unexpected change in climate and weather system has badly affected the agricultural and horticultural industry of the state.
12. Small dams are comparatively high cost intensive and are equally helpful to maintain a balance.

15.6 SUMMARY

Himachal Pradesh is one of the fastest-growing states in India. Being a sub-Himalayan state, Himachal Pradesh has a varied climate that changes with altitude. According to the Department for Promotion of Industry & Internal Trade (DPIIT), during April 2000 to June 2019, FDI inflows in the state^ totalled to US\$ 2.15 billion. During 2019 (up to October 2019), 12 investment intentions were filed in Himachal Pradesh with a proposed investment of Rs. 279 Crore (US\$ 39.92 million). With a hydro power potential of 27,436 MW (of which 24,000 MW has been harnessed), Himachal Pradesh accounts for 25.9 per cent of the country's total hydro power potential. As per State Economic Survey 2018-19, 20,912 MW of this is already allocated under various sectors. As of November 2019, Himachal Pradesh had a total installed power generation capacity of 4,096.47 MW. Hydro power accounted for 2910.48 MW of total installed power generation capacity, followed by renewable power (943.34 MW) and thermal power (213.70 MW).

15.7 GLOSSARY

- **Mega Watt:** A megawatt is a unit for measuring power that is equivalent to one million watts. One megawatt is equivalent to the energy produced by 10 automobile engines. A megawatt hour (Mwh) is equal to 1,000 Kilowatt hours (Kwh).
- **Holistic Environment:** environment is more than just nature. Everything around us is part of our environment. The space created by personalities, influences perceptions, attitudes and behaviour in the environment.
- **Geomorphic Structure:** Geomorphology entails the systematic description of landforms, the analysis of the processes that form them, as well as understanding the function landforms and their response to changes in energy.
- **Renewable Power:** is energy that is collected from renewable resources, which are naturally replenished on a human timescale, such as sunlight, wind, rain, etc.

15.8 ANSWERS TO SELF-CHECK EXERCISES

1. Kinnaur
2. Sorang
3. Central
4. Electricity
5. Chamba
6. Satluj
7. Development
8. 15 per cent
9. True
10. False
11. True
12. False

15.9 SUGGESTED READINGS

- Bansal, S.P. Management of Hydroelectric Power-Generation and Distribution. Deep and Deep Publication New Delhi.
- Bhagat, R.P. Rural Electrification and Development. Deep and Deep Publication New Delhi.
- Government of Himachal Pradesh. 2019. "Economic Survey." Economics and Statistics Department, Kasumpti Shimla.

15.10 TERMINAL QUESTIONS

1. What are the Advantages and Disadvantages of Hydroelectric Power Systems?
2. What are the different sections of a Hydroelectric Power Station? Explain in detail.
3. What is the function of the Dam in a Hydroelectric Power Station?
4. Why Hydropower is beneficial in the economic development of the state?
5. Hydropower is posing the risk and environmental hazards in the state of Himachal Pradesh. Do you agree? Comment.

INFRASTRUCTURE OF HIMACHAL PRADESH

STRUCTURE

- 16.1 Introduction
- 16.2 Learning Objectives
- 16.3 Transport And Tourism
Self-Check Exercise-1
- 16.4 Modes Of Transport
Self-Check Exercise-2
- 16.5 Summary
- 16.6 Glossary
- 16.7 Answers To Self-Check Exercises
- 16.8 Suggested Readings
- 16.9 Terminal Questions

16.1 INTRODUCTION

The importance of infrastructure (of which transport infrastructure is an important component) for sustained economic development, is well recognized. Adequate and efficient transport infrastructure lowers the transaction cost, has strong backward and forward linkages, facilitates the integration and interdependence of the different sectors by aiding quick and adequate movement of people and material; and directly impacts the quality of life and acts as a catalyst in the growth and development of an economy. Besides, use of transport is necessary for almost every individual to access educational facilities, jobs, markets, recreational facilities, and benefits under various welfare schemes; thereby making it an essential commodity. It is more so in the context of Himachal Pradesh where there is no other means of transport. Hence, it could be said that if horticulture and Hydro-power make up the body of the Himachal Pradesh economy, transport constitutes its nerves. A well designed 'Transport Policy' could therefore play an important role in promoting balanced development of the Himachal Pradesh economy

16.2 LEARNING OBJECTIVES

After studying this unit, students will be able to:

- Analyze the impact of tourism on development of transport network
- Explain the significance and establish relationship between local and long distance modes of transport and tourism.

16.3 TRANSPORT AND TOURISM

1. TRANSPORT

A transport system acts as a bridge between places of tourist origin and destination. It opens out a region by providing an access to its tourist places. In its absence, the resource potential for tourism i.e. attractions and amenities, can't be of any benefit. We cannot talk of the planning of tourism in an area without organising its transport system. The system consists of a network of routes or means of transport and the modes of transport. The former includes air, sea or water routes. Inland routes include roads or the motorways and the rail transport. The modes of transport refer to aircraft, ships, steamers, cars, taxis, luxury coaches, buses and the railway trains. Taxis, cars, motor like auto rickshaws, tangas, bicycles and trams are particularly important as items of local transport. It is meant to carry travellers from airports, bus-stands or railway stations to hotels and tourist sites within a city. At high altitude places in tourist areas, you may come across ropeways and electric driven trolleys, and sailing boats. Tourism is most attractive if a country has all possible types of alternative transport facilities both in its major and minor networks. Trunk routes are inter-state routes forming the national network. They provide linkages between main transport hubs of India.

The connections between the trunk routes and the nodal towns within a tourist region are mostly managed by regional transport authority. It is a minor network at the regional level. Private travel organisations have a greater role at the lowest level to look after the transport needs of tourists within the smallest local network. A tourist requires not just an access to a tourist region but also an easy access in terms of cost, time and level of comforts. For instance, whenever an easy connection is lost for area of high altitude or of bad weather, alternative mode of transport must be at hand for a tourist. The provisions are favourable if there are easy connections also between different modes of transport from one route to another; and between the major and minor places of tourist interest. Now-a-days, it is the capacity of a transport system which determines the size of tourist traffic, the increase or decrease in the pace of tourist flows. Beside an increase in the capacity of transport system, the provision of comfortable seats, reasonably high speeds and discounts in the rail, road and air fares are becoming incentives. They further go to increase the tourist traffic, in turn ploughing in greater revenue. It is estimated that the tourists pass. Transport systems, by the mobility they provide, are closely related to socioeconomic changes.

Economic opportunities are likely to arise where transportation infrastructures can ensure access to markets and resources. From the industrial revolution in the 19th century to globalization and economic integration processes of the late 20th and early 21st centuries, regions of the world have been affected differently by economic development. International, regional and local transportation systems alike have become fundamental components of economic activities. A growing share of the wealth is thus linked to trade and distribution. However, even if transportation has

positive impacts on socioeconomic systems, there are also negative consequences such as congestion, accidents, and mobility gaps. Transportation is also a commercial activity that derives benefits from operational attributes such as costs, capacity, efficiency, reliability, and speed. Transportation systems are evolving within a complex set of relationships between the transport supply, reflecting the operational capacity of the network, and transport demand, the mobility requirements of an economy.

Transport: A Key Element in the Tourism Industry

Travelling has always been an important feature, but its function substantially evolved. Historically, travelers were explorers and merchants looking to learn about regions, potential markets and to find goods and resources. The risks and exoticism it was associated with also attracted the elite that could afford the large expenses and the time required to travel to other remote destinations. Many wrote realistic and even imaginary travel accounts. As time moved on and as transportation became more reliable, traveling became a more mundane activity taking place in an organized environment; tourism. In the modern world, traveling is more centered around annual holidays and can be fairly well predicted. Tourism, as an economic activity, is characterized by a high demand level of elasticity. As transport costs are significant for international transportation, demand is strongly influenced by cost fluctuations. Therefore, transport is a key element in the tourism industry. The demand in international and even national transport infrastructures implies a large number of people to be transported in an efficient, fast and inexpensive manner. It requires heavy investments and complex organization. Well organized terminals and planned schedules are essential in promoting effective transportation facilities for tourists, notably since the industry is growing at a fast rate. Transport is the cause and the effect of the growth of tourism. To start with, the improved facilities have incited tourism, and the expansion of tourism has incited the development of transport infrastructure. Accessibility is the main function behind the basics of tourism transport. In order to access sought after destinations, tourists have a range of transportation modes that are often used in a sequence.

Benefits

Transportation is the backbone of modern society, facilitating the movement of people, goods, and services across various regions, contributing to economic development, social integration, and improved quality of life. Here are some of the key benefits of transportation:

1. **Accessibility and Connectivity:** Transportation networks, including roads, railways, airways, and waterways, enhance accessibility and connectivity by linking remote communities, urban centers, and industrial hubs. Improved connectivity enables people to access essential services, job opportunities, education, healthcare, and cultural amenities, thus reducing disparities and fostering social inclusion.

2. **Trade and Commerce:** Transportation plays a crucial role in facilitating trade and commerce by enabling the movement of goods and commodities between producers, suppliers, manufacturers, and consumers. Efficient transportation networks lower transaction costs, reduce lead times, and expand market reach, stimulating economic growth, industrialization, and international trade.
3. **Job Creation and Economic Growth:** The transportation sector is a significant source of employment, providing jobs in areas such as logistics, warehousing, freight handling, vehicle operation, maintenance, and infrastructure development. Investment in transportation infrastructure and services creates multiplier effects, generating income, tax revenue, and business opportunities, thereby driving economic growth and prosperity.
4. **Mobility and Accessibility:** Transportation enhances mobility and accessibility by offering various modes of travel, including public transit, private vehicles, bicycles, and pedestrian pathways. Accessible transportation options enable individuals, including seniors, persons with disabilities, and low-income populations, to participate in social, economic, and recreational activities, promoting equal opportunities and mobility rights.
5. **Emergency Response and Disaster Management:** Transportation infrastructure and services play a critical role in emergency response and disaster management by facilitating the rapid mobilization of personnel, equipment, and relief supplies to affected areas. Efficient transportation networks enable timely evacuation, rescue operations, medical assistance, and distribution of humanitarian aid during emergencies, natural disasters, and humanitarian crises.
6. **Tourism and Recreation:** Transportation enables tourism and recreation by connecting travelers to destinations, attractions, and leisure activities. Efficient transportation networks encourage domestic and international tourism, supporting hospitality industries, cultural heritage preservation, and environmental conservation efforts. Tourism-related transportation services, including airlines, cruise lines, and tour operators, create employment opportunities and stimulate local economies.
7. **Environmental Sustainability:** Sustainable transportation initiatives promote environmentally friendly modes of travel, such as public transit, walking, cycling, and electric vehicles, to reduce greenhouse gas emissions, air pollution, and traffic congestion. Investments in green transportation infrastructure, including electric vehicle charging stations, bike lanes, and pedestrian-friendly streets, promote sustainable urban mobility and mitigate the adverse environmental impacts of transportation.

2.Tourism

Tourism serves as a global bridge, connecting people, cultures, and landscapes in an enriching tapestry of experiences. It is not merely about visiting new

destinations but delving into the heart of diverse cultures, savoring unique cuisines, marveling at natural wonders, and forging unforgettable memories. Here's a detailed note on the multifaceted realm of tourism:

1. Cultural Exchange and Understanding: Tourism fosters cross-cultural interactions, promoting understanding, empathy, and appreciation for diverse traditions, customs, and lifestyles. Travelers immerse themselves in local communities, participating in rituals, festivals, and ceremonies, thus bridging cultural divides and fostering global harmony.

2. Economic Driver: Tourism serves as a significant economic engine, generating revenue, employment, and investment opportunities in destinations worldwide. It creates jobs across various sectors such as hospitality, transportation, entertainment, and handicrafts, thereby driving economic growth, infrastructure development, and poverty alleviation.

3. Conservation and Sustainability: Sustainable tourism practices prioritize environmental conservation, biodiversity protection, and cultural preservation. Responsible travelers engage in eco-friendly activities, support local conservation initiatives, and minimize their environmental footprint by practicing sustainable tourism behaviors such as waste reduction, energy conservation, and wildlife conservation.

4. Adventure and Exploration: Tourism fuels the spirit of adventure and exploration, inspiring travelers to embark on thrilling journeys to remote landscapes, untamed wilderness, and cultural heritage sites. Whether trekking through dense forests, summiting towering peaks, or diving into crystal-clear waters, adventure tourism offers adrenaline-pumping experiences that challenge and inspire.

5. Health and Wellness: Wellness tourism focuses on rejuvenating the mind, body, and soul through holistic experiences that promote relaxation, mindfulness, and physical well-being. From yoga retreats in serene ashrams to spa getaways in exotic locales, wellness tourism offers travelers an opportunity to recharge, rejuvenate, and reconnect with themselves amidst tranquil surroundings.

6. Educational Opportunities: Educational tourism provides valuable learning experiences, enabling travelers to gain insights into history, science, art, and culture. Cultural tours, museum visits, archaeological expeditions, and culinary workshops offer immersive learning opportunities that enrich the intellect and broaden perspectives.

7. Community Empowerment: Community-based tourism empowers local communities by providing opportunities for entrepreneurship, cultural expression, and socio-economic development. By engaging in homestays, artisanal workshops, and community-led tours, travelers directly contribute to local livelihoods, heritage conservation, and grassroots empowerment.

8. Digital Transformation: Digital technologies have revolutionized the tourism industry, facilitating seamless booking experiences, personalized recommendations, virtual tours, and real-time travel updates. Social media platforms, travel apps, and

online reviews empower travelers to make informed decisions, share experiences, and connect with like-minded explorers worldwide.

SELF-CHECK EXERCISE-1

State whether the following statements are True/False:

1. In the modern world, traveling is more centered around annual holidays and can be fairly well predicted.
2. The demand in international and even national transport infrastructures implies a large number of people to be transported in an expensive manner.
3. Transport infrastructure requires low investments.
4. International, regional and local transportation systems alike have become fundamental components of economic activities.
5. Economic opportunities are likely to arise where transportation infrastructures can ensure access to markets and resources.

