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Programme: Bachelor of Arts (BA) Economics

Course: Indian Economics

Semester-II

UNIT - I
HUMAN CAPITAL

Meaning:

Human capital is an intangible asset or quality not listed on a company's balance sheet. It can be classified as the economic value of a worker's experience and skills. This includes assets like education, training, intelligence, skills, health, and other things employers value such as loyalty and punctuality.

According to the OECD, human capital is defined as:"the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances".

Human capital formation is the process of adding to stock of human capital over time. It is possible through creation of skilled, trained and efficient labour force by providing better education, health, care facilities, etc.

Importance of Human capital:

Structural unemployment:

Individuals whose human capital is inappropriate for modern employers may struggle to gain employment. A major issue in modern economies is that rapid de industrialization has left many manual workers, struggling to thrive in a very different labour market.

Quality of employment:

In the modern economy, there is increasing divergence between low-skilled, low-paid temporary jobs (gig economy). High-skilled and creative workers have increased opportunities for self-employment or good employment contracts.

Economic growth and productivity:

Long-term economic growth depends increasingly on improvements in human capital. Better educated, innovative and creative workforce can help increase labour productivity and economic growth.

Human capital flight:

An era of globalization and greater movement of workers has enabled skilled workers to move from low-income countries to higher income countries. This can have adverse effects for developing economies that lose their best human capital.

Limited raw materials:

Economic growth in countries with limited natural resources, e.g. Japan, Taiwan and South East Asia. Rely on high-skilled, innovative workforce adding value to raw materials in the manufacturing process.

Role of Human Capital in Economic Development:

Human capital is the fundamental source of economic growth. It is a source of both increased productivity and technological advancement. In fact, the major difference between the developed and developing countries is the rate of progress in human capital. The underdeveloped countries need human capital to staff new and expanding government services to introduce new systems of land use and new methods of agriculture, to develop new means of communication to carry forward industrialization and to build the education system. Prof.

Galbraith is right in saying that ''we now get a larger part of economic growth from investment in men and improvements brought about by improved men.''

How Can a Country Increase Human Capital?

1. It can be increased through formal education
2. On-the-job training
3. Improved health and psychological well being.

To be more precise, if the people of a country are well educated, well nourished, skilled, and healthy, they are said to have more human capital.

As underdeveloped countries around the world make investments in human persons, they aim to increase their programming skills, social abilities, ideals, and health. These investments aim to increase productivity. The success of their economies depends upon increasing human capabilities. However, human capital does not exist in a vacuum. To better understand this complex topic, we must consider the physical/ passive factors that connect to a country's ability to make these investments.

Problems of Human Capital Formation:

1. Growth in Population:

The rapid rise of the population can influence the grade of human capital formation mostly in developing countries. It degrades the per capita availability of the present facility. A large population involves extra investments.

2. Long Process:

The method applied for human development is a long term process because skill enhancement requires extra time. Therefore, the process becomes very normally slow.

3. Insufficient On-Job training:

In the Agriculture sector, on-job training to handle advanced equipment are not provided to the worker.

4. High Poverty Level:

In India, a large portion of the population is below the poverty line, therefore, they do not have easy access to primary health and education.

Difference between human capital and human capital formation

Human Resource	Human capital formation
The people of a country are known as human resource.	Healthy and educated human population is known as human capital formation.
It may or may not contribute significantly to the economy of a nation.	It contributes significantly to the economy of a nation.
Human capital is a narrow concept	Human development is a broad concept
It treats human beings as a means to an end, the end being the increase in productivity	It is an end in themselves

Definition of human capital formation:

Human capital formation is the act of increasing the productive qualities of the labor force by providing more education and increasing the skills, health, and notarization level of the working population.

According to T.W. Schultz, there are five ways of developing human capital:

1. Provision of health facilities which affect the life expectancy, strength, vigor, and vitality of the people
2. Provision of on the job training, which enhances the skill of the labor force
3. Arranging education at the primary, secondary, and higher levels
4. Study and extension programs for adults
5. Provision of adequate migration facilities for families to adjust to changing job opportunities.

How to increase human capital
Specialization and division of labour:

Specialization allows workers to concentrate on specific tasks and increased specialization of skills. Though specialization can also lead to boring, repetitive jobs and limited skill development of workers.

"The greatest improvement in the productive powers of labour eem to have been the effects of the division of labour." – Adam Smith

Education:

Basic education to improve literacy and numeracy has an important implication for a basis of human capital.

Vocational training:

Direct training for skills related to jobs, electrician, plumbing nursing. A skilled profession requires particular vocational training.

A climate of creativity:

An education which enables children to think outside the box can increase human capital in a way that 'rote learning' and an impressive accumulation of facts may not.

Infrastructure:

The infrastructure of an economy will influence human capital. Good transport, communication, availability of mobile phones and the internet are very important for the development of human capital in developing economies.

Competitiveness:

An economy dominated by state monopolies is likely to curtail individual creativity and entrepreneurs. An environment which encourages self-employment and the creation of business enables greater use of potential human capital in an economy.

IMPROVES QUALITY OF LIFE IN HUMAN CAPITAL:

1. Education
2. Experience
3. Automate your finances
4. Explore beyond your industry
5. Get involved

6. Improve your public speaking and presenting skills
7. Cultivate your human network

FUNCTIONS OF A HUMAN CAPITAL

Training:

New employees need to be trained, and existing employees transitioning to new roles need help adjusting. HCM team members should focus on making sure everyone in your organization is prepared for the task at hand.

Employee retention:

Hiring great people is difficult, and keeping them happy can be a challenge. HCM should focus on nurturing talent, retaining top performers and investing in the next generation of company culture.

Morale:

It's important for HCM team members to understand how employees are feeling and communicate that to business leaders. If your business is entering a difficult time, or is facing troubling economic times, it's more important than ever for HCM teams to focus on creating the right narratives around what's occurring.

Suggestion for government:

1. The proper rules and regulation should setup for the measurement of human capital under accounting standard of India.
2. The standards those are created for human resource valuation and measurement helps increase in productivity of human capital.
3. Along with this it ensures high degree utility to stakeholders make the uniformity in comparison of human capital value and disclosures.
4. Government should make compulsory initiatives for the disclosures value ofHR in annual reports as well as the website of the companies.
5. The ASB of the ICAI should devise and the standards for the valuation, accounting and disclosure of human resources.

UNIT – II
CAPITAL FORMATION IN INDIA

MEANING:

The capital formation actually signifies a very important aspect of economic development. This means making and increasing of more capital goods, such as machines, tools, factories, buildings, raw materials, fuels, etc., which are to be further used in producing more goods.

It should, however, be very clearly understood that capital formation does not mean increase in money capital, but it actually refers to increase in physical capital, i.e., machinery, factories, transport equipment, bridges, power projects, dams, irrigation systems, etc. To sum up, capital formation implies the creation of real assets.

DEFINITION:

"Formation of capital implies that society uses its present production not only for the satisfaction of its consumption but also uses a part of it on capital goods that is making machines, transport facilities or other production equipment."-NURKSE

"In circumstances of restrained economic growth and industrialization, capital formation should be understood to be limited to machinery, instruments and inventories which are directly capable of being used in work."-PROF. KUZNETS

"The amount a country adds to its capital during a period is known as the capital formation during that period."-BENHAM

Capital formation does not only refer to the development of physical goods but also to the development of human capital. Like education, health, developing skills, etc.

