

Biyani's Think Tank
A concept based exclusive material

Economic Environment in India

B.Com. Part-II

Sapna Newar

Revised by: Tanvi Gaur

MA, M.Phil.

Lecturer

Deptt. of Commerce & Management

Biyani Girls College, Jaipur



Biyani's
Group of Girls' Colleges

Published by :

Think Tanks

Biyani Group of Colleges

Concept & Copyright :

©**Biyani Shikshan Samiti**

Sector-3, Vidhyadhar Nagar,

Jaipur-302 023 (Rajasthan)

Ph : 0141-2338371, 2338591-95 • Fax : 0141-2338007

E-mail : acad@biyanicolleges.org

Website : www.gurukpo.com; www.biyanicolleges.org

First Edition : 2009

Second Edition: 2010

Price :

While every effort is taken to avoid errors or omissions in this Publication, any mistake or omission that may have crept in is not intentional. It may be taken note of that neither the publisher nor the author will be responsible for any damage or loss of any kind arising to anyone in any manner on account of such errors and omissions.

Leaser Type Setted by :

Biyani College Printing Department

Preface

I am glad to present this book, especially designed to serve the needs of the students. The book has been written keeping in mind the general weakness in understanding the fundamental concepts of the topics. The book is self-explanatory and adopts the “Teach Yourself” style. It is based on question-answer pattern. The language of book is quite easy and understandable based on scientific approach.

Any further improvement in the contents of the book by making corrections, omission and inclusion is keen to be achieved based on suggestions from the readers for which the author shall be obliged.

I acknowledge special thanks to Mr. Rajeev Biyani, *Chairman* & Dr. Sanjay Biyani, *Director (Acad.)* Biyani Group of Colleges, who are the backbones and main concept provider and also have been constant source of motivation throughout this Endeavour. They played an active role in coordinating the various stages of this Endeavour and spearheaded the publishing work.

I look forward to receiving valuable suggestions from professors of various educational institutions, other faculty members and students for improvement of the quality of the book. The reader may feel free to send in their comments and suggestions to the under mentioned address.

Author

Syllabus

B.Com. Part-II

PAPER-I : ECONOMIC ENVIRONMENT OF INDIA

Section - A

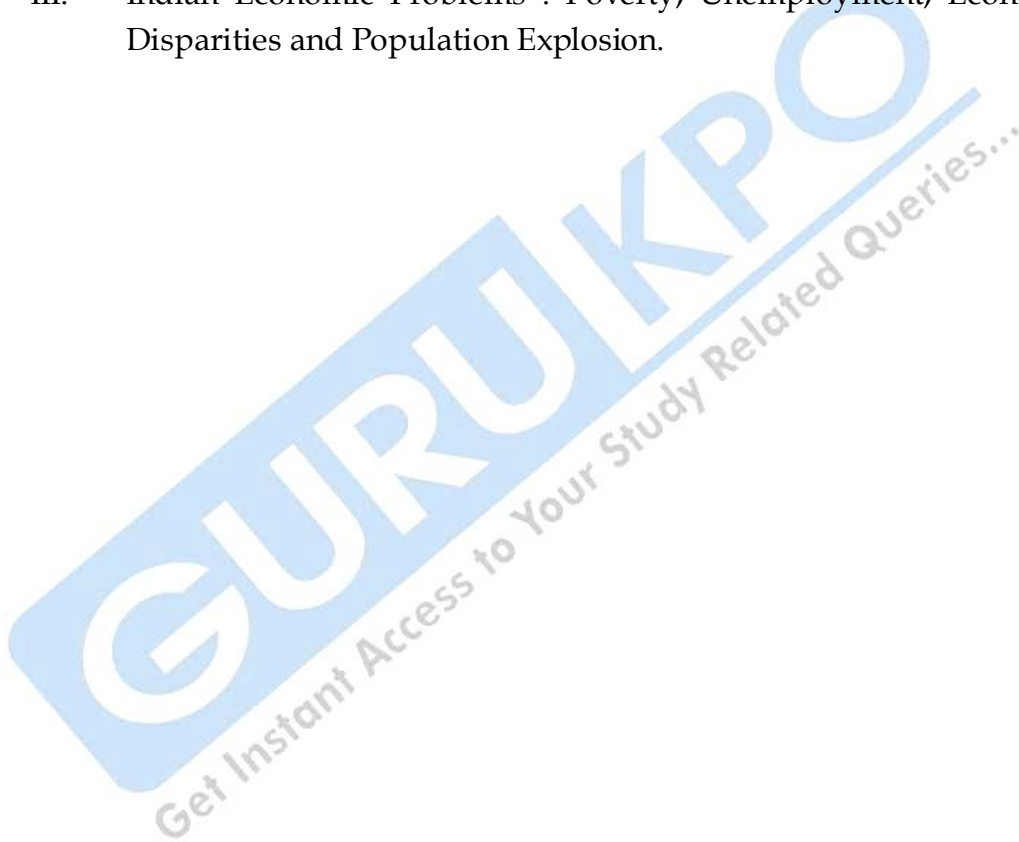
- I. **Economic Environment** : Meaning, Factors affecting Economic Environment, Basic Features of Indian Economy, India in World Economy.
- II. **Economic Policies** : Agriculture Policy, Industrial Policy, Commercial Policy & Fiscal Policy.
- III. **Economic Planning** : Meaning, Importance, Objectives & Techniques of Planning.