16.4 MODES OF TRANSPORT

a) Air Transport: Aircrafts are known to carry tourists over long distances. About 97 per cent of international tourists arrive in India today by air. Within the country, 82 per cent of them travel by air as compared to 11 per cent by sea and water routes and 7 per cent by land routes. Compared to 120 hours of sea travel, between London and New York in 1920, the modern jet plane flying high above the zone of disturbing surface air crafts winds takes 6 hours. These aircrafts generally fly at the speed of about 1000km per hour though these are capable to gain the maximum speed of sound which is 1194 km per hour. These are bound to assume primary importance for global tourism because of their gigantic carrying capacity and high speed during non-stop flights. Discounted fares, in the form of concessions or easily manageable passes allowed for different age-groups, charged differently for off-season and the peak-season, go a long way in the promotion of active tourism. High class travellers from rich countries coming more as business tourists like to pay for costlier air travel even while moving about within India. They do not mind for going any concessions offered by air travel companies because their main concern is to save time at any cost. Still in order to attract low budget leisure tourist, our public and private air services offer concessional tickets because they form the largest proportion of air travellers. Air connections for popular tourist destinations have become such a foremost need that it is tempting many state governments to come forward with new ideas. Air transport is the main mode for international tourism, which normally entails travel over long distances. Growth rates of international air traffic are pegged with growth rates of international tourism.

b) Road or Motorways: Roads are an essential ingredient of infrastructure of economy. In the absence of any other suitable and viable modes of transportation like railways and waterways, roads play a vital role in boosting the economy of the hilly State like Himachal Pradesh. Starting almost from a scratch the State

Government has constructed 37,913 Kms. of motorable roads (inclusive of jeepable and track) till December, 2018. The State Government has been assigning a very high priority to road sector. For the year 2018-19, there is an outlay of 955.14 crore. Since 1970s, a greater use of private cars exclusively for an affluent individual and his family, and of taxies, luxury coaches, buses for lower budget group of 8 to 30 persons, have been gaining popularity. The National highways and motels built along scenic and busy roads have revolutionised their use by the holidays. Motorways provide move and easy links within the network of major routes. All these vehicles along the motorways are of great convenience for a comfortable sight-seeing through all inclusive package tours of important tourist circuits. Motor transport comes forward to carry passengers to less costly inns along the highways away from the crowded city hotels. This ready-at-hand facility reduces the unmanageable crowds of visitors inside the great cities during busy season. It also provides a big relief to low budget tourists and the vacationing students. India is paying greater attention to adding new roads and improving the existing ones, for this reason. The construction of four to six lanes highways, stretching over 5952 km will be connecting our four major metro cities in response to the underlying demand of tourist traffic. Road tourism is being better looked after in India's Himalayan region where motorways are obviously the predominant means of transport.

- c) **Rail Transport:** Organised tourist travel started on railways since the close of Second World War. Big rail network of our country could operate cheaply and quickly for travellers of those days. It provided only the low budget comforts, while rail routes connected major cities within 200 to 500 km distances, the very long distance sub continental service extended over several hundred kilometres. There are little mountain trains connecting the most scenic hill resorts of Shimla appropriately called 'toy trains' and they offer varying natural scenery with rise in altitude in the mountain. Some steam engines are still being used to attract tourist to their historic memory. Himalayan Queen is the romantic name given to an important train plying along this line. There are only two narrow gauge railway lines connecting Shimla with Kalka (96 Km.) and Jogindernagar with Pathankot (113 Km.) and one 33 Km. broad gauge railway line from Nangal Dam to Charuru in District Una upto December, 2018.

SELF-CHECK EXERCISE-2

Fill in the Blanks

6. Aircrafts are known to carry tourists overdistances.
7. Growth rates of international air traffic are pegged withrates of international tourism.
8. The State Government has constructedKms. of motorable roads (inclusive of jeepable and track) till December, 2018.
9. There are little mountain trains connecting the most scenic hill resorts of Shimla appropriately called.....
10. There are onlynarrow gauge railway lines connecting Shimla with Kalka.

16.5 SUMMARY

The development of infrastructural resources like an efficient transport network hotels hospitality service and various other amenities are keys for the management of modern tourism. The existence and growth of tourism, whether domestic or international, badly depends upon an increased accommodation of all categories to meet the rush of tourists to tourist places especially during busy peak times. There is the need to develop, air, water and land transport, both for short distance and long distance travel. Various alternative modes of transport are to be provided for use in an integrated manner so that the one may also supplement the other. A sensitive service industry like tourism equally depends upon the efficient work of various tour functionaries like tour guides and tour operators adopting their jobs as trained professionals. Both these jobs are now getting distinctly well defined and are of a specialised nature. These functionaries require undergoing a careful programme of training imparted in a series of steps before alluring them to interact effectively with tourists of diverse types.

16.6 GLOSSARY

- **Transport:** is the movement of humans, animals and goods from one location to another. Modes of transport include air, land (rail and road), water, cable, pipeline and space. The field can be divided into infrastructure, vehicles and operations.
- **Public Utility Services:** Public utilities are those business undertakings which provide necessary services to the society. The undertakings dealing with the supply of electricity, gas, power, water and transport etc. are all covered under public utility services.
- **Economic Activities:** Any action that involves producing, distributing, or consuming products or services is an economic activity.
- **Globalization:** is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology.

16.7 ANSWERS TO SELF-CHECK EXERCISES

1. True
2. False
3. False
4. True
5. True
6. Long
7. Growth
8. 37,913
9. 'toy trains'
10. Two

16.8 SUGGESTED READINGS

- Tourism infrastructure development and sustainable approach by Manoj Sharma, published by kanishka publishers distributors.
- Tourism in Himachal Pradesh by Manoj Reat, Indus publishing, 2004.
- The Himachal Pradesh tourism policy, 2019.

16.9 TERMINAL QUESTIONS

1. State one major step required to meet the increasing tourist traffic in the cases of the following:
 - a) Roads
 - b) Railways
 - c) Airways
 - d) Hotels
2. Distinguish between the following briefly:
 - a) Modes and means of transport.
 - b) Toy trains and helipad taxis.
 - c) Fairy queen and Himalyan queen
3. "Social infrastructure improves the quality of human resources" Comment.
4. Some infrastructural facilities have a direct impact on production of goods and services while others give indirect support by building the social sector of the economy. Using the above information, differentiate between social and economic infrastructure.
5. Do you feel that travelling and tourism promotes a uniform culture in the state?

TOURISM IN HIMACHAL PRADESH

STRUCTURE

- 17.1 Introduction
- 17.2 Learning Objectives
- 17.3 Concept of Tourism
Self-Check Exercise-1
- 17.4 Importance of Tourism
Self-Check Exercise-2
- 17.5 Impact of Tourism Industry on the Economy
Self-Check Exercise-3
- 17.6 Summary
- 17.7 Glossary
- 17.8 Answers to Self-Check Exercises
- 17.9 Suggested Readings
- 17.10 Terminal Questions

17.1 INTRODUCTION

“Travel, in the younger sort, is a part of education; in the elder, a part of experience.”

Francis Bacon

Tourism embraces nearly all aspects of our society. Apart from its importance to economic changes, human socio-cultural activities and environmental development, tourism is related to other academic subjects such as geography, economics, history, languages, psychology, business and law, etc. Therefore it is necessary to integrate a number of subjects to the study of tourism. Tourism in India has been exponential growth in the recent years. India is one of the most preferred destinations for both overseas and domestic travellers. Tourism enables the international traveller to understand and experience India's cultural diversity first hand. It promotes 'derived demand' and 'inter-dependence' between different sectors of the economies of the world. Tourism has opened new areas for advancement without exporting anything except ideas of shopping; the idea of varieties; the idea of holidays under the sun and the snow; the idea of honeymoon; the idea of business. Therefore, it is known as an industry without 'chimneys'.

17.2 LEARNING OBJECTIVES

After studying this unit, students will be able to:

- Know the concept of Tourism
- Importance of Tourism
- Impact of Tourism Industry on the Economy
- Potential of Tourism in Himachal Pradesh

17.3 CONCEPT OF TOURISM

Tourism is the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs. The study of tourism is the study of people away from their usual habitat, to the establishment, which respond to the requirements of travelers, and of the impact that they have on the economic, physical and social well-being of their hosts. It involves the motivations and experience of the tourists, the expectation of and adjustments made by residents of reception areas, and the roles played by the numerous agencies and institutions. Tourism was a luxury and was restricted to the select few who could afford both the time and money to travel. Increased leisure, higher incomes and enhanced mobility have combined to enable more people to partake of tourism. Improvements in transportation, the proliferation of accommodation, and the growth of inclusive tours and other forms of relatively cheap vacation travel, have further extended the opportunity to travel for pleasure. Today the majority of people in the developed world and increasing numbers in developing countries are tourists at some time in their lives.

Tourism is no longer the prerogative of a few but is an accepted and accustomed, even expected part of the lifestyles of a large and growing number of people. Tourism has the potential to bring about social, economic and cultural development. India is a multi-destination country endowed with a bountiful nature, undulating hills and plains and fascinating wild life. Due to the vast opportunity for adventure and diversity in cultural, the tourism development strategy aims to begin tourism development from the grass root level. Government and non-government agencies establishing proper coordination among them will bring development and improvements of tourism. India's tourism industry is experiencing a strong period of growth, driven by the burgeoning Indian middle class, growth in high spending foreign tourists, and coordinated government campaigns to promote 'Incredible India'. The tourism industry in India is substantial and vibrant, and the country is becoming a major global destination. The tourism industry of India is based on certain core nationalistic ideals and standards which are: *Swaagat* or welcome, *Sahyog* or cooperation, *Soochanaa* or information, *Sanrachanaa* or infrastructure, *Suvidha* or facilitation, *Safaai* or cleanliness and *Surakshaa* or security. These are the key ingredients necessary for the growth of tourism.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. Tourism promotes '.....demand' and 'inter-dependence' between different sectors of the economies of the world.
2. Tourism is also known as an industry without.....
3. The study ofis the study of people.
4. Tourism is no longer theof a few but is an expected part of the lifestyles of a large number of people.

5. The tourism industry of India is based on certain core nationalistic ideals and standards like *Swaagat* or welcome and *Sahyog* or

17.4 IMPORTANCE OF TOURISM

Tourism is an important medium of economic and culture development. It is a multi-sector industry and depends on synergy, partnership and collective working. The expansion of the tourism industry will have an effect on the growth of other related service industries, particularly food, accommodation, handicraft, transport, entertainment, education, shopping and other small and other medium-sized industries. It builds lasting goodwill and friendships among the nations. It helps in the regional development of the country and acts as a means of social education and betterment of understanding. Some other importance of tourism is as follows:

1. **Sources of Foreign Exchange Earnings:** Industry of tourism is the key effective type of business worldwide. Tourism in many unindustrialized and least developed states is the most possible and bearable economic expansion option, and in certain nations, the key cause of foreign exchange remunerations. Portion of this revenue drops down to various groups of the civilization and, if tourism is achieved with a strong concentration on poverty alleviation, it can openly value the poorer groups over service of native individuals in tourism initiatives, properties and facilities delivered to tourists, or the functioning of community-based and small initiatives, etc, devising progressive influences on decreasing the levels of scarcity.
2. **Employment Opportunities:** This industry is also one of the significant segments. It creates opportunities related to employment. It offers services to inexperienced, pronominal and experienced manpower. Director, labour etc are the individual or efforts necessary in the industry of tourism. Tourism is a `source of direct and indirect employment to millions of people throughout the world. Thus, it is a creator and provider of job. The problem of seasonal unemployment and disguised unemployment could be effectively solved by tourism industry. Professor Arthur Lewis has rightly pointed out that unemployment in the off season and surplus labour could be effectively utilized in the development sectors, especially the service sector. His words become true in the case of the tourism industry, which attracts both national and international tourists. The money spent by tourists supports not only the tourism industry but also helps indirectly to support numerous other industries, which supply goods and services to the tourism industry. Moreover the money spent by the tourists creates a multiplier effect in the economy.
3. **Sources of Public as well as Private Income:** Industry of tourism is the main cause of earnings for public along with private sector government sales tax, service tax and charges tax etc. which is recognized as government proceeds is the revenue of community. Handicraft, arts etc are the stuffs that fascinate tourist

and majority of them purchase them and the seller make some profit which is called private earnings.

4. Cultural Exchange: Besides, all the modern industries, tourism industry relies on the environmental wealth of the nation and in order to grow further, it has to protect, develop, and improve the various constituents of the environmental, natural and cultural resources. Business of tourism accommodates social interchange tourist bring over several ethnic perceptions of other states wherever they visit. Native individuals can pick up their linguistic, skill, talent, values etc and vice versa.

5. Small Business Development: Many tourism businesses are small, family-owned concerns. It might be a taxi service, a souvenir shop or a small restaurant. The extent to which the direct employers such as hotels and transportation companies can develop links to other sectors of the economy will determine how many jobs and how much income tourism can generate. Too often, when massive development of tourism occurs in developing countries, local suppliers cannot supply the quantity or quality of goods desired. As a result, goods are imported, leakage occurs and potential income and jobs are lost. The extent to which tourism can establish ties with local businesses depends upon the following factors:

- types of supplies and producers with which the industry's demands are linked;
- capacity of local suppliers to meet these demands;
- historical development of tourism in the destination area;
- type of tourism development.

More and more tourists seek authenticity as they travel. If this can be translated into buying locally produced souvenirs and eating locally produced food and staying in rooms furnished with local artefact, then tourism will have generated the backward linkages necessary to contribute to the economy.

6. Others: Tourism helps the country to solve the problems of unfavourable balance of payment through the earnings from foreign tourists. The expenditure incurred by foreigners which becomes the income of the host country, which forms part of the invisible item in foreign trade. Tourism comes under the service (tertiary sector) sector which significantly contributes towards the Gross National Product (GNP). The earning of foreign exchange helps in the development of the service sector, which is an important indicator of the economic development and growth.

SELF-CHECK EXERCISE-2

State whether the following statements are True/False:

6. The expansion of the tourism industry will have an effect on the growth of other related service industries.
7. The problem of seasonal unemployment and disguised unemployment could not be solved by tourism industry.

8. The money spent by tourists supports numerous other industries, which supply goods and services to the tourism industry.
9. Tourism comes under the tertiary sector which significantly contributes towards the Gross National Product (GNP).