Capital formation consists of both tangible goods like plants, tools and machinery and intangible goods like high standards of education, health, scientific progress and research.

IMPORTANCE OF CAPITAL FORMATION:

1. Although the accumulation of physical capital is quite important in the process of economic growth of a country but with the passage of time, it is being increasingly realized that the growth of tangible capital stock depends extensively on the human capital formation must get its due importance.
2. In the absence of adequate investment in human capital, utilization of physical capital will be at low pace, leading to retardation of development.
3. Thus human capital formation wants to solve these problems by creating necessary skills in man as a productive resource and also providing him gainful employment.
4. Human capital is, therefore, required to staff new and expanding government services, to introduce new system of land use and new methods of agriculture, to develop new means of communication, to carry forward industrialization and, to build the education system.
5. In other words, innovation or the process of change from static or traditional society requires very large doses of strategic human capital.

6. In order to remove economic backwardness of the underdeveloped countries as well as to instill the capacities and motivations to progress, it is quite necessary to increase the level of knowledge and skills of the people.
7. Thus in the absence of proper development of the quality of the human factor, the underdeveloped countries will not be able to attain the desired rate of progress.

Process of Capital Formation:

The process of capital formation occurs in three stages, which we shall discuss in detail. But one fundamental aspect must be borne in mind that for the accumulation of capital goods (capital formation), part of current consumption must be sacrificed.

By deferring a part of current consumption, savings are created which are invested for increasing capital goods. Thus, for capital formation, both savings and investments are necessary. An example will explain by this point.

Suppose a person earns Rs. 5,000 per month and he spends the entire amount and saves nothing for future. On the other hand, if he saves Rs. 2,000 per month out of his earnings of Rs. 5000, he can accumulate a handsome amount for future investments. This accumulated money can be invested by him either for procuring equipment and machinery or he may purchase shares and government bonds.

By means of these savings and investments, he provides benefit to the society, as the society will have a larger volume of stocks of capital and also greater production of goods and services that simultaneously provides benefit to himself, also as he is able to earn more income. On the contrary, if he goes on increasing his savings (in the form of money capital), but does not invest it for purchase of capital goods, his act will not be covered under capital formation.

The three stages of capital formation are:

I. Creation of Savings,
II. Effective Mobilization of Savings, and
III. Investment of Savings.

I. Creation of Savings:

It is the savings which are transformed into capital.

The savings are created by individuals, who defer their present consumption by curtailing their expenditures on consumer goods, but the saving by individuals depends more or less upon:

a) Ability (or power) to save,
b) Willingness (or desire) to save, and
c) Opportunity to save.

a) Ability (or Power) to Save:

It directly depends upon the income of individuals and the taxation policy of the government. Higher income of people enables them to save more as compared to lower income. Countries like U.S. A. and some western countries have high per capita income, so the people over there have higher savings, whereas undeveloped or underdeveloped countries have low per capita income and so the people have a lower saving power.

Besides the level of income, the taxation policies of the government also affect the ability to save. When the rates of income tax and sales tax are high, the major portion of the earnings of people goes to the government exchequer and very little remains with people to save and invest. Thus, the power to save increases, when the taxation rates are normal and reasonable.

Standard of living of the people also affects directly the ability to save. Higher standard of living implies higher income and thus higher rate of savings. Whereas lower standard of living results from lower income and therefore lower ability to save. Finally import reduces the ability to save, export increases national income and therefore raises the ability to save.

b) Willingness (or Desire) to save:

Even though people may have a higher ability (or power) to save, the important condition is that they must have willingness or desire to save. But the desire to save depends on many personal, family and national considerations like family affection, desire to start a business, old age considerations and unforeseen emergencies. Apart from the above, the higher rates of interest also motivate the people to save. Reduction in income tax induces people to save more, while an increase in income tax adversely affects the willingness to save.

c) Opportunity to Save:

The opportunity to save refers to the conditions of peace and security in the country and a favorable political philosophy of the government to motivate people to save. When there is peace and security in the region or country, then the trade, business, banking system, etc., will function normally and people in general will be inclined to save more. Besides, certain measures and schemes introduced by the government and state agencies like P.F. (provident fund) have also helped in inculcating the habits of savings even amongst people of lower incomes.

II. Effective Mobilization of Savings:

It is not only enough to have more savings. The capital formation cannot occur, unless the savings of the people are actually utilized (i.e. invested) for producing capital goods. But for achieving this goal, the savings of various households and individuals need to be effectively mobilized and made available to businessmen and entrepreneurs for investments.

The institutions like banks, insurance companies, improvement trusts, finance corporations, etc., play a very important role in bringing die individual savers and investors together, actually, all these financial institutions constitute a kind of capital market in the country and ensure that the savings of the society are mobilized and transferred to entrepreneurs who require them.

II. Investment of Savings:

The savings of the people must be properly invested for the purpose of producing capital goods by a good number of honest and venturesome entrepreneurs in different productive systems, such as agriculture, industry, trade, public works, transport, communication and improved technical know-how.

The entrepreneurs will however get motivated only when:

(i) The rate of interest on money capital is not very high, and
(ii) There are good chances of profit.

The rate of interest is determined and decided as per the policies and directions of the Central Bank of a country (Reserve Bank of India) and the Government. The chances of reasonable and good profit from any venture depends upon factors like marginal efficiency of money, the nature of the product, the size of market existing and expected for that commodity. As such the total quantum of investment varies according to the expected changes in profits.

Factors Affecting Capital Formation:

1. Volume of Saving:

The accumulation of capital directly depends upon saving. Saving means the difference between income and consumption. The difference can be utilized for capital formation. According to MARSHALL- "Larger the volume of savings, larger the size of capital, smaller the volume of saving, smaller is the size of capital." The amount saved as money is mobilized and then converted to capital assets.

2. Ability to Save:

It directly depends upon the income of the individuals and the taxation policy of the government. Higher income and low taxation leads to higher rate of capital formation.

3. Willingness to Save:

It depends upon many personal, family and national considerations like family affection, desire to start a business, old age consideration and unforeseen emergencies.

4. Profit of Public Sector Enterprises:

A public sector enterprise is a very important form of business organization. Since these are owned by the government rather than by individuals, all the profits of these enterprise can be used for capital formation by the government.

5. Market Conditions:

The prosperity encourages and enhances the saving but depression reduces the saving of people. Capital formation is highly affected by market conditions of boom and depression.

6. Facilities of Investment:

When the people are provided with more facilities to mobilize the savings, the people save more and invest more. The commercial banks, mutual funds, etc., encourage the people to save more. More saving leads to more capital formation

7. Modifying Income Tax Policies:

The government may provide a boost to capital formation by extending assistance to potential investors in various ways. For instance, by conducting techno-economic surveys of various lines of production, giving tax benefits to newly set up production unit, or by granting income tax benefits to people who wish to save

8. Monetary Policy:

The economic policies pursued by the government also constitute an important factor affecting capital formation in the country. While these policies, by themselves, do not act as sources of capital formation, they act as factors affecting the sources.