Section - B

- I. Significance of Agriculture in Indian Economy and New Agriculture Strategy. Agriculture Finance (specially Kisan Credit Card), Nature of Risk and Uncertainty in Agriculture, Measures to Control Risk and Uncertainty, Agriculture & W.T.O.
- II. Industrial growth in India and Prospects. Role of Small Scale Industries and Problems faced by them. Globalisation V/s Small Sector.
- III. Role of Public Sector in India and its Problems, Concept of Privatisation & Disinvestment.
- IV. Impact of Liberalisation on Agricultural, Industrial and Trade Development, Globalisation & Swadeshi.

Section - C

- I. Foreign Trade - Volume, Composition and Direction, Export Promotion.
- II. Main Features of 2001 Census and Population Policy in India.
- III. Indian Economic Problems : Poverty, Unemployment, Economic Disparities and Population Explosion.



Content

S.No.	Name of Topic	Page No.
Section - A		
1.	Economic Environment in India	8 - 12
1.1	Meaning	
1.2	Factors Affecting Economic Environment	
1.3	Basic Features of Economic Environment	
2.	Basic Features of Indian Economy	13-21
2.1	Indian and World Economy	
3.	Economic Policies	22-31
3.1	Agriculture Policy	
3.2	Industrial Policy (we have mentioned it in Section-B)	
3.3	Commercial Policy	
3.4	Fiscal Policy	
4.	Economic Planning	34-47
4.1	Meaning	
4.2	Importance	
4.3	Objectives	
4.4	Techniques of Planning	
4.5	Salient Features of India's Five Year Plan	
4.6	Ninth Plan	
4.7	Tenth Plan	
Section - B		
5.	Agriculture	48-62
5.1	Significance of Agriculture in Indian Economy	
5.2	New Agriculture Strategy	
5.3	Agriculture Finance (Kisan Credit Card Scheme) (NABARD)	
5.4	Nature of Risk and Uncertainty in Agricultures	
5.5	Measures to Control Risk and Uncertainty	
5.6	WTO and Agriculture	

6.	Industry	63-71
6.1	Industrial Growth in India and Prospects	
6.2	Role of Small Scale Industries and Problems faced by them	
6.3	Globalization V/s Small Scale Industry	
7.	Public Sector Vs Private Sector	72-81
7.1	Role of Public Sector in India	
7.2	Its Problems	
7.3	Concept of Privatisation	
7.4	Impact of Liberalisation on Agriculture Industry & Trade Development	
7.5	Globalisation Vs Swadeshi	
Section - C		
8.	Foreign Trade	82-89
8.1	Volume	
8.2	Composition	
8.3	Direction	
8.4	Export Promotion	
9.	Indian Economic Problems	90-96
9.1	Poverty	
9.2	Unemployment	
9.3	Population Explosion	
9.4	Economic Disparities	
10.	Main Features of 2001 Census	97-99
10.1	Population Policy in India	
10.2	Demographic Transition	
11.	Unsolved Paper 2010 to 2006	100 - 109

CHAPTER-1**Economic Environment in India**

Q.1 Define Environment?