17.5 IMPACT OF TOURISM INDUSTRY ON THE ECONOMY

Tourism is one of the most imperative characteristic for evolving states. Domestic and international tourism both of them must be measured to estimate the effect of tourism on the budget. To the mass section/area tourism offers a basis for increasing travel as an export industry, which reflects that the level of financial activities of the region shall rise over the transaction of goods and facilities to the travelers. Tourism is also responsible for foreign exchange devoid of distributing whatever out of the state and it delivers more even incomes for the nation than any other business. Tourism may also intensify earnings related to export along with the proportion of advancement of the economy. The profits in the earnings related to foreign exchange from unseen exports that are useful in compensating the loss if any, which the nation may have from a detectable export. Tourism has a variety of economic impacts.

The impact of the tourism industry on the economy can be seen from its foreign exchange earnings, government taxation revenue and employment generation. Tourism consists of a wide range of economic effects. Tourists subsidize to trades, revenues, employment, tax incomes and profits in a region. The maximum impacts that take place inside the main sector of tourism are restaurants, fun fair, housing or accommodation, retail trade and transportation. Considering the secondary impacts, tourism influence majority of the parts of the economy. The financial control analysis of activity of tourism generally concentrates on variations in trades, revenues and services in an area subsequent from tourism actions. According to Hall and Lew (2009), a simple influence of tourism findings demonstrate that if a particular area fascinates 100 surplus tourists each of them spending \$100 per day which means \$ 10,000 is the new outlay of such area per day. If it continued over a 100 day period, the area would collect a million dollars in fresh sales. These million dollars is then circulated to restaurant, lodging, retail trade and amusement regions in quantity to how the tourist spends the \$100. It may quite possible that 30 per cent of the million dollars would outflow of the district proximately to overcome the costs of the goods acquired by the visitors that are not done in the local region that is only the wholesale margins for such items should generally be comprised as direct sales effects. In direct sales \$700,000 is left behind that might produce \$350,000 in revenue inside the tourism industries and maintain 20 direct tourism employments.

Tourism industries are income and labour intensive, interpreting a high per centage of sales into profits and consistent works. The economic impact of tourism is both direct and indirect. The direct and indirect effects of an infusion of income into

an area, is termed the "multiplier". Multipliers can be generated in terms of sales, income, employment or payroll.

Potential of Tourism in Himachal Pradesh

Tourism sector in Himachal Pradesh has been recognized as one of the most important sectors of the economy as it is being realized as a major engine of growth for future and as such contribution of the tourism sector to the State GDP is 6.6 per cent approximately which is quite significant. The State is endowed with all the basic resources necessary for thriving tourism activity like geographical and cultural diversity, clean and peaceful environment and beautiful streams, sacred shrines, historic monuments and the friendly and hospitable people. There is a great potential of tourism in Himachal Pradesh. Its unique customs, traditions, cultural and above all the natural attractions and topography provide excellent opportunities for tourism development. Its people have preserved the religion, customs, traditions and architecture since time immemorial. Its distinctive culture and a way of life is also important. It abounds in temples with distinct hill architecture that would certainly attract many visitors. Its traditional dances and music are loved by all. Its varied and spectacular scenery including snowcapped mountains, glaciers, geysers, boiling pools, unique glow worm caverns, beautiful lakes, appealing mountains with exciting wildlife and a manifestation of history which goes back to more than five hundred years provide wide scope of the development of tourism. Tourism industry in Himachal Pradesh has wide scope to flourish and provide a new direction to the economy of the state. Tourism potential is only next to hydro-electric power potential in the state.

- There is a sufficient opportunity for wildlife lovers and sportsmen.
- It is a paradise for trekkers, climbers and other devotees of the spirit of adventure on account of its topography and terrain.
- The adventure sports like trekking, mountaineering, rock-climbing, hang gliding, skiing, water sports including waterskiing, river-rafting, fishing, golf etc. can be perused here.

Thus, there is a remarkable potential of tourism in Himachal Pradesh as nature has been liberally kind enough to provide a large number of 'Beauty spots' to this state. The climate, geographical locations, thick forests, high mountains and beautiful flowers, bees, roaring rivers, its culture, festivals, innocent people their customs and traditions rich historical background and numerous architecturally built temples and heart throbbing natural beauty are the main attractions for the visitors which prove the potential of tourism in the state. Tourism Potential in Himachal Pradesh of the state and cuisines are also rich source of tourism in the state. The state has various attractive places for tourist interest. The most popular hubs of tourism in the state are; Manali, Shimla, Chamba, Chail, Kasauli, Dharmshala, Dhalausi and Khajjiar, where the tourists inflow is very heavy. However, the state has so many undiscovered new destinations for the tourists which have not

been explored till now. These are; Sangla, Kalpa valley in Kinnaur, Pabbar and Daran Valley in Shimla district, Anni in Kullu district, Spiti valley, Bharmour-Pangi region in Chamba district, Janjehi, Shikaridevi and Karsog in Mandi district, Batal region in Solan district, haripurdhar in Sirmour district and Plampur in Kangra district.

Tourism is not merely an industry but a bridge that connects cultures, fosters understanding, and fuels economic growth. Himachal Pradesh, nestled in the lap of the majestic Himalayas, epitomizes the essence of tourism, offering a tapestry of natural beauty, cultural heritage, and adventure experiences.

- **Scenic Splendor:** Himachal Pradesh's landscape is a canvas painted with snow-capped peaks, lush valleys, cascading waterfalls, and meandering rivers. From the charming hill stations of Shimla, Manali, and Dharamshala to the pristine beauty of Kinnaur and Spiti, every corner of the state beckons travelers with its scenic splendor.
- **Cultural Heritage:** Beyond its natural allure, Himachal Pradesh is steeped in rich cultural heritage. The state's vibrant festivals, traditional music and dance forms, and ancient temples bear testimony to its rich cultural tapestry. Travelers immerse themselves in the local customs, folklore, and hospitality, creating lasting memories and meaningful connections.
- **Adventure Playground:** For adventure enthusiasts, Himachal Pradesh is a playground waiting to be explored. Trekking amidst the Himalayan trails, camping under the starlit sky, paragliding over verdant valleys, river rafting in gushing waters, and skiing down snowy slopes are just a few of the adrenaline-pumping activities that await adventurers in the state.
- **Sustainable Tourism:** Himachal Pradesh is committed to promoting sustainable tourism practices that preserve its natural and cultural heritage while benefiting local communities. Initiatives such as eco-tourism projects, homestay programs, and responsible trekking practices aim to minimize the environmental impact of tourism and ensure its long-term sustainability.
- **Economic Driver:** Tourism is not just about leisure; it's a significant economic driver for Himachal Pradesh. The tourism industry generates employment opportunities, stimulates local businesses, and contributes to the state's revenue. From hotels and restaurants to tour operators and souvenir vendors, a myriad of livelihoods depends on the influx of tourists.

SELF-CHECK EXERCISE-3

Choose the Correct One

10. The impact of the tourism industry on the economy can be seen from its:

- | | |
|------------------------------|--------------------------------|
| A. Foreign exchange earnings | B. Government taxation revenue |
| C. Employment generation | D. All of the above |

11. Multipliers can be generated in terms of:

- | | |
|----------|----------|
| A. Sales | B. Taxes |
|----------|----------|

17.8 ANSWERS TO SELF-CHECK EXERCISES

1. Derived .
2. Chimneys
3. Tourism
4. Prerogative
5. Cooperation
6. True
7. False
8. True
9. True
10. D
11. A
12. D
13. B

17.9 SUGGESTED READINGS

- A to Z.(2006) Publication of the Department of Tourism, Himachal Pradesh.
- BansaL S.P. (2006) Sustainable Tourism Development in Himachal Pradesh.
- Balokhra J.M. (1997). Himachal The Wonderland, New Delhi: H.G. Publication.

17.10 TERMINAL QUESTIONS

1. What are Tourism resources and its characteristics?
2. Write a note on various Hill stations in Himachal Pradesh.
3. Enlist the various psychological factors which influence Travel decision of a Tourist.
4. Tourism products are invariably costly. Explain in brief.
5. Explain in brief any three tourist attraction in Himachal Pradesh

PROGRAMMES OF THE STATE GOVERNMENT

STRUCTURE

- 18.1 Introduction
- 18.2 Learning Objectives
- 18.3 Welfare Schemes for The Public
 - Self-Check Exercise-1
- 18.4 Education Programmes
 - Self-Check Exercise-2
- 18.5 Health Programmes
 - Self-Check Exercise-3
- 18.6 Summary
- 18.7 Glossary
- 18.8 Answers to Self-Check Exercises
- 18.9 Suggested Readings
- 18.10 Terminal Questions

18.1 INTRODUCTION

Government of Himachal Pradesh launched so many welfare programmes for the holistic development of the state. All these programmes are launched to alleviate the poverty and generate employment so that economy can grow rapidly in this competitive world. It also aims at bringing tranquillity, social and economic development of women, children, disabled and juvenile delinquents in the State.

18.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Know the various welfare schemes of the Govt.
- Know about the education programmes in the state
- Understand the health programmes for the public
- Know about the various schemes launched for the welfare of women

18.3 WELFARE SCHEMES FOR THE PUBLIC:

The objective of welfare scheme is to provide financial assistance for use of latest technologies and for preparation of total mobility plan for the States. For the benefit of people the following schemes remained in operation during the year:-

1. **Green Card Scheme:-**Green card holder is allowed 25 per cent discount in fare, if the journey under taken by passenger is of 50 km. The card has validity of two years.

2. **Smart Card Scheme:** Corporation has introduced Smart card scheme. The cost of this card is ₹50 and having its validity for two years. This card having 10 per cent discount in fare and also valid in HRTC Ordinary, Super Fast, Semi Deluxe and Deluxe buses, In Volvo and AC buses discount is to be allowed from 1st October to 31st March, in every year.
3. **Samman Card Scheme:** Corporation has introduced Samman card scheme for the senior citizen of the age of the 60 years or more. Under this scheme, the discount of 30 per cent in fare is allowed in ordinary buses.
4. **Free Facility to Women:** Women have been allowed free travelling facility in HRTC ordinary buses on the occasion of “Raksha Bandhan” and “Bhaiya Dooj”. Muslim women have been allowed free travelling facility on occasion of “Id” and “Baker Id”.
5. **Discount in Fare to Women:** The Corporation has also allowed 25 per cent discount in fare in ordinary buses within the State to the women.
6. **Free Facility to Students of Government Schools:** The students of Government schools up to 10+2 classes have been allowed free travelling facility in HRTC ordinary buses.
7. **Free Facility to the Patients:** Free travelling facility to cancer, spinal injury, kidney and dialysis patients along with one attendant in HRTC buses for the purpose of medical treatment on referral slip issued by the Doctor within and outside the State.
8. **Free Facility to the Differently abled Persons:** The Corporation is providing free travelling facility to special abled persons having disability of 70 per cent or more along with one attendant within State.
9. **Reservation of seats for Special Category Person:-** The State has fixed 40 per cent seats in all type of Stage Carriage buses have been declared as reserved for Special Category persons i.e. Cancer Patients, Pregnant women, Physically Challenged and Senior Citizens. This facility is admissible in buses plying within a radius of 50Km from its originating point.
10. **Introduction of New Routes:** HRTC has introduced 132 new routes by adding 22,291 Kms/ day in its operation during year 2019-20.
11. **Implementation of FAME India Scheme:-** 50 electric buses were sanctioned by Govt. of India on 27.07.2018 under FAME-India Scheme for Shimla Town. The letter of award for procurement of 30 buses was issued on 12.10.2018 and these buses will be made operational till March, 2019. 35 Electric buses will be purchased for smart city Dharamsala and will be operated by HRTC. Electric buses deployed on Manali-Rohtang route were further deployed on Manali - Mandi Route for pollution free Transport
12. **Construction of New Bus Stands:** It is proposed to construct new bus Stands at Bhanjraroo, Thunag, Chail Chowk, Manikaran, Shahpur, Jasoor, Nalagarh, Parwanoo, Hamirpur, Manali and Baddi and to construct two bus stands on Public Private Partnership (PPP) Mode.

13. **Electric Vehicle Policy:** The Government of H.P. is committed to establish Himachal Pradesh as a model state for Electric Vehicle Adoption across segments (personal, shared and commercial) and to provide sustainable, safe, eco-friendly, inclusive and integrated mobility. For this purpose electric vehicle policy is being prepared which aims to provide incentives for electric vehicle consumers, manufactures as well as to establish the Charging Stations.

SELF-CHECK EXERCISE-1

Fill in the Blanks

1. A well designed 'Transport Policy' play an important role in promotingdevelopment of the Himachal Pradesh economy.
2. Green card holder is allowed per cent discount in fare.
3. Under Samman Card Scheme the discount of 30 per cent in fare is allowed inbuses.
4. 50 electric buses were sanctioned by Govt. of India on 27.07.2018 under-India Scheme for Shimla Town.
5. Reservation of seats for Special Category Person is admissible in buses plying within a radius ofKm from its originating point.

18.4 EDUCATION PROGRAMMES IN HIMACHAL PRADESH

Human Resource Development is an essential input for promoting the economic growth and development. Education and training, by imparting knowledge and skills, constitute the most significant factor in raising the level of the quality of human resources. They are the core sectors for generating the proficiencies required for employment and bringing about much needed change in the social environment, leading to overall progress through efficient use of resources. An appropriate education system also cultivates knowledge, a positive attitude, awareness and sense of responsibility towards rights and duties and imparts inner strength to overcome oppression and inequality. The concerted efforts of the Government have put state as one of the leading State in educational literacy. Male/female literacy rate differs considerably in the State as against 89.53 per cent literacy rate for males it is 75.93 per cent for females. Some of the Schemes are as follows:

1. **Free Text Books:** Free Text Books are being provided by Himachal Pradesh Government for all IRDP/SC/ST/OBC/ General students.
2. **Atal School Vardi Yojana:** Under Atal SchoolVardi Yojana two setsof uniform is being provided for class 1st to 12th.

Do you Know?

According to 2011 census Himachal Pradesh has a literacy rate of 82.80 per cent.

3. **Free Writing Material:** Cash payment is being provided to those SC students who belong to IRDP/BPL families and who study from 1st to 5th classes in government schools as per the following rates per annum.