9. Commodity Taxation:

Commodity taxation can also be used to raise the rate of savings. If items of consumption, i.e., especially items of luxury consumption are subjected to high rates of sales taxes, this will raise the prices of the consumption goods (because the sales taxes are added to the prices of the goods). This will reduce consumption in the country. Naturally, savings will increase if income remains unchanged.

10. Deficit Budget:

There are other fiscal measures also, that can be adopted for the purpose of increasing capital formation in the country. The government often comes forward to build large public sector projects. These increase capital formation by creating social overhead capital. The costs of building these projects are often covered by budget deficits.

ROLE OF CAPITAL FORMATION IN ECONOMIC DEVELOPMENT:

Capital formation or accumulation is regarded as the key factor in economic development of an economy. The vicious circle of poverty, according to Prof. Nurse, can easily be broken in under developed countries through capital formation. It is capital formation that accelerates the pace of development with fuller utilization of available resources. As a matter of fact, it leads to an increase in the size of national employment, income and output thereby the acute problems of inflation and balance of payment.

1. Formation of Sound Infra-Structures:

The foremost significance of capital accumulation especially in its initial stages is that it promotes the establishment of social overheads in the poor country as these countries need these infra-structures at a priority level. In this way, capital accumulation goes a long way in the development of basic capital goods in under developed production.

2. Use of Round-about Methods of Production:

In a backward country, process of capital formation makes possible the use of roundabout or complex methods of production which makes the division in different stages on the basis of modern techniques and production process leads to specialization. This further leads to rapid growth in production.

3. Maximum Utilization of Natural Resources:

In under developed countries, there is an increase in the capacity of risk taking by capital formation by which fresh natural resources are made available. It is made possible through proper and thoughtful exploitation.

4. Proper Use of Human Capital Formation:

Capital formation plays an extraordinary role in the qualitative development of human resources. Human capital formation depends on the people's education, training, health, social and economic security, freedom and welfare facilities for which sufficient capital in needed. Labour force needs up-to-date implements and instruments are sufficient quantity so that with the increase of population there will be optimum increase in production and increased labour is easily absorbed.

5. Improvement in Technology:

In under developed countries, capital formation creates overhead capital and necessary environment for economic development. This helps to instigate technical progress which make impossible the use of more capital in the field of production and with increase of capital in production, the abstract form of capital changes. It is seen that present changes in the capital structure lead to changes in structure and size of technique and public is thereby more influenced.

6. High Rate of Economic Growth:

The higher rate of capital formation in a country means the higher rate of economic growth. Generally, the rate of capital formation or accumulation is very low in comparison to advanced countries. In the case of poor and under developed countries, the rate of capital formation varies between one percent to five percent while in the latter's case, it even exceeds to 20 percent.

7. Agricultural and Industrial Development:

Modern agricultural and industrial development needs adequate funds for adoption of latest mechanised techniques, input, and setting of different heavy or light industries. Without sufficient capital at their disposal, leads to lower rate of development thus, capital formation. In fact, the development of these both sectors is not possible without capital accumulation.

8. Increase in National Income:

Capital formation improves the conditions and methods for the production of a country. Hence, there is much increase in national income and per capital income. This leads to increase in quantity of production which leads to again rise in national income. The rate of growth and quantity of national income necessarily depends on the rate of capital formation. So, increase in national income is possible only by the proper adoption of different means of production and productive use of same.

9. Expansion of Economic Activities:

As there is increase in the rate of capital formation, productivity increases quickly and available capital is utilized in more profitable and extensive way. In this way, complicated techniques and methods are utilized for the economy.

10. Less Dependence on Foreign Capital:

In under developed countries, process of capital formation increases dependence on internal resources and domestic savings by which dependence on foreign capital is declined. Economic development leaves burden of foreign capital, hence to give interest on foreign capital and bear expenses of foreign scientists, country has to be burdened by improper taxation to the public. This gives a setback to internal savings. Thus, by the way of capital formation, a country can attain self sufficiency and can get rid of foreign capital's dependence.

UNIT – III
SERVICE SECTOR

The service sector produces intangible goods, more precisely services instead of goods, and according to the U.S. Census Bureau, it comprises various service industries including warehousing and transportation services; information services; securities and other investment services; professional services; waste management; health care and social assistance; and arts, entertainment, and recreation. Countries with economies centered on the service sector are considered more advanced than industrial or agricultural economies.

1. The service sector is the third sector of the economy, after raw materials production and manufacturing.
2. The service sector includes a wide variety of tangible and intangible services from office cleaning to rock concerts to brain surgery.
3. The service sector is the largest sector of the global economy in terms of value-added and is especially important in more advanced economies.

Sub Sector of Service Sector in India

1. Trade
2. Tourism, Including Hotels and Restaurants
3. Shipping
4. Port Services
5. Storage Services
6. Telecom and Related Services
7. Real Estate Services
8. IT Services
9. Accounting and Auditing Services
10. Research & Development Services (R&D)
11. Legal Services
12. Consultancy
13. Construction

Service sector can be broadly divided into two parts:

(A) Economic Services:

It includes the following items, such as;

(i) Transport, Storage and Communication:

There are various types of transport, such as rail transport, road transport, water transport, air transport. Indian railway system is first in Asia and fourth in the world after USA, Russia and Canada. Storage service is provided by both government and private. Central Warehousing Corporation (CWC), the Food Corporation of India (FCI) etc. are the government units which provide storage facilities.

Again, there are several cold storage facilities mainly provided by private authorities. Communication is a vital service of an economy. It includes postal and telegraph, telecommunication, information and broadcasting etc. In India postal department includes several new schemes like Speed Post, Express Post, E-Post, Media Post, Satellite Post etc. Indian telecommunication network is one of the largest in Asia. It provides land phone, mobile phone and e-mail services.

(ii) Trade, Hotels and Tourisms:

Trade service comprises both domestic and foreign trades. Domestic trade means trade between the different states and cities within the country. On the other hand, foreign trade means trade between different countries. It includes both exports and imports. There are several public sector units like State Trading Corporation (STC), Minerals and Metals Trading Corporation (MMTC), Special Economic Zones (SEZ) etc giving sufficient support to increase the foreign trade in India.

Nowadays, several private sector units are also taking part to enlarge international trade. Hotel industries are mainly run by private entre preneurs. However, both government and private bodies are equally responsible to increase tourism service in India.

(iii) Banking and Insurance Services:

Development of banking service is the major indicator of economic growth. In India, banking network is spread all over the country. For the flourishment of other service sectors, banking sector plays a very vital role.

In India, apart from the Central Bank, i.e., Reserve Bank of India (RBI), all the commercial banks including both public and private sector banks are performing a true role for the country's development. Public sector banks include SBI, PNB, UBI, UCO Bank etc. and private banks include HDFC, HSBC, AXIS Bank etc. In-spite of these, there are several non-banking financial institutions like NABARD, ICICI, IDBI etc. Moreover, there are several public insurance units like LIC, GIC etc. and private insurance units like Tata AIG, Biria Sunlife etc.