Ans.: Man is a '**Social Animal**' man in his life time works hard to satisfy his unlimited wants by utilizing the limited resources. For all this he is affected by economic environment.

The term environment is concerned with the social cultural, political physical and their influence on related economic life.

According to Webster's Dictionary - "Environment refers to the conditions effects and forces which influence individual and group behavior of human life with natural, social, political and cultural surroundings."

Environment refers to all external forces which have a bearing on the functioning of the economy.

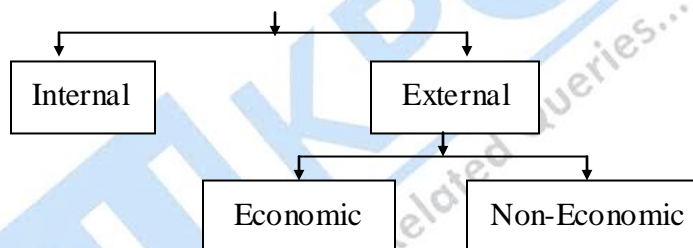
Q. 2 Define Economic Environment?

Ans.: Economic Environment is made up to two words

Economic + Environment Economic activity

In ordinary sense, a person to satisfy his wants is called economic activity. Economic is all about in economy, about its limited or scarce resources and limited human wants environment we have already defined it above.

Environment can be divided into two categories



Economic conditions economic policies and the economic system are important external factors that constitute economic environment. E-E The economic conditions of a country for example. The nature of the economy the stage of development of the economy, economic resources the level of Y its distribution etc.

Q.3 Write objectives of Economic Environment.

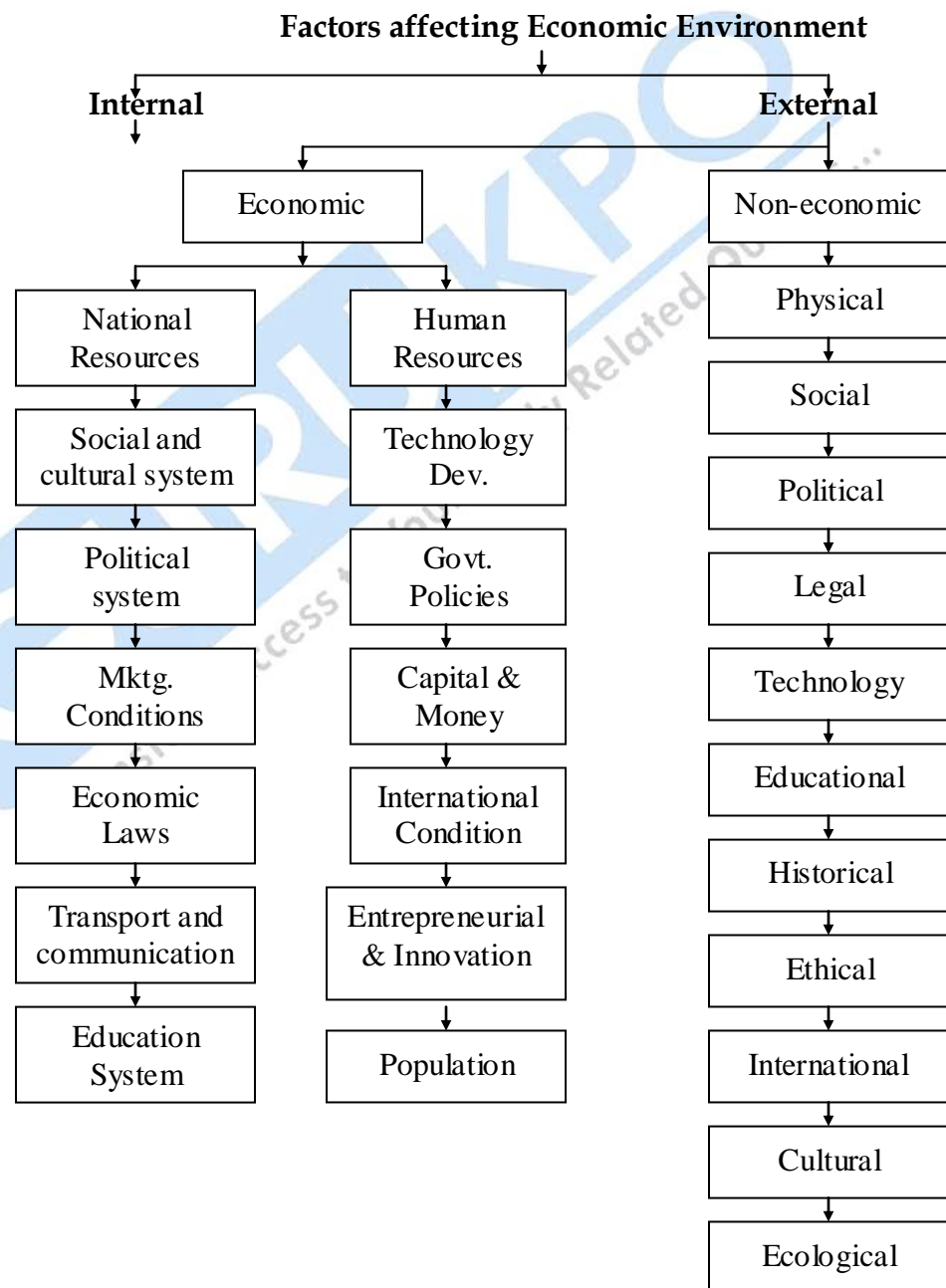
Ans.: Following are the main objectives of economic environment study:

- (i) Power functioning of an economy
- (ii) Knowledge of new opportunities and resources
- (iii) Study of environmental factors
- (iv) Removal of obstacles and challenges

- (v) Optimum use of environment
- (vi) Minimizing ill -effects.

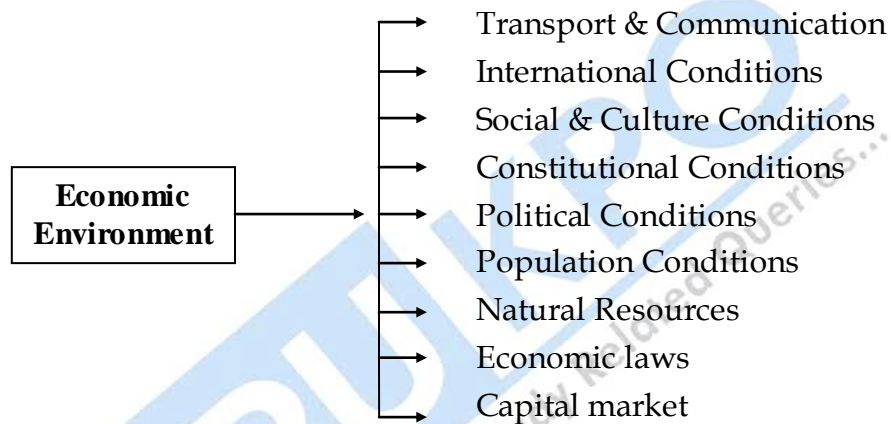
Q.4 Write various factors affecting Economic Environment.

Ans.:



Q.5 Write various components of Economic Environment.

Ans.: At present economic environment is a complex phenomenon. It deals with government policies optical, manly marketing, household sector and foreign sector.



All these components are closely related. Although, these are different, but even then they are mutually dependent & go on charging. Hence economic environment is a wide and dynamic concept.

Q.6 Write concept/ silent features of Economic Environment.

- Ans.:** (1) **Dynamic** : Factors go on changing, according to country, time period & circumstances.
- (2) **Effect of Various Factors** : Mutually interrelated human factors are controllable, but nature is not.
- (3) **Related with Economic Activities** : Banking, business, transport, communications, insurance, etc.