- a) 1st and 2nd class Rs.250
- b) 3rd and 4th class Rs.300
- c) 5th class Rs.350

4. **Atal Adarsh Vidyalyojna:** Atal Adarsh Vidyalyojna has been launched in Barthin (Jhandutta) District Bialspur.
5. **Akhand Shiksha Jyoti Mere School Se Nikle Moti:** The State Government launched the new scheme Akhand Shiksha Jyoti Mere School Se Nikle Motion on 10th October 2018. The features of the scheme are as under:-
 - To raise the standard of educational infrastructure and quality of education.
 - To compare with private schools
 - To bring the people from society to government schools.
 - To link the old students with schools so they would contribute towards improvement of schools.
6. **Sarva Shiksha Abhiyan (SSA):** Launched in the State with a well-defined Pre-Project Phase on improving the infrastructure in the District Project Offices, capacity building of educational administrators, teachers, school mapping, micro-planning, surveys etc. The objective of this movement was to ensure universal access, enrolment, removal of gender gaps, retention and completion of elementary schooling by all 6-14 age group children coupled satisfactory quality elementary education with active participation of the community in the management of schools.

Do you Know?

The State Govt. has launched teacher app to make teaching learning more interesting and joyful.

7. **Shiksha Saathi App:** The Himachal Pradesh Department of education has consistently raised the bar in education by fostering innovative reforms. The most recent addition to these innovative advancements has been a Shiksha Saathi App. This mobile based app integrates different functions conducted by the Department on a single platform.
8. **Bag Free Day:** The department has declared the fourth Saturday of every month as Bag Free Day in every Government School in order to ensure overall development of the pupils by conducting various activities such as inter-House Sports Competitions, Extra Curricular Activities are being organized in the schools.
9. **Establishment of Atal Tinkering Labs:** In order to foster curiosity, creativity and imagination in young minds, Atal Tinkering Lab is a work space where young minds can give shape to their ideas through hands on do-it-yourself mode; and learn innovation skill young children will get a chance to work with tools and equipment to understand the concepts of STEM (Science, Technology, Engineering and Maths)

SELF-CHECK EXERCISE-2

Fill in the Blanks

6. Cash payment is being provided to thosestudents who belong to IRDP/BPL families.
7. The State Government launched the new scheme Akhand Shiksha Jyoti Mere School Se Nikle Motion on2018.
8. The education department has declared theSaturday of every month as Bag Free Day in every Government School.

18.5 HEALTH PROGRAMMES

The State Government has ensured that health services for effective prevention and treatment intervention are accessible to people applied efficiently. In Himachal Pradesh, Health and Family Welfare department is providing services which include curative, preventive, primitive and rehabilitative services through a network of 89 Hospitals, 91 Community health Centers, 580 Primary Health Centers, 16 ESI Dispensaries and 2,085 Sub-Centers. To provide better health services to the people, the Government is strengthening the existing infrastructure by providing modern equipments, specialized services, increasing the strength of the medical and para-medical staff in the medical institutions.

1. National Vector Borne Disease Control Programme
2. National Leprosy Eradication Programme
3. Revised National T.B. Control Programme (RNTCP)
4. National Programme for Control of Blindness
5. National Family Welfare Programme
6. Mukhya Mantri State Health Care Scheme
7. National AIDS Control Programme

At present the State has Six Government Medical Colleges; Indira Gandhi Medical College Shimla, Dr. Rajendra Prasad Medical College, Tanda, Dr. Yashwant Singh Parmar Government Medical College Nahan, Pt. Jawahar Lal Nehru Government Medical College, Chamba, Dr. Radha Krishan Government Medical College Hamirpur, Sh. Lal Bahadur Shastri Government Medical College Mandi and one Government Dental College in Shimla are functioning. Besides this, one Medical College and four Dental colleges in private sector are also functional in the State.

Social Welfare Programmes

- a) **Old Age Pension:** National Old Age Pension Scheme (NOAPS) was aimed at providing a safety net for aging population in terms of social, economical and moral support by helping eligible elderly citizens with direct cash benefit. Rs. 750 per month is being provided to those proper who have attained the age 60 years or above but below 70 years having annual income below Rs. 35,000 per year, 70 years and above pensioners are being provided pension Rs. 1,300 per month without any income criteria.

- b) **Skill Development Allowance Scheme:** Skill Development Allowance to the unemployed youth scheme aims at providing allowance to educated unemployed Himachali youth for their skill up gradation. The objective is to enable such youth to develop their skill so as to take up employment or self-employment in the sector of their choice from training institute of their choice. Skill Development Allowance of Rs, 1,000 per month is being provided to the youth who undertake skill training to enhance their employability, Youth with disabilities are provided Rs 1,500 per month as Skill Development Allowance. This scheme intends to provide allowance to eligible educated unemployed Himachali youth for their skill upgradation. This in turn will enable such youth to develop their skill which in turn will enable them to take up employment or self-employment in the Sector of their choice, since this scheme empowers the youth to choose the Sector in which they would like to develop their skill, at the training institute of their choice.
- c) **Rehabilitation Allowance to Lepers:** Rehabilitation allowance to leprosy `700 per month is being provided to the patient of leprosy who have been identified by the Health Department irrespective of their age and annual income.
- d) **Widow /Deserted/ Ekal Nari Pension:** Rs. 700 per month is being provided to those *Widow/ Deserted/ Ekal Nari ladies* above 45 years of age whose annual income does not exceed Rs.35,000 per year.
- e) **Indira Gandhi National Old Age Pension (IGNOAP):** Indira Gandhi National Old Age Pension is being provided to the persons who have attained the age 60 years or above and belong to BPL household.
- f) **Indira Gandhi National Widow Pension (IGNWP):** Objective of the Scheme is to give financial assistance @ Rs. 400/- per month to all the identified pensioners who are widows of the age group of 40 years -64 years, and from BPL families . The coverage is universal and there shall not be any quota at any level.
- g) **Indira Gandhi National Special Ability Pension:** To assure a respectful life financial assistance are provided to severe and multi-disabled persons who are living below poverty line.
- h) **Self Employment Scheme:** Under this scheme Rs. 5,000 are provided to the women having annual income less than Rs. 35,000 for carrying income generating activities. A budget provision of Rs. 8.02 lakh has been made. 146 women have been benefited under the scheme.

Women Welfare Schemes:

Various schemes are being implemented for the welfare of women in the State. The major schemes are as under:-

- ❖ Woman State Home Mashobra
- ❖ Widow Re-marriage Scheme
- ❖ Self-Employment Assistance for Women
- ❖ Mukhya Mantri Kanyadaan Yojna
- ❖ Vishesh Mahila Utthan Yojna

- ❖ Beti Bachao Beti Padhao scheme

SELF-CHECK EXERCISE-3

State Weather the Following Statements are True/False

9. At present the State has Six Government Medical Colleges.
10. NOAPS is National Old Annual Pension Scheme.
11. Indira Gandhi National Old Age Pension is being provided to the persons who have attained the age 60 years or above.
12. Under the self-employment scheme Rs. 5,000 are provided to the women for carrying income generating activities.

18.6 SUMMARY

The Government of Himachal Pradesh is committed to providing opportunities to the citizen for their economic and social development. To achieve this, various Welfare Schemes are launched for a wide cross section of the society from time to time by various departments. The Himachal government is giving a serious concern towards the upliftment of the women in the society like education, funds to widows and poor women, strict punishments against female infanticide etc. The result of all these initiatives by Himachal government towards growth of women in society has made Himachal to top the list among all the other states in terms of empowerment of women.

18.7 GLOSSARY

- **Policy:** A policy is a deliberate system of principles to guide decisions and achieve rational outcomes. A policy is a statement of intent, and is implemented as a procedure or protocol. Policies are generally adopted by a governance body within an organization.
- **Scheme:** are launched by the government with the purpose of addressing the social and economic welfare of the citizens of this nation. These schemes play a crucial role in solving many socio-economic problems that beset Indian society and thus their awareness is a must for any concerned citizen.
- **Pension:** is a type of retirement plan that provides monthly income in retirement.
- **IRDP:** Integrated Rural Development Programme. It is a rural development program of Government of India launched on 2nd October 1980 across the country. It aims to provide self-employment program to poor rural families to help them increase their income and cross the poverty line.

18.8 ANSWERS TO SELF-CHECK EXERCISES

1. Balanced
2. 25
3. Ordinary
4. FAME

5. 50
6. SC
7. 10th October
8. Fourth
9. True
10. False
11. True
12. True

18.9 SUGGESTED READINGS

- Know Your State Himachal Pradesh by Arihant Experts.
- Himachal Pradesh State Statistical Report, Economics and Statistic Department.

18.10 TERMINAL QUESTIONS

1. What is the impact of Government Schemes on economy of Himachal Pradesh?
2. What is the objective of Self Employment Schemes?
3. “The social welfare programmes aim to make opportunities for full-time employment, health care, education and development available to all citizens” Discuss.
4. Short Notes:
 - a) Bag Free Day
 - b) National Programme for Control of Blindness
 - c) Shiksha Saathi App
 - d) Samman Card Scheme

BANKING AND INSTITUTIONAL FINANCE

STRUCTURE

- 19.1 Introduction
- 19.2 Learning Objectives
- 19.3 Network of Bank Branches in the State
 - 19.3.1 Financial Inclusion Initiatives
 - Self-Check Exercise-1
- 19.4 Business Volume of Banks
 - 19.4.1 NABARD
 - Self-Check Exercise-2
- 19.5 Summary
- 19.6 Glossary
- 19.7 Answers To Self-Check Exercises
- 19.8 Suggested Readings
- 19.9 Terminal Questions

19.1 INTRODUCTION

The Lead Bank responsibility for Himachal Pradesh has been divided between three banks: Punjab National Bank (PNB) in six districts (Hamirpur, Kangra, Kinnaur, Kullu, Mandi, and Una); United Commercial Bank (UCO) in four districts (Bilaspur, Shimla, Solan, and Sirmour) and State Bank of India (SBI) in two districts (Chamba and Lahaul-Spiti). UCO bank is the State Level Bankers Committee's convener bank (SLBC).

More than 77 per cent of the State's network of 2,292 bank branches are located in rural regions. According to the 2011 census, the average population per branch in the state is 3,073, compared to the national average of 11,000. India Post Payments Bank, Financial Inclusion Network and Operations (Fino) Payments Bank, Airtel Payment Banks and Paytm Payment Banks are the four Payment Banks operating in the State.

19.2 LEARNING OBJECTIVES

After reading this unit, students will be able to:

- Network of Bank Branches in the State
- Financial Inclusion Initiatives
- Business Volume of Banks
- NABARD

19.3 NETWORK OF BANK BRANCHES IN THE STATE

S No	Item	No. of Branches
1	Total No. of Bank Branches	2292
	a. Area-wise Bank	
	i. Rural	1760
	ii. Urban/Semi-Urban	429
	iii. Urban Centre (Shimla)	103
	Total	2292
	b. Public Sector Banks (PSBs)	
	i. Punjab National Bank	350
	ii. State Bank of India	349
	iii. UCO Banks	181
	iii. Others	290
	Total	1170
	c. Private Sector Banks	
	i. HDFC	103
	ii. ICICI	55
	iii. Small Finance Banks (4)	21
	iv. Others	88
	Total	267
	d. Himachal Pradesh Garmin Bank (HPGB)	274
	e. Payment Bank	13
	f. Himachal Pradesh Co-Operative Sector Banks	
	i. State Apex Co-operative Bank	241
	ii. Kangra Central Co-operative Bank	217
	iii. Five Urban Co-operative Banks	26
	iv. Others	84
	Total	568
2	Total No. of new branches opened (Oct. 2022-Sep 2023)	55
3	No. of Automated Teller Machines (ATMs) by various banks	2170

Economic survey 2023-24

Kangra district has the highest number of 425 bank branches and Lahaul-Spiti has the lowest number of 26 branches. Banks have deployed Business Correspondent Agents (known as “Bank Mitras”) in sub-service areas to provide Banking services to the far-flung areas, where Brick and Mortar Branches are not financially viable. At present 12,243 Bank Mitras are deployed in the State by various banks for providing basic Banking services in villages. The Public sector Banks in the State namely, PNB, SBI, UCO, Canara Bank, Central Bank of India, Union Bank of India and Bank of Baroda have full-fledged Regional Zonal and Circle Offices in the State. Reserve Bank of India (RBI) has its Regional Office headed by a Regional Director and the National Bank for Agriculture and Rural Development (NABARD) has its Regional Office headed by Chief General Manager at Shimla.

The role and responsibility of banks is well recognized as a partner for accelerating the socio-economic growth of the State. The flow of credit in all priority areas has been enhanced. As of September, 2023 banks in the State have achieved 5 out of the 7 National Parameters fixed by the RBI for Lending to Priority Sectors, which include Agriculture Sector, Small and Marginal Farmers, Micro Enterprises, Weaker Sections and Women. Banks have extended 60.18 per cent of their total loans to the Priority Sector Activities viz. Agriculture, MSME, Education Loan, Housing Loan, Micro Credit etc.

Agriculture loans account for 17.48 per cent of total loans given by banks as of September, 2023, compared to the RBI's national threshold of 18 per cent. Advances to Weaker Sections and Women account for 18.79 and 12.13 per cent of total lending, respectively, compared to national targets of 11 and 5 per cent. Banks in the state have a Credit Deposit Ratio (CDR) of 44.03 per cent till September, 2023.

19.3.1 Financial Inclusion Initiatives

Financial inclusion denotes the delivery of financial services and products at an affordable cost to the excluded sections of our society and low-income groups. The Government of India Financial Inclusion Campaign-"Pradhan Mantri Jan-Dhan Yojana" (PMJDY) has been running for more than seven years, and numerous measures are being implemented to strengthen the society's weakest segments, including women, small and marginal farmers, and labourers in both rural and urban regions.