(B) Social Service:

It includes following items, such as;

(i) Education:

After Independence, education system has increased tremendously. General education facilities have increases in good number. There are sharp increase in the number of primary, middle, high and higher secondary schools. A decent number of students have enrolled in the schools. Not only that, number of colleges, deemed universities and universities have also risen to a large extent.

Moreover, technical and professional education institutions are also increasing rapidly. Medical colleges, engineering colleges, agriculture colleges and business schools etc. are also growing rapidly in India. All these have increased the standard of education system in India.

(ii) Health:

It is an important service sector of India. The health service includes number of hospitals, dispensaries, community health services, primary health centres, number of doctors, nurses, beds in hospitals along with the number of doctors per 1000 population. Both private and public sectors are working together to improve the health services in urban and rural parts of India. After Independences medical facilities have improved in India.

(iii) Administration:

In India administrative service has also increased at a rapid pace. After Independence, the offices of BDO (Block Development Office), DM (District Magistrate), IAS (Indian Administrative Service), IPS (Indian Police Service), IFS (Indian Forest Service) and Judicial Courts have increased to operate smooth functioning of civil services in India.

Emerging Performance of Service Sector in India:

i) Trade:

By the term trade means exchange of commodities between individuals or groups either directly through barter or indirectly through medium such as money. Thus trade is an important activity providing interface between the producer and consumer.

(ii) Tourism including Hotels and Restaurants:

Tourism is considered as one of the important component of services sector. It is considered as both growth engine and export-growth engine. It is also considered as an effective mechanism of employment generator as it has the capacity to create large scale employment both directly and indirectly for different sections of the society and also for different categories of workforce specialized as well as skilled and unskilled.

(iii) Transport Related Services:

Transport related services are considered as an important component of services sector. Shipping is also playing an important role in the commodity and services trade to the country. It plays an important position in Indian economy covering around 95 per cent of country's trade by volume and 68 per cent in terms of value being transported by sea.

(iv) Storage Services:

Storage services are also an important component of the services sector. Warehousing services are considered as an integral part of both inbound and outbound logistics, as goods produced have to be stored in different geographical locations of the country before shipping and dispatch as per demand and order flows received from different destinations.

(v) Communication Services:

Communication services, composed of telecom and related services and postal services are considered as important component of service sectors. Telecommunication is the fastest mode of communication developed in the country.

(vi) Real Estate Services:

One of the important component of the services sector is the real estate services. Real estate's services provides housing facilities. Housing is a basic need and provides economic and social security to the people. It is also considered as an asset which can have significant leveraging effect in order to support and supplement other means income generation and poverty alleviation.

Foreign Trade in Service Sector

Meaning:

The advanced economies are primarily service economies in the sense that the services sector generates the major share of employment as well as income in these economies. In the industrial market economies, services produce, on an average, over 60 per cent of GDP and provide about 60 per cent of the total employment. It has been the experience that the share of the service in the GDP and total employment increases as the economy progresses.

During the same period, the share of services in India's GDP increased from 34 per cent to 40 per cent. Economic development is, thus, characterised by an increase of the share of the services in the GDP and total employment. This trend tends to increase the international trade in services.

The size of the international market for service is difficult to measure. However, it has been estimated that services, termed as invisibles, account for about one-quarter of the world trade. That the world trade in service is dominated by the developed countries is reflected by the fact that the developed nations run large surpluses and the developing countries show huge deficits on the invisible account.

International trade in services is subject, in general, to lot of restrictions. The General Agreement on Tariffs and Trade (GATT) which has been trying to liberalise the trade in goods does not cover the service. The industrialised nations, like the U.S.A. and the members of the EEC have been strongly arguing for the inclusion of trade in services in the GATT negotiations.

The developing countries, like India on the other hand have strongly opposed such a move. The fear of the developing countries is that the liberalisation of trade in services will result in the destruction of their service industries by the multinationals.

On the other hand, it is argued that the liberalisation and the resultant competition will improve the efficiency of the service sector in the developing countries and this will help improve the overall efficiency of the economy and the export competitiveness of the developing countries.

It may also be pointed out that strategic considerations also discourage, both developed and developing countries, the opening up of certain services of foreigners and in certain cases even to domestic private firms.

Characteristics:

An important characteristic of services that has far reaching implications for marketing of services is their inseparability, i.e. services cannot be separated from their providers, whether they are persons or machines. This does not, however mean that all service require the physical proximity of the provider and user.

There are two broad categories of services, viz.:

(i) Those that necessarily require the physical proximity of the provider and the user; and

(ii) Those that do not, though such physical proximity may be useful.

The services where physical proximity is essential fall into three categories:

The first category is characterised by the mobile provider and immobile user. This involves cases where the mobility of the beneficiary to the place of the provider is not physically feasible. For example, an Indian firm which has a construction contract abroad will have to send the manpower required to the construction site for carrying out the work. Similarly, a technician may have to go to a plant abroad to rectify a problem with the plant.

The second category is characterised by mobile user and immobile provider. This category consists of services which involves some key elements which are not normally transferable to the user's location. For example, certain experiments can be done only in those laboratories equipped for them. A patient who wants an open-hearted surgery will have to go to a hospital where the required facilities are available.

The third category consists of mobile user and mobile provider; proximity may be achieved by either the provider going to the user or the user going to the provider. Services for which physical proximity is not essential are known as long distance services. Examples of this category include transmission ‘over the wire’ of live music concerts or data. In advanced countries, traditional banking and insurance services fall into this category since loans or insurance policies can be secured by mail or phone.

Restrictions:

Because of these characteristics and the socio-economic and political implications of certain services, they are, generally, subject to various types of national restrictions. Protective measures include visa requirements and investment regulations. Services in different countries include banking and insurance; transportation; television, radio, film and other forms of communication, and so on.

UNIT - IV
GLOBALIZATION

Globalization is the spread of products, technology, information, and jobs across national borders and cultures. In economic terms, it describes an interdependence of nations around the globe fostered through free trade.

On the upside, it can raise the standard of living in poor and less developed countries by providing job opportunity, modernization, and improved access to goods and services. On the downside, it can destroy job opportunities in more developed and high-wage countries as the production of goods moves across borders.

Globalization motives are idealistic, as well as opportunistic, but the development of a global free market has benefited large corporations based in the Western world. Its impact remains mixed for workers, cultures, and small businesses around the globe, in both developed and emerging nations.

Globalization is a social, cultural, political, and legal phenomenon.

a. Socially, it leads to greater interaction among various populations.
b. Culturally, globalization represents the exchange of ideas, values, and artistic expression among cultures.
c. Globalization also represents a trend toward the development of single world culture.
d. Politically, globalization has shifted attention to intergovernmental organizations like the United Nations (UN) and the World Trade Organization (WTO).
e. Legally, globalization has altered how international law is created and enforced.