1. **Pradhan Mantri Jan Dhan Yojana (PMJDY):** Banks in the state have provided each family with at least one Basic Saving Bank Deposit Account (BSBDA). As of September, 2023, banks have 18.30 lakh accounts under the initiative, 16.38 lakh of these accounts are in rural regions, while 1.92 lakh are in urban areas. Banks supplied RuPay Debit Cards to 12.67 lakh PMJDY account holders, accounting for more than 69 per cent of these accounts. Banks have taken the initiative to link bank accounts with Aadhaar and mobile numbers, and 80 per cent of PMJDY accounts have been linked as of September, 2023.
2. **Universal Social Security Initiatives under the PMJDY Scheme:** The Government of India has introduced three Social Security Schemes. The following describes the current status of social security schemes:
 - i. **Pradhan Mantri Suraksha Bima Yojana (PMSBY)**
This scheme offers a renewable one-year accidental death cum special ability cover of ₹2.00 lakh (₹1.00 lakh for partial and permanent special ability) to all saving bank account holders between the ages of 18 and 70 for a premium of ₹20.00 per annum per subscriber, renewable on 1st June of each year. Banks have 23.96 lakh PMSBY subscribers by September, 2023.
 - ii. **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)**

This policy offers a renewable one-year life cover of ₹2.00 lakh to all saving bank account holders aged 18 to 50 years, covering death due to any cause at a premium of ₹436.00 per annum per subscriber, renewable on 1st June of each year. As of September, 2023 banks have 8.21 lakh customers through this plan.

iii. Atal Pension Yojana (APY)

Atal Pension Yojana focuses on the unorganized sector and provides subscribers with a minimum fixed pension of ₹1,000, ₹2,000, ₹3,000, ₹4,000, or ₹5,000 per month starting at the age of 60 years, depending contribution exercised on entering the age between 18 and 40 years. The government guarantees the minimum fixed pension provided that 20 years of consistent contributions are paid. The State Government is emphasizing the adoption of the APY among MGNREGA employees, Mid Day Meal workers, Agriculture and Horticulture labourers, and Anganwari workers. Banks have prioritized an active awareness effort for the programme via camps, press, and other media. Up to September, 2023 banks have registered 4.41lakh subscribers in the APY. Additionally, the Department of Posts and Telegraph participates in the APY Scheme.

SELF CHECK EXERCISE-1

1. Which organization is primarily responsible for implementing financial inclusion initiatives in Himachal Pradesh?
 - a) Reserve Bank of India (RBI)
 - b) State Bank of India (SBI)
 - c) National Bank for Agriculture and Rural Development (NABARD)
 - d) Securities and Exchange Board of India (SEBI)
2. Which of the following schemes aims to provide financial services such as savings, credit, insurance, and pension to low-income households in Himachal Pradesh?
 - a) Pradhan Mantri Jan Dhan Yojana (PMJDY)
 - b) National Rural Livelihoods Mission (NRLM)
 - c) Integrated Watershed Management Programme (IWMP)
 - d) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
3. Which technology is being utilized to facilitate financial transactions and services in remote areas of Himachal Pradesh?
 - a) Artificial Intelligence (AI)
 - b) Blockchain
 - c) Aadhaar Enabled Payment System (AEPS)
 - d) Virtual Reality (VR)
4. Under the Himachal Pradesh Gramin Bank, how many banking outlets have been established to promote financial inclusion in rural areas?

- a) 100
- b) 200
- c) 300
- d) 400

19.4 BUSINESS VOLUME OF BANKS

The total deposits of all banks in the State increased from ₹1,61,995 crore in September, 2022 to ₹1,81,021 crore in September, 2023. Bank deposits increased by 11.74 per cent year on year. Aggregate advances increased from ₹60600.63 crore in September, 2022 to ₹76,188.33 crore in September, 2023 indicating a 25.72 per cent year-on-year growth. The overall banking business has increased by 15.55 per cent to ₹2,57,209 crore as of September, 2023 from ₹2,22,595 crore in September, 2022.

Public Sector Banks (PSBs) have the biggest market share of 63 per cent, followed by RRBs at 5 per cent, Private Banks at 12 per cent, and Co-operative Sector Banks at 18 per cent, others at 2 per cent.

Performance Under the Annual Credit Plan

Banks have prepared an Annual Credit Plan for 2023-24 for the disbursement of fresh loans based on potentials worked out for various priority sector activities by NABARD. The financial targets under the Annual Credit Plan 2023-24 have been increased by 11.63 per cent over the last plan outlay and fixed at 37,713 crore. Banks have disbursed fresh loans to the tune of 22,042 crore up to September, 2023 and achieved 58.44 per cent of the annual commitment.

19.4.1 National Bank for Agriculture and Rural Development (NABARD)

In recent years, NABARD has significantly strengthened its association with the developmental process for Integrated Rural Development through initiatives encompassing a wide range of activities such as Rural Infrastructure Development, Promotion of Micro Credit, Farmer Producer Organizations, Rural Farm and Non-Farm Sector, improving the male and female workforce participation through Skill Development, Refinance, and strengthening the rural credit delivery system in the State. Furthermore, NABARD is also implementing or is associated with certain Centrally Sponsored Schemes of the Government of India.

1. **Rural Infrastructure:** Since its inception in 1995-96, the development of infrastructure in rural areas through the Rural Infrastructure Development Fund (RIDF) has emerged as NABARD's major intervention in partnership with the State Governments. Under this scheme, concessional loans are given to State Government and State-owned Corporations for the completion of ongoing projects and also to start new projects in certain selected sectors. Financing over the years has become broad-based covering 39 eligible activities classified into agriculture and related sectors, social sector and rural connectivity.

The State has been allocated an allocation of ₹ 800.00 crore under RIDF-XXIX (2023-24). RIDF has contributed significantly to the development of several sectors such as irrigation, roads and bridges, flood protection, drinking water supply, primary education, veterinary services, watershed development, IT infrastructure etc. In recent years, innovative projects for the development of Polyhouses, Ropeway, Micro Irrigation Systems, and Solar Irrigation have been supported, which would aid in the commercialization of agri-business and sustainable farming.

A ₹10,944.58 crore has been sanctioned to the state under the RIDF as of 31st March, 2023 for projects of rural roads/bridges, irrigation, rural drinking water, etc. Under RIDF Tranche XXIX, ₹918.81 crore has been sanctioned to the State and ₹575 crore has been disbursed to the State Government up to 15th January 2024.

Following the implementation/completion of the sanctioned projects, 13,535 kilometres of roads will be made motorable, 27,395 metres of bridges will be constructed, and irrigation projects will benefit 1,94,874 hectares of land. Furthermore, 2,921 primary school rooms, 64 Secondary School Science Laboratories, 25 Information Technology Centres, and 397 Veterinary Hospitals /Artificial Insemination Centres have already been constructed.

2. **Technology Facilitation Fund (TFF):** Technology Facilitation Fund (TFF) has been set in NABARD, with an initial corpus of ₹50 crore, to support and scale up technology adoption that benefits the agriculture and rural development space to have a nimble policy for engagement with Tech Start-ups and a dedicated funding source.
3. **Fisheries and Aquaculture Infrastructure Development Fund (FAIDF):** NABARD has extended support to the State Government for the establishment of a State of Art Fisheries Training Centre at Carp Farm, Gagrath in district Una by 31st March 2025 under FAIDF (Fisheries and Aquaculture Infrastructure Development Fund).
4. **Re-finance Support:** NABARD extends Long Term Refinance for diverse activities viz. rural housing, small road transport operators, land development, minor irrigation, dairy development, self-help group, farm mechanization, poultry, plantation and horticulture, sheep/ goat/ piggery rearing, packing and grading house activity and other sectors. During 2023-24 refinance of assistance to Himachal Pradesh Gramin Bank and Cooperative Banks including State Cooperative Agriculture Rural Development Bank(SCARDB), ₹1355.56 crore has been disbursed as on 15th January, 2024.

NABARD has supplemented the efforts of Cooperative Banks and RRBs for crop loan disbursement in the State by providing a Short Term (ST) credit limit of ₹2,300 crore for the FY 2023-24, against which the banks have drawn refinancing assistance of ₹1,560 crore as on 30th December, 2023.

5. **Government Sponsored Scheme:** New Agricultural Marketing Infrastructure (AMI) Scheme: The Ministry of Agriculture and Farmers' Welfare, Government of India, is implementing the new Agricultural Marketing Infrastructure (AMI), a sub-scheme of the Integrated Scheme for Agricultural Marketing (ISAM). The scheme has been extended for term loans sanctioned up to 31st March, 2026.
6. **Micro Credit:** The Self-Help Group (SHG) movement has grown throughout Himachal Pradesh and is now firmly established. The movement has provided additional assistance in human resources and financial items. As of 31st March, 2023, the total number of credit-linked SHGs was 75,069 and 13,091 credit-linked SHGs with loans outstanding of ₹179.16 crore.
The announcement in the Union Budget 2014-15 of finance for Joint Farming Groups "Bhoomi Heen Kissan" (landless farmers) lends validity to NABARD's efforts to innovate and reach out to landless farmers through Joint Liability Groups (JLGs) form of financing. Up to 31st March, 2023, 16,969 Joint Liability Groups have received loan disbursements totaling ₹110.06 crore.
7. **Promotion of Farmers' Producer Organization:** NABARD has sanctioned a grant of ₹13.01 crore in Himachal Pradesh for the formation/promotion of 124 FPOs across all 12 districts. On an aggregate basis, these FPOs will produce process and market vegetables, medicinal and aromatic plants, milk and flowers. These FPOs cover about 23,417 farmers across the State with an annual turnover of ₹13.07 crore. In another Central Sector Scheme, NABARD will be the implementing agency for the establishment and promotion of 10,000 FPOs under the "One District, One Product" idea. FPOs would be fostered and supported in the state through Cluster Based Business Organizations (CBBOs). Under the initiative, NABARD has established 23 FPOs with a total grant of ₹10.47 crore.
8. **Watershed Development:** NABARD has approved 50 Watershed Development Projects (29 Watershed and 21 Spring Shed Projects) across the state's 10 districts. As of 31st December, 2023, a total of 26.84 crore had been given under these projects, which covered 38,732 hectares and benefited 300 villages in 10 districts. These initiatives will improve water availability, safeguard the environment, raise farmer production and income, conserve decreasing grasslands, and promote animal husbandry.
9. **Tribal Development through the Tribal Development Fund (TDF):** NABARD has approved 14 tribal development projects with a total grant of ₹21.35 crore benefiting 3,708 families up to 31st December, 2023. These initiatives intend to establish WADIs (small orchards) and dairy units in selective villages covering around 2,616 acres of land for Mango, Kinnow, Lemon, Apple, Walnut, Pear, and Wild Apricot planting.

SELF CHECK EXERCISE-2

5. In the Himachal Pradesh Economic Survey 2023-24, what role did NABARD play in the state's economy?
 - a. Facilitating industrial growth
 - b. Enhancing urban infrastructure
 - c. Promoting agricultural and rural development
 - d. None of the above
6. Which of the following is a financial instrument offered by NABARD to support agriculture?
 - a. Home loans
 - b. Crop insurance
 - c. Personal loans
 - d. Mutual funds
7. In Himachal Pradesh, what is the main source of funding for NABARD's initiatives?
 - a. Central Government grants
 - b. State Government grants
 - c. Loans from international organizations
 - d. All of the above

19.5 SUMMARY

Over 77 per cent of the 2,292 bank branches in the state are rural. 55 branches new opened from October 2022 to September 2023. 1,760 branches are in rural regions, 429 in semi-urban areas, and 103 in Shimla, which is the only Reserve Bank of India-classified urban centre in the state.

As of September 2023, Public Sector Banks (PSBs) had 1,170 branches, comprising over 51 per cent of the State's banking sector's branch network. The PNB has the most branches with 350, followed by SBI with 349 and UCO bank with 181. ICICI has 55 branches and HDFC has 103 of the 246 private sector banks.

In terms of district-wise spread of bank branches, Kangra district has the highest number of 425 bank branches and Lahaul-Spiti, least 26 branches. The outreach of bank services has further increased by the installation of 2,170 ATMs by various banks.

19.6 GLOSSARY

- **Pradhan Mantri Suraksha Bima Yojana (PMSBY):** This scheme offers a renewable one-year accidental death cum special ability cover of ₹2.00 lakh (₹1.00 lakh for partial and permanent special ability) to all saving bank account holders between the ages of 18 and 70 for a premium of ₹20.00 per annum per subscriber, renewable on 1st June of each year.
- **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):** This policy offers a renewable one-year life cover of ₹2.00 lakh to all saving bank account holders

aged 18 to 50 years, covering death due to any cause at a premium of ₹436.00 per annum per subscriber, renewable on 1st June of each year.

- **Atal Pension Yojana (APY):** Atal Pension Yojana focuses on the unorganized sector and provides subscribers with a minimum fixed pension of ₹1,000, ₹2,000, ₹3,000, ₹4,000, or ₹5,000 per month starting at the age of 60 years, depending contribution exercised on entering the age between 18 and 40 years.

19.7 ANSWERS TO SELF CHECK EXERCISES

1. c
2. a
3. c
4. b
5. c
6. b
7. d

19.8 SUGGESTED READINGS

- Know Your State Himachal Pradesh by Arihant Experts.
- Himachal Pradesh State Statistical Report, Economics and Statistic Department.

19.9 TERMINAL QUESTIONS

1. Write in detail Financial Inclusion Initiatives in Himachal Pradesh.
2. Write a short note on
 - Pradhan Mantri Jan Dhan Yojana (PMJDY)
 - Pradhan Mantri Suraksha Bima Yojana (PMSBY)
 - Atal Pension Yojana (APY)
3. Write a brief note on National Bank for Agriculture and Rural Development (NABARD)

HOUSING AND URBAN DEVELOPMENT

STRUCTURE

- 20.1 Introduction
- 20.2 Learning Objectives
- 20.3 Urban Development
 - 20.3.1 Deendayal Antyodaya Yojana- National Urban Livelihood Mission (DAY-NULM)
 - 20.3.2 Swachh Bharat Mission (Urban)
 - Self-check exercise-1
- 20.4 Pradhan Mantri Awasojana Housing for all (urban)
 - 20.4.1 Town and Country Planning
 - Self-check exercise-2
- 20.5 Summary
- 20.6 Glossary
- 20.7 Answers to Self-check exercise
- 20.8 Suggested Readings
- 20.9 Terminal Questions

20.1 INTRODUCTION

Jan Gehl, Danish architect and global leader in urban design famously said that first we shape cities, then they shape us. People shape cities by creating built environments that boost liveability, productivity and connectivity, eventually attracting more people from all around to these cities. Urbanisation- the movement of people from rural to urban areas- leads to fast-paced growth, which is accompanied by creation of job opportunities, infrastructure development and better economic, political and social mileages compared to rural areas. However, urbanisation also brings with it challenges such as congestion, population and traffic, housing shortage, growth of slums, inadequate civic amenities and jobs and environmental pollution. Urban policies aim to minimize these costs while maximising the benefits of the cityscape and ensuring that gains are fairly distributed across genders and social classes.

The Himachal Pradesh Government, through the Housing and Urban Development Authority (HIMUDA), is offering homes, flats, and plots to suit the housing needs of individuals of all economic levels. In the current FY 2023-24, an expenditure of ₹19.83 crore was incurred up to December, 2023. During the current year, there is a target to construct 312 flats and to develop 152 plots of different categories. Construction work on 64 flats has been completed. In addition, 148 plots have also been developed. HIMUDA intends to develop new housing colonies in

Sohala (Sirmaur), Chettarra (Una) and a commercial complex in Shimla. 851 plots, 704 flats and would come up in these colonies. Apart from the above HIMUDA has submitted a Detailed Project Report (DPR) for setting up a Mountain Township at Jathia Devi (Shimla Hills) with the Ministry of Housing and Urban Affairs (MoHUA) Government of India (GoI) having estimated project cost of ₹1373.44 crore. Construction works of Housing colonies at Sanjauli, Sproon, Dharampur (Solan), Parwanoo, Nalagarh, Dehra, Dhoundi (Mandi) and Rajwari (Mandi) are in progress.

20.2 LEARNING OBJECTIVES

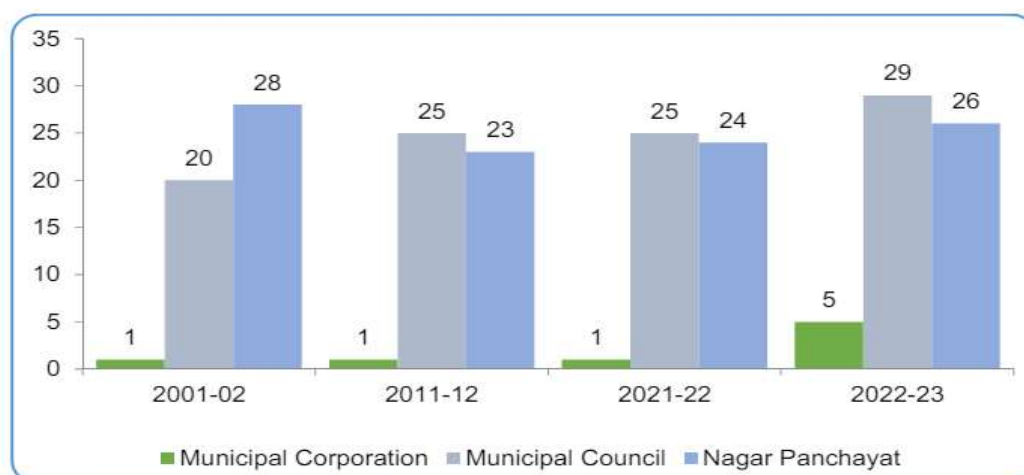
After reading this unit, students will be able to:

- Urban Development
- Deendayal Antyodaya Yojana- National Urban Livelihood Mission (DAY-NULM)
- Swachh Bharat Mission (Urban)
- Pradhan Mantri Awasojana Housing for all (urban)
- Town and Country Planning

20.3 URBAN DEVELOPMENT

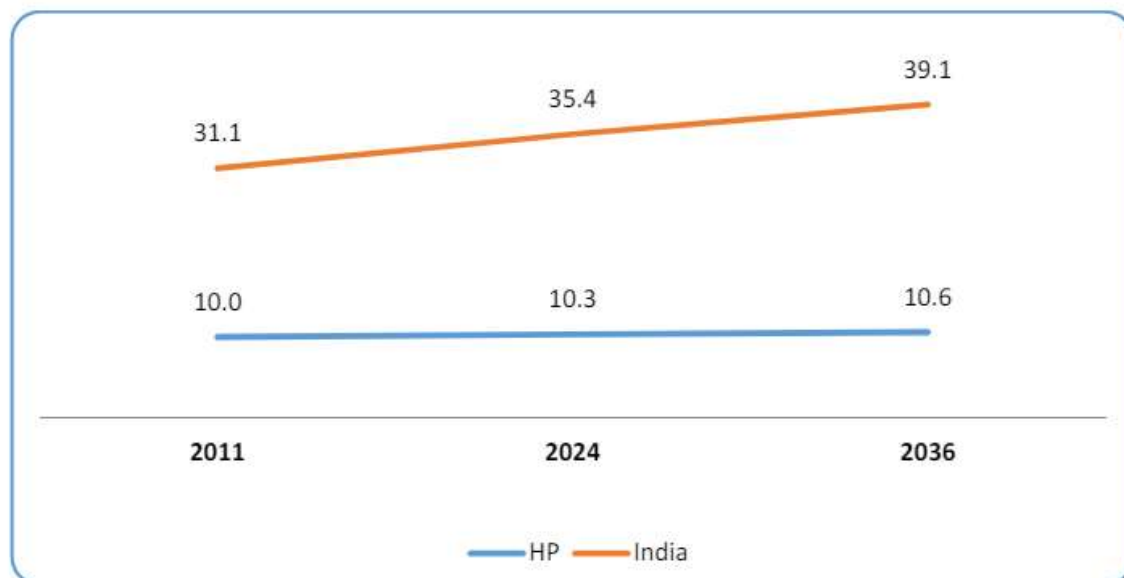
Himachal Pradesh has 60 Urban Local Bodies (ULBs), including Municipal Corporations in Shimla, Dharamshala, Solan, Mandi, and Palampur. The Government is providing grants-in-aid every year to these local bodies to enable them to provide civic amenities to the general public. As per the recommendations of the State Finance Commission ₹192.62 crore has been released to the ULBs during the current FY 2023-24, fund amounting to ₹154.10 crore (Basic Grant) has been released to the ULBs during the FY 2023-24 and ₹38.52 crore (Performance Grant) is yet to be released to the Urban Local Bodies after fulfilling certain conditions. This includes development grant and gap filling grant between income and expenditure. Figure 17.1 illustrates a rise in the number of Urban Local Bodies (ULBs) across the State, reaching a cumulative total of 60 ULBs during FY 2023-24 compared to FY 2001-02.

Urban Development



Source: Department of Urban Development

Projected Share of Urban Population for Himachal Pradesh and India in per cent (2011-2036)



Source: Population Projections for India and States 2011-2036 (National Commission on Population, Ministry of Health and Family Welfare, Government of India: 2020)

Maintenance of Roads in Municipal Areas 60 ULBs manage about 3,349 km of roads, pathways, streets, and drainage. The government has allocated ₹6.00 crore for these roads in the current FY 2023-24.

20.3.1 Deendayal Antyodaya Yojana-National Urban Livelihood Mission (DAY-NULM)

The primary goal of DAY-NULM is to reduce poverty among the urban poor through the promotion of diversified and gainful self-employment and skill-wage employment opportunities, resulting in significant improvement in their livelihood on a sustainable basis.

The following is the progress made in 2023-24:

- 337 Self Help Groups (SHGs) have been formed.
- 39 Area Level Federations and 22 City Level Federations have been formed. Individual loans amounting to ₹3.59 crore have been provided to 270 beneficiaries and 252 SHGs have been provided a loan of ₹6.76 crore through banks 5790 street vendors were identified and Certificate of Vending to 4320 street vendors has been provided. Also 44 Regular Town Vending Committees (by election) have been formed.
- Vendor market amounting to ₹80.00 lakh has been constructed in Municipal Corporation Solan. Also, vendor markets in Municipal Corporation Una for ₹1.03 crore is being constructed.
- 5144 beneficiaries have been provided first term (₹10 Thousand) loans under PM SVANidhi Scheme. Also, 2506 beneficiaries have been provided 2nd term (₹20 Thousand) loan and 1012 beneficiaries have been provided 3rd term (₹50 Thousand) loans.

Central Finance Commission Grant

The 15th Finance Commission has recommended two types of grants to be released to ULBs and Cantonment Boards (CBs). First is the Untied Grant (40 per cent) to be released unconditionally and the second is the Tied Grant (60 per cent) subject to fulfillment of certain conditions as laid down in the 15th Finance Commission Report. There is a budget provision of ₹171.00 crore for FY 2023-24. In addition, the budget has also allocated a Health Sector Grant amounting to ₹5.93 crore under 15th Finance Commission to the ULBs of the state during the current financial year. The 2nd installment of both (Untied and Tied) grants amounting to ₹81.00 crore for the FY 2022-23 has been released to the ULBs and CBs during the current FY 2023-24.

Atal Mission for Rejuvenation and Urban Transformation (AMRUT) AND AMRUT 2.0 AMRUT:

The main objective of the AMRUT Scheme is to provide basic amenities in regions of the city that do not have them. Two cities Shimla and Kullu have been included in the scheme. The total size of the State Annual Action Plan is earmarked to ₹304.52 crore, which includes 75 projects. Out of total 75 projects, 66 worth ₹219.01 crore have been completed and the remaining 09 worth ₹85.50 crore are expected to be completed by March, 2024.

AMRUT 2.0: The AMRUT 2.0 Mission was launched on 1st October, 2021 by the Prime Minister to make the cities 'water secure' and 'self-sustainable' through a circular economy of water. The mission will focus on water supply, sewerage and septage management, recycling/re-use of treated wastewater, rejuvenation of water bodies and creation of green spaces. The mission period is from FY 2021-22 to FY 2025-26 and the funding pattern is a 90:10 ratio (Centre and State) with a proposal to cover all Statutory Towns (60 ULBs + 7 CBs). The total allocation for the project is ₹280.00 crore (₹252.00 crore from the Centre and ₹28.00 crore from the State). State Water Action Plan (SWAPs) was to be submitted in three (3) tranches. After the approval of State Level Technical Committee (SLTC) and State High Powered Steering Committee (SHPSC), 1st, 2nd and 3rd Tranche (including O&M) amounting to ₹170.57 crore, ₹39.01 crore, ₹112.08 crore respectively submitted to Gol, MoHUA and all three tranches have been approved.

Smart City Mission (SCM)

Smart City Mission was launched in June, 2015 and Municipal Corporation, Dharamshala was approved by Gol under the mission. In 2017-18, Municipal Corporation, Shimla was also selected under SCM by Gol. During the current FY 2023-24 there is a budget provision of ₹0.08 crore under this Mission. In addition, the Gol has released a Central share of ₹196.00 crore. In Shimla Smart City Limited (SSCL) out of 53 projects, 28 most do-able projects have been identified. These are further bifurcated into 210 components of which 143 components have been finished and for 67 are in progress. Out of 81 projects in Dharamshala Smart City Limited (DSCL) 52 projects have been completed and 29 more have been initiated.

20.3.2 Swachh Bharat Mission (Urban)

Swachh Bharat Mission (Urban) 2.0 (SBM 2.0) is a flagship programme of the GoI and is being implemented in all notified towns by MoHUA, GoI. The main aim of SBM is to make cities/towns open defecation-free and provide a healthy and livable environment to all. The following actions/ progress has been made under the Mission:

- i. Funds have been disbursed to ULBs for the construction of individual household toilets and Community/Public toilets to provide adequate toilet facilities in towns. Till date, more than 6,715 individual toilets for households without toilet facilities have been constructed under the mission and 391 Community and 1,273 public toilet seats have been installed newly or renovated.
- ii. Funds amounting to ₹3.05 crore have been released to different ULBs for the clearance of legacy waste sites. Furthermore, a sum of ₹17.02 crore has been demanded from the MoHUA, GoI under the Waste Management component of SBM-U 2.0.
- iii. Various Information, Education, and Communication (IEC) initiatives are performed regularly throughout the State to make the general people aware through Swachh tapakhwada, hoardings/banners, nukkadnataks, print and electronic media etc.

SELF-CHECK EXERCISE-1

- 1) The department responsible for housing and urban development in Himachal Pradesh is the _____ Department.
- 2) The flagship housing scheme launched by the Government of Himachal Pradesh to provide affordable housing to the urban poor is _____.
- 3) The urban local bodies in Himachal Pradesh are responsible for _____ and _____ within their jurisdictions.
- 4) The Government of Himachal Pradesh promotes _____ practices in urban development to ensure environmental sustainability.

20.4 PRADHAN MANTRI AWASYOJANA HOUSING FOR ALL (URBAN)

A mission “Housing for all” (Urban) has been launched by the GoI effective from 17th June, 2015 to 31st March, 2024. This scheme aims to provide houses for slum dwellers under the in-situ slum rehabilitation component providing affordable houses for Economically Weaker Sections (EWS), Low-Income Groups (LIG) and Middle-Income Groups (MIG) through the credit-linked subsidy component, and housing through the public-private partnership component. The Government is also providing funds for the construction of beneficiary houses through subsidy for beneficiary-led individual house component. For the current FY 2023-24, 476 houses have been completed and 406 new houses have been approved.

a) Construction of Parking

To solve the parking problems in the urban areas of the Pradesh ₹5.00 crore has been provided during the current FY 2023-24. The funds under this scheme are released in the ratio of 75:25 (i.e. 75 per cent is provided by the Government and 25 per cent by the concerned ULBs).

b) Atal Shresth Shahar Yojana (ASSY)

The Government has started the scheme to encourage ULBs, under which the best performing top one Municipal corporation, top three Municipal Councils and top three Nagar Panchayats are given cash rewards. The top performing Urban Bodies will be honored with the “Atal Shresth Shahar Puruskar” on 25th December of every year on the birth anniversary of Late Sh. Atal Bihari Vajpayee (former Prime Minister of India) or any other date as decided by the Government.

c) Mukhya Mantri ShahriAjeevika-Guarantee Yojana (MMSAGY)

The Government of Himachal Pradesh, keeping in view the COVID-19 pandemic has notified a scheme known as Mukhya Mantri ShahriAjeevika Guarantee Yojana (MMSAGY) on 16th May, 2020 to enhance livelihood security in urban areas by providing 120 days of guaranteed wage employment to every household in the financial year. The scheme has been re-notified on 19th April, 2021 and 26th March, 2022. All adult members of the households who register under this scheme will be eligible to work. Residents of the ULBs residing within the jurisdiction of the ULB either in their own house or on rent are eligible. The upper age limit for providing work is 65 years. The Urban Development Department has developed online portal for MMSAGY. The beneficiary can register himself without visiting the municipality office. Under this scheme, 16,827 beneficiaries have benefited with a total of 6, 31,506 mandays amounting to ₹14.26 crore disbursed to date.