The advantages of globalization

Globalization brings a number of potential benefits to international producers and national economies, including:

1. Providing an incentive for countries to specialize and benefit from the application of the principle of comparative advantage.
2. Access to larger markets means that firms may experience higher demand for their products, as well as benefit from economies of scale, which leads to a reduction in average production costs.
3. Globalization enables worldwide access to sources of cheap raw materials, and this enables firms to be cost competitive in their own markets and in overseas markets. Seeking out the cheapest materials from around the world is called *global sourcing*. Because of cost reductions and increased revenue, globalisation can generate increased profits for shareholders.
4. Avoidance of regulation by locating production in countries with less strict regulatory regimes, such as those in many Less Developed Countries (LCDs).
5. Globalization has led to increased flows of inward investment between countries, which has created benefits for recipient countries. These benefits include the sharing of knowledge and technology between countries.
6. In the long term, increased trade is likely to lead to the creation of more employment in all countries that are involved.

The disadvantages of globalization

There are also several potential disadvantages of globalization, including the following:

1. The over-standardization of products through global branding is a common criticism of globalization. For example, the majority of the world's computers use Microsoft's Windows operating system. Clearly, standardizing of computer operating systems and platforms creates considerable benefits, but critics argue that this leads to a lack of product diversity, as well as presenting barriers to entry to small, local, producers.
2. Large multinational companies can also suffer from diseconomies of scale, such as difficulties associated with coordinating the activities of subsidiaries based in several countries.
3. The increased power and influence of multinationals is also seen by many as a considerable disadvantage of globalization. For example, large multinational companies can switch their investments between territories in search of the most favorable regulatory regimes. MNCs can operate as local monopolies of labour, and push wages lower than the free market equilibrium.
4. Critics of globalization also highlight the potential loss of jobs in domestic markets caused by increased, and in some cases, unfair, free trade. This view certainly accounts for the some of the rise in nationalist movements in many developed economies, along with the push for increased protectionism.
5. Globalization can also increase the pace of deindustrialization*,* which is the slow erosion of an economy's manufacturing base.
6. Jobs may be lost because of the structural changes arising from globalization. Structural changes may lead to structural unemployment and may also widen the gap between rich and poor within a country.

Globalization and its impact on India:

1) **Technology**:

It has reduced the speed of communication manifolds. The phenomenon of social media in the recent world has made distance insignificant.

The integration of technology in India has transformed jobs which required specialized skills and lacked decision-making skills to extensively-defined jobs with higher accountability that require new skills, such as numerical, analytical, communication and interactive skills. As a result of this, more job opportunities are created for people.

2) **LPG Reforms**:

The 1991 reforms in India have led to greater economic liberalisation which has in turn increased India's interaction with the rest of the world.

3) Faster Transportation:

Improved transport, making global travel easier. For example, there has been a rapid growth in air-travel, enabling greater movement of people and goods across the globe.

4) Rise of WTO:

The formation of WTO in 1994 led to reduction in tariffs and non-tariff barriers across the world. It also led to the increase in the free trade agreements among various countries.

5) **Improved mobility of capital**:

In the past few decades there has been a general reduction in capital barriers, making it easier for capital to flow between different economies. This has increased the ability for firms to receive finance. It has also increased the global interconnectedness of global financial markets.

6) **Rise of MNCs**:

Multinational corporations operating in different geographies have led to a diffusion of best practices. MNCs source resources from around the globe and sell their products in global markets leading to greater local interaction.

These factors have helped in economic liberalization and globalization and have facilitated the world in becoming a “global village”. Increasing interaction between people of different countries has led to internationalization of food habits, dress habits, lifestyle and views.

Impacts of Globalisation In India

Greater Number of Jobs: The advent of foreign companies and growth in economy has led to job creation. However, these jobs are concentrated more in the services sector and this has led to rapid growth of service sector creating problems for individuals with low level of education. The last decade came to be known for its jobless growth as job creation was not proportionate to the level of economic growth.

More choice to consumers: Globalisation has led to a boom in consumer products market. We have a range of choice in selecting goods unlike the times where there were just a couple of manufacturers.

Higher Disposable Incomes: People in cities working in high paying jobs have greater income to spend on lifestyle goods. There has been an increase in the demand of products like meat, egg, pulses, organic food as a result. It has also led to protein inflation.

Protein food inflation contributes a large part to the food inflation in India. It is evident from the rising prices of pulses and animal proteins in the form of eggs, milk and meat.

Shrinking Agricultural Sector: Agriculture now contributes only about 15% to GDP. The international norms imposed by WTO and other multilateral organizations have reduced government support to agriculture. Greater integration of global commodities markets leads to constant fluctuation in prices.

This has increased the vulnerability of Indian farmers. Farmers are also increasingly dependent on seeds and fertilizers sold by the MNCs.

Globalization does not have any positive impact on agriculture. On the contrary, it has few detrimental effects as government is always willing to import food grains, sugar etc. Whenever there is a price increase of these commodities.

Government never thinks to pay more to farmers so that they produce more food grains but resorts to imports. On the other hand, subsidies are declining so cost of production is increasing.

Even farms producing fertilizers have to suffer due to imports. There are also threats like introduction of GM crops, herbicide resistant crops etc.

Socio-Cultural Impact on Indian Society

Access to education:

On one hand globalisation has aided in the explosion of information on the web that has helped in greater awareness among people. It has also led to greater need for specialisation and promotion of higher education in the country.

On the flip side the advent of private education, coaching classes and paid study material has created a gap between the haves and have-nots. It has become increasingly difficult for an individual to obtain higher education.

Growth of cities:

It has been estimated that by 2050 more than 50% of India's population will live in cities. The boom of services sector and city centric job creation has led to increasing rural to urban migration.

Indian cuisine:

It is one of the most popular cuisines across the globe. Historically, Indian spices and herbs were one of the most sought after trade commodities. Pizzas, burgers, Chinese foods and other Western foods have become quite popular.

Clothing:

Traditional Indian clothes for women are the saris, suits, etc. and for men, traditional clothes are the dhoti, kurta. Hindu married women also adorned the red bindi and sindhur, but now, it is no more a compulsion. Rather, Indo-western clothing, the fusion of Western and Sub continental fashion is in trend. Wearing jeans, t-shirts, mini skirts have become common among Indian girls.

Indian Performing Arts:

The music of India includes multiples varieties of religious, folk, popular, pop, and classical music. India's classical music includes two distinct styles: Carnatic and Hindustani music. It remains instrumental to the religious inspiration, cultural expression and pure entertainment. Indian dance too has diverse folk and classical forms.The Indian Classical music has gained worldwide recognition but recently, western music is too becoming very popular in our country. Fusing Indian music along with western music is encouraged among musicians. More Indian dance shows are held globally. The number of foreigners who are eager to learn Bharatanatyam is rising. Western dance forms such as Jazz, Hip hop, Salsa, Ballet have become common among Indian youngsters.

Nuclear Families:

The increasing migration coupled with financial independence has led to the breaking of joint families into nuclear ones. The western influence of individualism has led to an aspirational generation of youth. Concepts of national identity, family, job and tradition are changing rapidly and significantly.

Old Age Vulnerability:

The rise of nuclear families has reduced the social security that the joint family provided. This has led to greater economic, health and emotional vulnerability of old age individuals.

Walmartization:

A term referring to profound transformations in regional and global economies through the sheer size, influence, and power of the big-box department store WalMart. It can be seen with the rise of big businesses which have nearly killed the small traditional businesses in our society.