20.4.1 Town and Country Planning

To ensure functional, sustainable and planned development, the Himachal Pradesh Town and Country Planning Act (HPTCP Act), 1977 has been enforced in 57 Planning Areas (1.60 per cent of the total geographical area of the State) and 36 Special Areas (2.06 per cent of the total geographical area of the State).

Initiatives

- 1) The State Government has carried out an amendment in the Notification No.TCP-A(3)-5/2019-loose, dated 04.07.2023, issued by the state government, provision has been made to permit the attics for residential purposes. This amendment will effectively augment the available space within buildings, offering substantial benefits to the general public. A premium Floor Area Ratio (F.A.R) of 0.25 will be given to those who have fully utilised their permissible Floor Area Ratio (F.A.R.).

- 2) During the monsoon season of 2023, the State experienced unprecedented rainfall, resulting in significant damage to life and property. To prevent the recurrence of such situations in the future, a proposal for the inspection of building drainage systems and structural building design has been submitted to the government vide letter dated 01.09.2023. This proposal will soon be officially notified.
- 3) To reduce physical touch points and footfall of applicants in all field offices, a Notified Standard Operating Procedure (SOP) for Registered Private Professionals (RPP) for grant of development permission up to 500 square meters of plot area for residential use only in all notified Planning/Special Area and ULBs will be implemented shortly after its incorporation in the TCP online portal.
- 4) The Development Plan of the Mehatpur Planning Area and Hatkoti Special Area have been notified by the State Government vide notification dated 27.05.2023. Further, the Development Plan of Shimla Planning Area was notified on 20.06.2023 and the Development Plan of Kullu Valley Planning Area was notified on 06.12.2023. This will facilitate planned and regulated development within these Planning/Special Areas.
- 5) The State Government planned and regulated growth in the vicinity of the four lanes, the State Government has constituted a Four Lane Planning Area vide Notification No.TCP-F05/6/2023 dated 28.06.2023. The roads covered under the Four Lane Planning Area are Parwanoo-Shimla National Highway, No. 05, Kiratpur-Manali National Highway, No. 03, Shimla-Mataur National Highway No. 88, and Pathankot-Mandi National Highway No. 154.
- 6) The State Government vide Notification dated 28.06.2023 enforced the provisions of the HPTCP Act, 1977 in the North Portal of the Atal Tunnel and constituted the Atal Tunnel Planning Area to curb likely un-authorized and unplanned development activities due to the opening up of Lahaul valley for large no. of visitors as a result of improved connectivity through Atal tunnel.
- 7) The State Government vide notification dated 26.10.2023 has amended the provisions of Appendix-9 of HPTCP Rules related to communication infrastructure. The amendments to HPTCP rules enhance communication infrastructure planning, ensuring structural stability for towers and promoting in-building solutions.
- 8) The GIS-based development Plan for Shimla Planning Area for the horizon year 2041 has been notified vide notification dated 20.06.2023. Hon'ble Apex Court vide its judgement dated 11.01.2024 permitted to proceed with the implementation of the Development Plan. Population of the Shimla Planning Area will increase from 3,11,429 in 2011 to 6,25,127 in 2041. The Development Plan has been prepared to keep in view the increased population in 2041.

Real Estate Regulatory Authority (RERA)

Himachal Pradesh Real Estate Regulatory Authority (HPRERA) has started its function with effect from 01st January, 2020. The main objective of the HPRERA is to regulate and promote the Real Estate Sector and to ensure the sale of plots, apartments, or buildings, as the case may be, in an efficient manner and to protect the interests of consumer/ home buyers in the State of Himachal Pradesh. This Authority has registered 178 Real Estate Projects and 111 Real Estate Agents up to 31st December, 2023. About 65 complaints have been registered with the authority so far out of which 23 have been disposed off and hearings in the remaining 42 are under process. RERA has taken the initiative to settle the matters of complaints amicably between parties. As a result which sum of ₹1.55 crore has been refunded to the allottees/home buyers. HPRERA has been working in a consumer-friendly manner and all the hearings of complaints are being conducted through online mode (WebEx). The authority monitors online pending approvals of Real Estate projects with the coordination of concerned departments to facilitate the promoters to get statutory approvals/sanctions in time.

SELF-CHECK EXERCISE-2

- 5) The Himachal Pradesh Urban Development Authority (HPUDA) is responsible for _____ and _____ in urban areas.
- 6) The main objectives of housing and urban development policies in Himachal Pradesh include _____, _____, and _____.
- 7) The Government of Himachal Pradesh encourages private sector participation in urban development through _____ initiatives.
- 8) The Pradhan Mantri Awas Yojana - Urban (PMAY-U) scheme is implemented in Himachal Pradesh to provide _____ housing to the economically weaker sections and low-income groups.

20.5 SUMMARY

The Government of Himachal Pradesh, through the Housing and Urban Development Authority (HIMUDA), is offering homes, Flats, and plots to suit the housing needs of individuals of all economic levels.

- The 15th Finance Commission has proposed two types of grants for distribution to Urban Local Bodies and Cantonment Boards. The first is the Untied Grant (40 per cent), which will be released unconditionally and the second is Tied Grant (60 per cent) subject to the fulfilment of certain conditions as laid down in the 15th Finance Commission Report.
- The primary goal of Swachh Bharat Mission (Urban) 2.0 (SBM U 2.0) is to eliminate open defecation in cities and towns and provide a healthy and liveable environment to all. Till date more than 6,715 individual toilets for the households without toilet facilities have been built under the mission, while 391 Community and 1,273 public toilet seats have been added or repaired.

20.6 GLOSSARY

- To solve the parking problems in the urban areas of the Pradesh ₹5.00 crore has been provided during the current FY 2023-24.
- The government has initiated a plan to encourage ULBs in which monetary prizes are offered to the best performing top one Municipal Corporation, top three Municipal Councils and top three Nagar Panchayats.
- The Mukhya Mantri ShahriAjeevika-Guarantee Yojana (MMSAGY) has benefited 16,827 beneficiaries with a total of 6,31,man days and amount of ₹14.26 crore

20.7 ANSWERS TO SELF CHECK EXERCISE

- 1) Urban Development
- 2) Mukhya Mantri Awas Yojana
- 3) Urban planning; infrastructure development
- 4) Green building
- 5) Planning; development
- 6) Sustainable urbanization; inclusive growth; infrastructure
- 7) Public-private partnership (PPP)
- 8) Affordable

20.8 SUGGESTED READINGS

- Know Your State Himachal Pradesh by Arihant Experts.
- Himachal Pradesh State Statistical Report, Economics and Statistic Department.

20.9 TERMINAL QUESTIONS

- 1) What were the key findings and trends observed in the housing sector in Himachal Pradesh during the fiscal year 2023-24?
- 2) How has the government's flagship housing scheme, Mukhya Mantri Awas Yojana, contributed to addressing the housing needs of the urban population in Himachal Pradesh?
- 3) What initiatives or policies has the Himachal Pradesh government implemented to promote affordable housing for economically weaker sections and low-income groups in urban areas?
- 4) How has the Pradhan Mantri Awas Yojana - Urban (PMAY-U) scheme been implemented in Himachal Pradesh, and what impact has it had on improving housing conditions in urban areas?
- 5) What strategies or initiatives has the government adopted to promote sustainable urbanization and green building practices in Himachal Pradesh?

HIMACHAL: MODEL FOR HILL DEVELOPMENT

STRUCTURE

- 21.0 Introduction
- 21.1 Learning Objectives
- 21.2 Himachal Pradesh a Pioneer of Economic Transformation
- 21.3 Himachal Pradesh: A Role Model for Underdeveloped Hilly Areas
- 21.4 Successes and Pitfalls of Planned Development in Himachal Pradesh
- 21.5 Summary
- 21.6 Glossary
- 21.7 Answers to Self-Check Exercises
- 21.8 Suggested Readings
- 21.9 Terminal Questions

21.0 INTRODUCTION

When Himachal Pradesh was newly formed the main agenda was how to develop the state. Y.S. Parmar, a radical thinker who was the first chief minister of the state was obsessed with the development of Himachal Pradesh. Therefore, he came up with an idea, “Paharon mein sirf sadak de do, vikas apne ap ho jayega” (make roads on the hills development will follow itself). Parmar stood on his words and followed his plan, decades later the state was reckoned as a role model of development in the country. His mantra became successful and it taught that giving priority to the development of vulnerable areas can help in the inclusive growth of the nation as a whole. Himachal’s development cannot be regarded as a magic spell which changed the scenario at once, rather it was powered by effective policies which transcended the political divide. Till 70’s and 80’s the state boasted a great infrastructure and in 90’s social development took place which attracted the attention of the policy planners.

21.1 LEARNING OBJECTIVES

After going through this unit, you will be able to explore into the unique strategies, policies, and initiatives that enabled Himachal Pradesh as a model for sustainable hill development.

21.2 HIMACHAL PRADESH A PIONEER OF ECONOMIC TRANSFORMATION

Himachal Pradesh represents an ideal model of development for the hilly areas. It was the first hill state which was the pioneer of economic transformation. The state took considerable steps for providing good connectivity. A major part of revenue was used in building motor-able roads up to 43 per cent in the first four Five Year Plans which played a pivot role in the progress of Himachal Pradesh. In the year 1948, the state had only 288 km of roadways now the same state possess a

great network of roads up to 27,500 km. During the fifth, sixth and seventh Five Year Plans, power sector became the priority, consuming one-fourth of the resources. Nothing can be achieved without failure, the state also faced an acute crisis when it was under an astounding debt of Rs 25,000 crore. At that time, it was listed as the second most fiscal deficit state which overcame the debt with the help of some effective policies. In 1988 the state achieved 100 per cent rural electrification but the dream of a far more prosperous Punjab is yet to achieve.

21.3.1 HIMACHAL PRADESH: A ROLE MODEL FOR UNDERDEVELOPED HILLY AREAS

Himachal Pradesh stands as a shining model for hill development, showcasing a harmonious blend of sustainable growth and environmental conservation. Nestled amidst the majestic Himalayas, this northern Indian state has exemplified effective governance in tackling the challenges unique to mountainous regions. Through initiatives like promoting eco-tourism, harnessing renewable energy sources, and implementing robust infrastructure projects, Himachal Pradesh has paved the way for balanced progress while preserving its natural splendour. Renowned for its original beauty, rich cultural heritage, and diverse flora and fauna, Himachal Pradesh has emerged as a model for hill development. The following are some aspects that contribute to Himachal Pradesh's status as a model for hill development:

i) Geography and Demographics:

Himachal Pradesh, located in the northern part of India, is characterized by its rocky terrain, lofty mountains, and deep valleys. Spread over an area of approximately 55,673 square kilometers, it is home to a population of around 7 million people (as of 2021 estimates). The state is divided into twelve districts, each offering a unique blend of natural beauty and cultural richness.

ii) Sustainable Development Practices:

- (a) **Ecotourism:** Himachal Pradesh has embraced ecotourism as a means to promote sustainable development while conserving its natural resources. The state boasts of numerous eco-friendly resorts, trekking routes, and wildlife sanctuaries that attract tourists without compromising the environment.
- (b) **Hydroelectric Power:** The abundance of rivers and streams in Himachal Pradesh has made it a hub for hydroelectric power generation. The state harnesses its water resources to produce clean energy, thereby reducing its dependence on fossil fuels and mitigating the impact of climate change.
- (c) **Organic Farming:** Recognizing the importance of preserving soil fertility and promoting health, Himachal Pradesh has encouraged the adoption of organic farming practices. Farmers in the state cultivate a wide range of organic crops, including fruits, vegetables, and medicinal herbs, thereby contributing to food security and environmental sustainability.
- (d) **Forest Conservation:** With nearly two-thirds of its area covered by forests, Himachal Pradesh places great emphasis on forest conservation and

management. The state has implemented strict laws against illegal logging and deforestation while undertaking afforestation projects to increase green cover and mitigate the effects of soil erosion and landslides.

- (e) **Waste Management:** Himachal Pradesh has adopted innovative waste management practices to tackle the challenges of waste disposal in mountainous regions. From segregation at source to composting and recycling initiatives, the state is actively working towards achieving zero waste goals.

iii) **Infrastructure Development:**

In 90's there was a revolution in social infrastructure about 45 per cent of the eight and ninth plan budgets emphasized on the construction of roads, providing education and health care facilities, and water supply.

- (a) **Road Connectivity:** Despite its challenging terrain, Himachal Pradesh has made significant strides in improving road connectivity across the state. The construction of highways, tunnels, and bridges has not only facilitated transportation but also promoted economic development and tourism.

- (b) **Healthcare Facilities:** Himachal Pradesh has prioritized the provision of healthcare services in remote and underserved areas. The state has established a network of primary health centers, hospitals, and mobile medical units to ensure access to quality healthcare for all residents.

- (c) **Education:** Government laid emphases on education therefore, it constructed schools in the far-flung areas of the state. It also established cluster universities for higher education. The most fruitful outcome was that primary education propelled the literacy rate from 31.3 per cent to 77.13 per cent in two decades. The literacy rate of Himachal Pradesh outnumbered one of the most literate states Kerala which was the biggest feat for a developing state. The number of educational institutions has almost tripled to 15,000 since 1971.

- (d) **Tel-connectivity in Rural Areas:** Himachal Pradesh made a significant change in the telecom industry by becoming one of those states which possessed the best rural tel-connectivity.

iv) **Cultural Heritage and Tourism:**

- (a) **Preservation of Heritage Sites:** Himachal Pradesh takes pride in its rich cultural heritage, which is reflected in its ancient temples, monasteries, and heritage villages. The state government, in collaboration with local communities, endeavors to preserve and promote these cultural treasures for future generations.

- (b) **Adventure Tourism:** With its attractive landscapes and thrilling adventure opportunities, Himachal Pradesh has emerged as a preferred destination for adventure enthusiasts. Activities such as trekking, mountaineering, paragliding, and river rafting attract adventurers from around the world, contributing to the state's tourism revenue.

v) Political Stability: The state had a political stability which helped in continuing various policies and priorities. It has been four decades since the formation of Himachal Pradesh but it had only five chief ministers which indicate a high degree of political stability. This has also ensured a close monitoring of development schemes at the grass root level.

vi) Challenges and Future Prospects:

While Himachal Pradesh has made remarkable progress in sustainable hill development, it continues to face challenges such as environmental degradation, infrastructure constraints, and socio-economic disparities. Moving forward, the state must focus on:

(i) **Climate Change Resilience:** Given its vulnerability to climate change impacts such as erratic weather patterns and natural disasters, Himachal Pradesh needs to strengthen its resilience through climate-smart infrastructure, disaster preparedness measures, and sustainable land use practices.