Psychological Impact on Indian Society

Development of Bicultural Identity:

The first is the development of a bicultural identity or perhaps a hybrid identity, which means that part of one's identity is rooted in the local culture while another part stems from an awareness of one's relation to the global world.

The development of global identities is no longer just a part of immigrants and ethnic minorities. People today especially the young develop an identity that gives them a sense of belonging to a worldwide culture, which includes an awareness of events, practices, styles and information that are a part of the global culture. Media such as television and especially the Internet, which allows for instant communication with any place in the world, play an important part in developing a global identity.

Foreign Investment Flows

Foreign Direct Investment (FDI) flows record the value of cross-border transactions related to direct investment during a given period of time, usually a quarter or a year. Financial flows consist of equity transactions, reinvestment of earnings, and intercompany debt transactions. Outward flows represent transactions that increase the investment that investors in the reporting economy have in enterprises in a foreign economy, such as through purchases of equity or reinvestment of earnings, less any transactions that decrease the investment that investors in the reporting economy have in enterprises in a foreign economy, such as sales of equity or borrowing by the resident investor from the foreign enterprise. Inward flows represent transactions that increase the investment that foreign investors have in enterprises resident in the reporting economy less transactions that decrease the investment of foreign investors in resident enterprises. FDI flows are measured in USD and as a share of GDP. FDI creates stable and long-lasting links between economies.

The goal of generating more decent jobs in the global economy is largely overlooked in international policies. While there is general acknowledgement of the importance of the issue in the mandates of international organizations, there is, at the same time, no concerted effort to address the issue. The Policy Coherence Initiative on Growth, Investment and Employment is an attempt to improve upon the status quo.

The basic rationale is as follows. If the objective of employment creation is given more serious attention in the policy formulation process, there are reasons to presume that significant improvements can be achieved over the current situation. The current implicit assumption is that if we get macroeconomic, financial, trade and aid policies right good employment outcomes would follow automatically.

There is insufficient evidence to support such a benign neglect of the employment objective. High unemployment and underemployment remain serious problems in many parts of the world and the current process of globalization has given rise to new stresses in labour markets. There is no discernible improvement in the global employment situation during the last two decades of globalization. Compared to the fifties and sixties, open unemployment in the industrialized countries is significantly higher. Data for developing countries is patchy and less reliable, but taken as a whole, they do provide serious grounds for concern. Open unemployment rates are surprisingly high in a number of these countries, contradicting the conventional wisdom that unemployment is not an option in developing countries without systems of unemployment insurance. At the same time there is evidence that precarious and low-productivity employment in the informal sector hasexpanded as a share of total employment. This reflects the slow growth of employment in the modern sector

UNIT - V
CURRENT AFFAIRS OF INDIA

The word corruption is derived from the Latin word "corruptus," which means "corrupted" and, in legal terms, the abuse of a trusted position in one of the branches of power (executive, legislative and judicial) or in political or other organizations with the intention of obtaining material benefit which is not legally justified for itself or for others.

Public and private sectors

Corruption occurs in both the public and private sectors. This includes media and civil society actors. Actors can be individuals, companies, or organisations such as a political parties.

Abuse of power

Corruption involves abusing power held in a state institution or a private organisation.

Benefit

Both sides involved in the corrupt act benefit, either in terms of money or undue advantage.

Common types of corruption include:

Bribery

We call it bribery when a person with entrusted authority accepts or asks for an undue advantage (money, but also other material or immaterial valuables) to exercise a function, or to exercise it in a particular way.

Kickbacks

A kickback usually refers to a payment given in return for receiving a contract (for example, a building company that receives a government contract to build a road or other infrastructure). This payment goes to someone involved in awarding the contract.

Foreign bribery

Bribery of foreign officials by private sector actors is also a crime in many countries. This means that bribes that take place outside a company's country of origin may be punishable by the home country's authorities. The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions is an important international legal instrument that criminalises foreign bribery, with a focus on the party paying the bribe (the 'supply side'). The fact that not all countries prohibit such bribes illustrates the point above that not all corrupt acts are illegal.

Trading in influence

Trading in influence – or influence peddling – is a form of corruption where, for example, a person exerts improper influence over a public or private sector decision-making process in return for an undue advantage. It is mostly people in prominent positions, with political power or connections, who trade in influence. These people abuse their channels of influence to gain money or favours.

Causes of corruption

Although corruption differs from country to country, it is possible to identify some of the key common driving forces that generate it. What is common to all countries, which are among the most corrupt, has been identified by Swenson all of them are developing countries or countries in transition,

a. with rare exceptions, low-income countries,
b. most countries have a closed economy,
c. the influence of religion is visible (Protestant countries have far the lowest level of corruption),
d. low media freedom and
e. a relatively low level of education.

How to eradicate Corruption:

Give a better salary in govt jobs:

Many employees in government positions receive a low wage like clerks, office staff, etc. Hence they expect to make money through bribery. For this, they try to delay the work for so long that the client is fed up and opts for bribery for progress in the work. So the low salary is one of the reasons for corruption. To curb this, their salaries should be raised periodically.
Stop corruption-Enhance online transactions

Increase the number of workers:

In many offices of the government sector, the workload has gone up drastically, but the recruitment of vacancies has declined. This gives an option for delaying the work by officials and expect monetary or other benefits for faster completion.

Law to dismiss from service if found to be involved in corruption:

This seems a better option. For instance, if you see cases where anti-corruption bureau rides an officer home and finds disproportionate assets, the officer is suspended from employment and taken for judicial trials. But after a couple of years, you will find them in employment at the same or even better positions. So this creates no fear among the officials against corruption. Further, some officers are never caught up for corruption during their tenure in office. In such a case, laws should be enacted to punish even during their retirement after service.

Camera in most govt offices:

In every ATM there is a camera to keep a watch on the public taking their money. Then why not government offices have cameras to have a watch on employee performance. Even there are many employs who openly take the bribe in the presence of ordinary men. This public bribery is due to confidence that the public wants their work more than the amount they are paying to them as bribes.

Speed up the work process in govt institutes:

Most corporate offices are in full-fledged running by 8-9 am. But the government offices start at 10 to 11 am and wind up by 3.30 to 4 pm with a lunch break of one & a half hour in between. This indicates how much commitment lies in work and how fast the work goes on. If there are mistakes in the work or delay in the work, civilians have to run behind those workers to rectify or complete the work. In doing so, they pay bribes to get the work done. This makes the chances of corruption more or else work is not done. So there should be accountability of daily work done in government works and targets to complete the work on a time basis. Or else instead of being public servants, they tend to act as public bosses.

Black Money

Black Money is the money on which income tax is not paid. This money is earned through corrupt practices and not declared fearing legal action. Black money is collected by corrupt officials, politicians, businessmen, criminals, smugglers and any other individual trying to evade taxation. Thus, Black money is one of the major drawbacks in a nation's growth.

Sources of Black Money

1. There are various sources of generating black money one of them is the government sector. Corrupt government officials authorized to make policy and financial decisions and get perks/bribe in return. This money obviously cannot be declared and is purposely hidden from the tax net; though, it is invested in a new venture through shell companies or money laundering.

2. Thus, the money which should be taxed and the taxed amount utilized for public welfare schemes, escapes the tax agencies, having a deteriorating effect on the overall economic health of a nation. Transfer Mispricing is the process by which private firms generate black money.

3. The logic used in this method is to manipulate the price of the transaction between two parties, so as to deceive tax agencies and benefit both the parties. Though the money is not earned by dishonest means, it is purposely hidden from tax authorities to evade taxation and is still considered black money. Anti-national, anti-social and criminal activities are also the sources of black money. Anti-national activities also mainly depend on black money.

Socio-Economic Impacts of Black Money

Collection of black money by some corrupt individuals, damages the economic growth of the nation, as the money hidden from tax agencies. The government can use Crores of rupees of tax for public welfare schemes like building schools, colleges, hospitals, and roads, etc.

Black money not only weakens the economy of a nation but also widens the economical gap by making rich richer and poor poorer. A large amount of black money also pollutes the social structure of a nation and adversely affects the functioning of government agencies.

Black Money is earned by dishonest means. Generally, people use it to bribe government officials and other relevant agencies, in exchange for a certain favor. This corrupts the whole government machinery and reduces peoples' trust in government and administration. Black money increases the purchasing power of people, which results in higher prices of thing.

As a result of the increase in the price of things put a strain on the pocket of the common man, while it hardly affects those who have black money. This widens the gap between rich and poor, by making the poor poorer.

Remedial Measures to Counter Black Money:

1. Demonetization

Demonetization of currency of high value say Rs.1,000 could help to unearth the black money to a large extent. However, in order to solve the problem arise on account of demonetization, proper step should be taken. It is advocated for eroding a substantial part of black liquidity on the presumption that black income held in cash will not be presented for conversion.In 1978, Government cancelled currency note of Rs.1,000 denomination. But again it brought out the currency note of Rs.1,000 denomination for circulation. Demonetization may succeed in reducing the quantum of black money but it cannot prevent the generation of black money altogether.

2. Voluntary Disclosure Scheme

The Government may adopt the policy that those who voluntarily disclose their black income of the past to the taxation authorities will not be punished and penalties may be waived or minimized. The following image shows the amount of undisclosed income detected during the period 2006-2012.

3. Raids:

Income tax department's powers have to be considerably enlarged and it should be empowered to conduct raids on the premises and properties of the taxpayers or any other individuals and can seize the unaccounted income and wealth and take necessary legal actions against the tax evaders.

4. Rationalization of Controls:

Since ill-devised controls are major causes of black money, it is essential to rationalize the control system. Government has taken some steps in this direction by easing the licensing policy etc. But still there are many cumbersome rules and formalities and unnecessary control in many areas, which need to be effectively rationalized.

5. Taxation Reforms

India needs a rationalized tax structure. Prof. Kaldor, Wanchoo Committee and many others including the authors of the NIPFP Report have recommended a reduction in marginal tax rates, simplification of tax structure, taxation laws and improvements in tax administration.

6. Vigorous Prosecution

The Wanchoo Committee also recommended that the department should completely reorient itself to a more vigorous prosecution policy in order to instill a wholesome respect for the tax-laws in the minds of the taxpayers.

7. Special Bearer Bonds

In 1981 and 1991 the Government has introduced a scheme of Special Bearer Bonds to drag black money into the treasury's coffer. It is advocated to unearth black money. But it is to be modified suitably according to the prevailing economic conditions.

8. Rewards and Awards

In order to encourage the honest taxpayers and create a positive attitude in the minds of the people towards the payment of tax, this can be adopted. The income tax department has introduced a special award scheme for the first time in Tamil Nadu for the 1994-95 assessment year, to encourage and recognize prompt tax payers and also create greater awareness in the minds of taxpaying public.

9. Publicity

In view of the deterrent effect, the nature of all persons in whose cases penalties have been imposed for the concealment of income, wealth etc. should be published in the gazette as well as in the press, giving details of their names, addresses and the amount of penalties etc. If the assessed is a company or firm, the names of all the Directors of the Company or Partners of the firm should be published.

10. Arousing Public Conscience

A special drive should be undertaken to arouse public conscience by enhancing the co-operation of the leaders in various walks of life.

Conclusion

Black money severely affects the progress of a nation and generate economic and social imbalance. Money earned by illegal means slowly corrupts the whole system. It leaves a nation in a state of economic and social disturbance. It is a fight that no government can fight alone. The people also must be cooperative and vigilant to fight against any kind of financial fraud or illegal activities. Also, it is the duty of the people to immediately report any information about any kind of illegal transactions to the concerned authorities.

CYBER CRIME

Cybercrime is defined as a crime where a computer is the object of the crime or is used as a tool to commit an offense. A cybercriminal may use a device to access a user's personal information, confidential business information, government information, or disable a device. It is also a cybercrime to sell or elicit the above information online.

Cybercrime, also called computer crime, the use of a computer as an instrument to further illegal ends, such as committing fraud, trafficking in child pornography and intellectual property, stealing identities, or violating privacy. Cybercrime, especially through the Internet, has grown in importance as the computer has become central to commerce, entertainment, and government.

Because of the early and widespread adoption of computers and the Internet in the United States, most of the earliest victims and villains of cybercrime were Americans. By the 21st century, though, hardly a hamlet remained anywhere in the world that had not been touched by cybercrime of one sort or another.

Types of Cybercrime

Fraud

Fraud is a general term used to describe a cybercrime that intends to deceive a person in order to gain important data or information. Fraud can be done by altering, destroying, stealing, or suppressing any information to secure unlawful or unfair gain.

Hacking

Hacking involves the partial or complete acquisition of certain functions within a system, network, or website. It also aims to access to important data and information, breaching privacy. Most "hackers" attack corporate and government accounts. There are different types of hacking methods and procedures.

Identity Theft

Identify theft is a specific form of fraud in which cybercriminals steal personal data, including passwords, data about the bank account, credit cards, debit cards, social security, and other sensitive information. Through identity theft, criminals can steal money. According to the

U.S. Bureau of Justice Statistics (BJS), more than 1.1 million Americans are victimized by identity theft.

Scamming

Scam happens in a variety of forms. In cyberspace, scamming can be done by offering computer repair, network troubleshooting, and IT support services, forcing users to shell out hundreds of money for cyber problems that do not even exist. Any illegal plans to make money falls to scamming.

Computer Viruses

Most criminals take advantage of viruses to gain unauthorized access to systems and steal important data. Mostly, highly-skilled programs send viruses, malware, and Trojan, among others to infect and destroy computers, networks, and systems. Viruses can spread through removable devices and the internet.

Ransomware

Ransomware is one of the most destructive malware-based attacks. It enters your computer network and encrypts files and information through public-key encryption. In 2016, over 638 million computer networks are affected by ransomware. In 2017, over $5 billion is lost due to global ransomware.

DDoS Attack

DDoS or the Distributed Denial of Service attack is one of the most popular methods of hacking. It temporarily or completely interrupts servers and networks that are successfully running. When the system is offline, they compromise certain functions to make the website unavailable for users. The main goal is for users to pay attention to the DDoS attack, giving hackers the chance to hack the system.