(ii) **Inclusive Development:** To address socio-economic disparities, Himachal Pradesh must ensure that development benefits reach all sections of society, particularly marginalized communities and remote regions. This requires targeted interventions in areas such as education, healthcare, and livelihood opportunities.

(iii) **Balanced Tourism Growth:** While tourism plays a vital role in the state's economy, unchecked growth can lead to environmental degradation and cultural commodification. Himachal Pradesh needs to adopt sustainable tourism practices that prioritize conservation, community involvement, and responsible visitor behaviour.

21.4 Successes and Pitfalls of Planned Development in Himachal Pradesh

Himachal Pradesh has seen both successes and pitfalls in its journey of planned development. The followings are some of the key aspects:

Successes:

Infrastructure Development: Himachal Pradesh has made significant progress in infrastructure development, including roads, bridges, and telecommunications, despite its challenging terrain. This has improved connectivity and facilitated economic activities across the state.

Education and Healthcare: The state has focused on improving education and healthcare facilities, especially in rural and remote areas. This has led to increased literacy rates and better healthcare access for residents.

Hydroelectric Power: Himachal Pradesh has effectively utilized its abundant water resources to generate hydroelectric power. This has not only met the state's energy needs but also contributed to the national grid, promoting clean and renewable energy sources.

Tourism Promotion: The state government has successfully promoted tourism as a key driver of economic growth while ensuring sustainability and responsible tourism practices. Himachal Pradesh's natural beauty, adventure sports, and cultural heritage attract tourists from around the world.

Environmental Conservation: Himachal Pradesh has implemented stringent regulations to protect its fragile ecosystem, including restrictions on deforestation and promotion of eco-friendly practices. This has helped preserve the state's natural beauty and biodiversity.

Pitfalls:

Uneven Development: Despite progress, there are disparities in development between urban and rural areas, with urban centers receiving more attention in terms of infrastructure and services compared to remote villages.

Dependency on Tourism: While tourism has contributed to economic growth, it has also led to environmental degradation in some areas due to overcrowding, waste generation, and deforestation. Sustainable tourism practices need to be strengthened to mitigate these impacts.

Limited Industrial Growth: Himachal Pradesh has struggled to attract significant industrial investment due to its hilly terrain and lack of infrastructure in industrial zones. This has resulted in limited job opportunities outside of agriculture and tourism sectors.

Vulnerability to Natural Disasters: The state is prone to natural disasters such as landslides, flash floods, and earthquakes. Despite efforts in disaster management, the hilly terrain and climatic conditions make it challenging to mitigate risks effectively.

Challenges in Governance: Like many other states, Himachal Pradesh faces governance challenges such as corruption, bureaucratic inefficiencies, and political instability, which can hinder the implementation of development projects and policies.

Overall, while Himachal Pradesh has achieved significant milestones in planned development, there are still areas that require attention and improvement. Addressing the pitfalls and building on successes will be crucial for sustaining inclusive and sustainable development in the state.

SELF-CHECK EXERCISE

Q1. What are the successes and pitfalls of planned development in Himachal Pradesh?

Q2. Explain Himachal Pradesh as a role model for underdeveloped hilly areas.

21.5 SUMMARY

Himachal Pradesh stands as a shining example of sustainable hill development, driven by a harmonious blend of environmental conservation, socio-economic progress, and cultural preservation. By embracing ecotourism, promoting renewable energy, investing in infrastructure, and preserving its cultural heritage, the state has set a benchmark for others to emulate. As Himachal Pradesh continues on its path of progress, it must remain vigilant in addressing emerging challenges while staying true to its commitment to sustainability and inclusive growth.

21.6 Answers to Self-Check Exercises

Ans. Q1. Refer to Section 21.3

Ans. Q2. Refer to Section 21.4

21.7 Suggested Readings

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21.8 Terminal Questions

Q1. Explain Himachal as model state for hill.

HIMACHAL PRADESH: SPECIAL CATEGORY STATE

STRUCTURE

- 22.0 Introduction
- 22.1 Learning Objectives
- 22.2 What is Special Category Status
- 22.3 Special category status is given to the state that fulfills following conditions
- 22.4 Difference between Special Category Status and Special Status
- 22.5 Advantages of getting special category status:
- 22.6 Special Category Status to Himachal Pradesh
- 22.7 Himachal Pradesh Fiscal Management
- 22.8 Summary
- 22.9 Glossary
- 22.11 Answers to Self-Check Exercises
- 22.12 Suggested Readings
- 22.13 Terminal Questions

22.0 Introduction

India is the 'union of the states'. Currently, India has 29 states and 7 Union Territories. All these states and Union Territories get share in the taxes of central government at the interval of the 5 years on the basis of recommendations of the Finance Commission, set up by the President of India. Apart from the recommendations of the Finance Commission, the central government is entitled to give more financial assistance to any state under the article 275 of the Indian constitution. It is worthy to mention here that out of 29 Indian states, 11 states already have the status of Special Category States and 5 more states are demanding the same.

22.0 Learning Objectives

After going through this unit, you will be able to

- Understand the conditions which a state fulfills to get special category status; and
- Discuss what benefits Himachal Pradesh receive being a special category status.

22.2 What is Special Category Status

The concept of a special category state was first introduced in 1969 when the 5th Finance Commission sought to provide certain disadvantaged states with preferential treatment in the form of central assistance and tax breaks. Initially three

states Assam, Nagaland and Jammu & Kashmir were granted special status but since then eight more have been included (Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Tripura and Uttarakhand). The rationale for special status is that certain states, because of inherent features, have a low resource base and cannot mobilize resources for development.

22.3 Special Category Status is given to the State that fulfills following Conditions:

1. Hilly terrain
2. Low population density and/or sizeable share of tribal population.
3. Strategic location along borders with neighbouring countries.
4. Economic and infrastructure backwardness.
5. Non-viable nature of State finances.

22.4 Difference between Special Category Status and Special Status

- The constitution provides special status through an Act that has to be passed by 2/3rds majority in both the Houses of Parliament whereas the special category status is granted by the National Development Council, which is an administrative body of the government.
- For example, Jammu and Kashmir enjoyed a special status as per Article 370 and also special category status. But now that Article 35A has been scrapped and it has become a union territory with legislature, special category status doesn't apply to J&K anymore.
- However, a wide range of provisions are available to as many as 10 states that have been listed under Articles 371, 371-A to 371-H, and 371-J.
- Special status empowers legislative and political rights while special category status deals only with economic, administrative and financial aspects.

22.5 Advantages of getting Special Category Status

- Preferential treatment in federal assistance and tax break
- Significant excise duty concessions. Thus, these states attract large number of industrial units to establish manufacturing facilities within their territory leading to their economy flourishing.
- The special category states do not have a hard budget constraint as the central transfer is high.
- These states avail themselves of the benefit of debt swapping and debt relief schemes (through the enactment of Fiscal Responsibility and Budget Management Act) which facilitate reduction of average annual rate of interest.
- Significant 30 per cent of the Centre's gross budget goes to the Special category state.
- In centrally sponsored schemes and external aid, special category states get it in the ratio of 90 per cent grants and 10 per cent loans. For the rest of the states as

per the recommendations of the 12th Finance Commission, in case of centrally sponsored schemes only 70 per cent central funding is there in the form of grant. The rest of the states receive external aid in the exact ratio (of grants and loans) in which it is received by the Center.

22.6 Special Category Status to Himachal Pradesh

Himachal Pradesh meets the criteria laid out by Planning Commission of India. It has mountainous and hilly terrain and low population density. Himachal Pradesh shares the border with China. Special category states get benefits in funds and resource allocation. The Planning Commission allocates funds to states through Normal Central Assistance (NCA), Additional Central Assistance (ACA) and Special Central Assistance (SCA). Normal Central Assistance favours special category states and they get 30 per cent of the total assistance while the other states share the remaining 70 per cent. Special category states get funds in 90:10 ratio (90 per cent as grants and 10 per cent as loans), while the ratio between grants and loans is 30:70 (30 per cent grants and 70 per cent loans) for other states. There is no fixed formula for SCA and it depends on the basis of the state's plan size and previous plan expenditures. Besides this, special category states enjoy concessions in excise and customs duties, income tax rates and corporate tax rates as determined by the government. The Planning Commission also allocates funds for ACA for the purpose of assistance for externally aided projects and other specific project.

22.7 Himachal Pradesh Fiscal Management

Himachal Pradesh state being a 'Special Category State' ever since its formation in 1971 is financially dependent on Central Government funds. One of the major challenges faced by Himachal Pradesh state is the fiscal management and creation of financial capital for the developmental activities. The state requires to generate financial resources for processes of economic and human development to broaden the budget base for Social and economic development. The government is conscious of the precarious financial situation and thus all steps are being taken to reduce unproductive expenditures, generate new resources, impose financial discipline and accelerate development through promotion of tourism and horticulture and also enhance the incomes of the state through sale of hydro-power, for which power projects have been executed expeditiously. The overall financial position of the state is depicted in Table 1.

The total revenue receipts in 2013-14 were of Rs. 15711 crore which increased to Rs.26264 crore in 2016-17 and the budget estimates of revenue receipts for 2017-18 were fixed at Rs. 30400 crore. However, a significant proportion of this revenue receipts were from Grant-in-Aid as direct transfers from the Central Government under 'Special Category Status'. The grant-in-aid accounted 11 per cent of the total revenue receipts in 2017-18. The data depicts that the dependence from

Central Government was reduced during this period as more revenue was generated under the tax and non-tax revenue heads.

Table 1
Overall Financial Position of the State of Himachal Pradesh (Rs. in Crore)

A.	Revenue Receipts	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	(i) State's Own	6903	8017	8525	8756	9472	10229
	(ii) Central Transfers (including Taxes)	8181	8117	12616	14096	14966	15880
	(iii) CSS Grants (excluding CSS loans)	627	1710	2299	3412	2930	4291
	Total Revenue receipts	15711	17844	23440	26264	27368	30400
B.	Revenue Expenditure						
	Non-Plan	14809	16572	18655	20722	23206	28303
	(ii) Plan	1965	1765	1818	1853	1858	2189
	(iii) CSS	579	1450	1830	2768	1989	3076
	Total Revenue Expenditure	17353	19787	22303	25344	27053	33568
	NET (Revenue Deficit/Surplus)	-1641	-1944	1138	920	314	-3168
C.	Capital Receipts						
	Total Borrowings (excluding W&M/overdraft but includes net PF receipts)	4309	5202	5963	8137	6592	7730
	(ii) Recovery of Loans	17	41	26	30	40	35
	(iii) Misc. Capital Receipts	0	650	0	0	35	0
	Total Capital Receipts	4326	5892	5989	8167	6667	7765
D.	Capital Expenditure						
	(i) Repayment of loans (excluding W&M)	1532	1477	2779	2272	3100	3184
	(ii) Non-Plan Capital Exp.	60	63	564	513	468	476
	(iii) Plan Capital Exp.	2264	2405	2362	5463	2843	2997
	(iv) CSS	64	479	402	812	948	1215
	Total Capital Expenditure	3919	4424	6106	9061	7358	7872
E.	Fiscal Surplus/Deficit	-4012	-4200	+1739	-5839	-3870	-7821
F.	Plan Exp.	4714	6088	6257	10795	7563	9469
	Non-Plan Exp.	16729	24906	23322	25280	27249	31971
	Total	21443	30994	29579	36075	34812	41440

Revenue Receipts include State's Own tax, Central Transfers (including Taxes), CSS Grants (excluding CSS loans) Capital Receipts includes Total Borrowings (excluding W&M/ over draft but includes net PF receipts), Recovery of Loans, Misc. Capital Receipts

The capital receipts also increased from Rs. 4326 crore in 2013-14 to Rs.6667 crore in 2017-18, estimated revenue receipts for 2018-19 are Rs.7765 crore. Considering inflation this seems to be marginal increase, during the period thus government adopted fiscal restraint which seems a positive step in the long run.

The revenue expenditures were Rs. 17353 crore in 2013-14, which increased to Rs. 27053 crore in 2017-18. Thus, major revenue expenditures were to maintain the existing services created under different development programmes.

Capital expenditure was Rs. 3919 crore in 2013-14 which increased to Rs. 7358 crore in 2017-18. Capital expenditure stands at Rs. 9061 crore in 2016-17, depicted strengthening of investments. The decline in capital expenditures for the 2017-18 will definitely impact the development of investments for social and development projects.

There was a fiscal deficit of Rs. 4012 crore in 2013-14, which is estimated to increase Rs.7821 crore in 2018-19, but there was surplus of Rs.1739 crore in 2015-16.

Around 70-80 per cent expenditure continues to be non-plan expenditure, whereas only 20-30 per cent is plan expenditure, thus generation of growth potential for capital investments to improve the processes of human development indicators have been substantially reduced in 2017-18.

22.8 Summary

As a special category state, Himachal Pradesh enjoys unique advantages that fuel its growth and development. Himachal Pradesh offers attractive incentives to investors, including tax breaks, subsidies, and financial assistance. This encourages both domestic and foreign investment, fostering economic growth and employment opportunities. The special category status enables the state government to prioritize infrastructure development projects. This includes the construction of roads, bridges, airports, and telecommunications networks, enhancing connectivity within the state and with the rest of the country. With its scenic beauty and diverse attractions, Himachal Pradesh is a popular tourist destination. The special category status allows for the promotion of tourism through investments in hospitality infrastructure, preservation of cultural sites, and promotion of adventure tourism activities like trekking, skiing, and paragliding. In conclusion, Himachal Pradesh's special category status serves as a catalyst for its progress, enabling the state to leverage its unique strengths for sustainable development and prosperity.

22.9 Answers to Self-Check Exercises

1. What is special category status?
2. Write the conditions for a state to get special category status
3. Difference between Special Category Status and Special Status
4. Write the advantages of getting special category status

22.10 Suggested Readings

- Balokhra, J.M.(2021).The Wonderl and Himachal Pradesh: An Encyclopedia on atiny state of Western Himalaya, Vols.I& II, HG Publication, NewDelhi
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22.11 Terminal Questions

1. What are the benefits of Himachal Pradesh's special category status?