Botnets

Botnets are controlled by remote attackers called “bot herders” in order to attack computers by sending spams or malware. They usually attack businesses and governments as botnets specifically attack the information technology infrastructure. There are botnet removal tools available on the web to detect and block botnets from entering your system.

Spamming

Spamming uses electronic messaging systems, most commonly emails in sending messages that host malware, fake links of websites, and other malicious programs. Email spamming is very popular. Unsolicited bulk messages from unfamiliar organizations, companies, and groups are sent to large numbers of users. It offers deals, promos, and other attractive components to deceive users.

Phishing

Phishers act like a legitimate company or organization. They use “email spoofing” to extract confidential information such as credit card numbers, social security number, passwords, etc. They send out thousands of phishing emails carrying links to fake websites. Users will believe these are legitimate, thus entering their personal information.

Social Engineering

Social engineering is a method in which cybercriminals make a direct contact with you through phone calls, emails, or even in person. Basically, they will also act like a legitimate company as well. They will befriend you to earn your trust until you will provide your important information and personal data.

Malvertising

Malvertising is the method of filling websites with advertisements carrying malicious codes. Users will click these advertisements, thinking they are legitimate. Once they click these ads, they will be redirected to fake websites or a file carrying viruses and malware will automatically be downloaded.

Cyberstalking

Cyberstalking involves following a person online anonymously. The stalker will virtually follow the victim, including his or her activities. Most of the victims of cyberstalking are women and children being followed by men and pedophiles.

Software Piracy

The internet is filled with torrents and other programs that illegally duplicate original content, including songs, books, movies, albums, and software. This is a crime as it translates to copyright infringement. Due to software piracy, companies and developers encounter huge cut down in their income because their products are illegally reproduced.

Child Pornography

Porn content is very accessible now because of the internet. Most countries have laws that penalize child pornography. Basically, this cybercrime involves the exploitation of children in the porn industry. Child pornography is a $3-billion-a-year industry. Unfortunately, over 10,000 internet locations provide access to child porn.

Cyber bullying

Cyber bullying is one of the most rampant crimes committed in the virtual world. It is a form of bullying carried over to the internet. On the other hand, global leaders are aware of this crime and pass laws and acts that prohibit the proliferation of cyber bullying

DEMONETIZATION

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency.

Demonetization is a generations’ memorable experience and is going to be one of the economic events of our time. Its impact is felt by every Indian citizen. Demonetization affects the economy through the liquidity side. Its effect will be a telling one because nearly 86% of currency value in circulation was withdrawn without replacing bulk of it. As a result of the withdrawal of Rs 500 and Rs 1000 notes, there occurred huge gap in the currency composition as after Rs 100; Rs 2000 is the only denomination.Absence of intermediate denominations like Rs 500 and Rs 1000 will reduce the utility of Rs 2000. Effectively, this will make Rs 2000 less useful as a transaction currency though it can be a store value denomination.

Demonetization technically is a liquidity shock; a sudden stop in terms of currency availability. It creates a situation where lack of currencies jams consumption, investment, production, employment etc. In this context, the exercise may produce following short term/long term/, consumption/investment, welfare/growth impacts on Indian economy.

Impacts of Demonetization In India:
Liquidity crunch (short term effect):

Liquidity shock means people are not able to get sufficient volume of popular denomination especially Rs 500. This currency unit is the favourable denomination in daily life. It constituted to nearly 49% of the previous currency supply in terms of value. Higher the time required to resupply Rs 500 notes, higher will be the duration of the liquidity crunch.

1. Welfare loss for the currency using population:

Most active segments of the population who constitute the 'base of the pyramid' uses currency to meet their transactions. The daily wage earners, other labourers, small traders etc. who reside out of the formal economy uses cash frequently. These sections will lose income in the absence of liquid cash. Cash stringency will compel firms to reduce labour cost and thus reduces income to the poor working class.

2. Consumption will be hit:

When liquidity shortage strikes, it is consumption that is going to be adversely affected first.

3. Loss of Growth momentum:

India risks its position of being the fastest growing largest economy: reduced consumption, income, investment etc. may reduce India's GDP growth as the liquidity impact itself may last three -four months.

4. Impact on bank deposits and interest rate:

Deposit in the short term may rise, but in the long term, its effect will come down. The savings with the banks are actually liquid cash people stored. It is difficult to assume that such ready cash once stored in their hands will be put into savings for a long term. They saved this money into banks just to convert the old notes into new notes. These are not voluntary savings aimed to get interest. It will be converted into active liquidity by the savers when full-fledged new currency supply take place. This means that new savings with banks is only transitory or short-term deposit. It may be encashed by the savers at the appropriate time. It is not necessary that demonetization will produce big savings in the banking system in the medium term. Most of the savings are obtained by biggie public sector banks like the SBI. They may reduce interest rate in the short/medium term. But they can't follow it in the long term.

5. Impact on black money:

Only a small portion of black money is actually stored in the form of cash. Usually, black income is kept in the form of physical assets like gold, land, buildings etc. Hence the amount of black money countered by demonetization depends upon the amount of black money held in the form of cash and it will be smaller than expected. But more than anything else, demonetization has a big propaganda effect. People are now much convinced about the need to fight black income. Such a nationwide awareness and urge will encourage government to come out with even strong measures.

6. Impact on counterfeit currency:

The real impact will be on counterfeit/fake currency as its circulation will be checked after this exercise.

Advantages of Demonetization

A major advantage of demonetization is that it helped the government track black money. Large sums of black money was kept hidden by tax evaders. Demonetization helped government uncover huge amount of unaccounted cash. According to estimates made by RBI, people have deposited more than rupees 3 lakh crores worth of black money in the bank accounts. This has helped the government in slowing down the plague of parallel economy.

A major reason behind demonetization was that a big part of black money was being used for funding terrorism, gambling, in inflating the price of major assets classes like real estate, gold and other social evils. Demonetization is acting as an effective countermeasure against such activities. Now all such activities will get reduced for some time and also it will take years for people to generate that amount of black money again and hence in a way it helps in putting an end this circle of people doing illegal activities to earn black money and using that black money to do more illegal activities.

Another benefit is that due to people disclosing their income by depositing money in their bank accounts government gets a good amount of tax revenue which can be used by the government towards the betterment of society by providing good infrastructure, hospitals, educational institutions, roads and many facilities for poor and needy sections of society.

Disadvantages of Demonetization

The biggest disadvantage of demonetization has been the chaos and frenzy it created among common people initially. Everyone was rushing to get rid of demonetized notes while inadequate supply of new notes affected the day to day budgets of citizens. Banks and ATMs witnessed long queues while small businesses suffered temporary financial losses. The situation was even worse in rural India where people struggled to exchange and withdraw cash due to lack of enough number of banks and ATMs in their vicinity.

Another disadvantage is that destruction of old currency units and printing of new currency units involve costs which has to be borne by the government and if the costs are higher than benefits then there is no use of demonetization.

Another problem is that this move was targeted towards black money but many people who had not kept cash as their black money and rotated or used that money in other asset classes like real estate, gold and so on were not affected by demonetization.

As one can see from the above that demonetization has both advantages and disadvantages. Demonetization alone cannot fight parallel economy and eliminate black money. Several other measures are required by the government to change the economy for good.