- (4) **Affected by Non-economic factors Also.**
- (5) **Infrastructure** : Available of communication, transport, banking etc.
- (6) **Role of Govt.** : Govt. policies.
- (7) **Economic Disparities** : In equal distribution leads to corruption, rubbery theft, black marketing, smuggling etc.
- (8) **Public Morality** : Ethical values, high moral standards.
- (9) **Effect of Economic System** : Capitalist, socialist.
- Capitalist
 - Socialist
 - Mixed
- (10) **Availability of Capital** : Availability of sufficient capital leads to optimum use of human and natural resources which leads to hyper level of income output and employment.

Sufficient Amount of Capital	→	I ↑ (Investment)	→	Y ↑ (Income)	→	S ↑ (Saving)	→	CF ↑ (Capital Formation)
Again	→	Y ↑ (Income)	→	AD ↑ (Aggregate Demand)	→	P ↑ (Production)	→	Y ↑ (Income)

So, all these factors are interrelated.

□ □ □

CHAPTER-2

Basic Features of Indian Economy

Q.1 The world has been divided in how many parts according to eco dev?

Ans.: On the basis of economic development, the world has been divided into two parts :



Nature of Indian Economy :

- (1) Indian Economy is an Under Developing Economy
- (2) Indian Economy is a Mixed Economy
- (3) Indian Economy is Planned Developing Economy

Q.2 What is vicious cycle of Proverty?

Ans.: According to Prof. Nurkse, "Under developed economics are steeped in the vicious cycle of poverty. This mean that the biggest hindrance to the economic development is poverty."

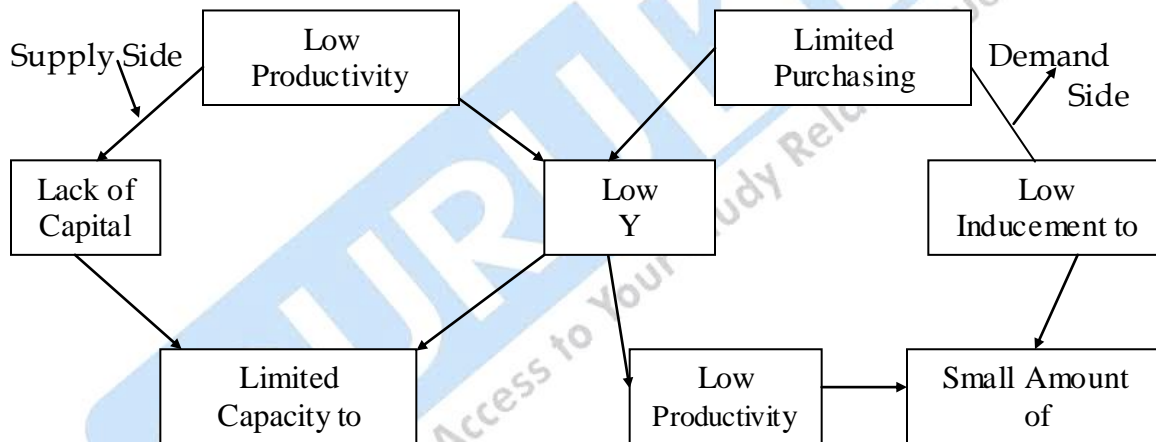
According to Nurkse, "A country is poor because it is poor."

Low Income (Y) → Low Savings → Low Investment

→ Low Productivity → Low Productivity → Low (Y)

Prof. Nurkse, underdeveloped economies are steeped in the vicious circle of poverty. This means that the biggest hindrance to economic development is poverty. Nurkse says "A country is poor because it is poor." This means that when the people of a country are very poor, savings in the country are very low. Low savings result in low investment. Low investment causes low productivity, and thus, there is no economic development. When much economic development is not possible, people too, remain poor thus,

Note : Underdeveloped countries are not able to break the vicious circle of poverty. The reason being that in these countries, the means of production are generally **feudalistic** and **capitalistic**. A majority of people are poor and lack the capacity to save. Landlords and rich people have more income because of low capital formation.



Q.3 What is the current population according to 2011 census?

Ans.: Recently population is 112.70 million.

Q.4 How much area & density of India?

Ans.: Area of India is 32.80 Sq. Km.

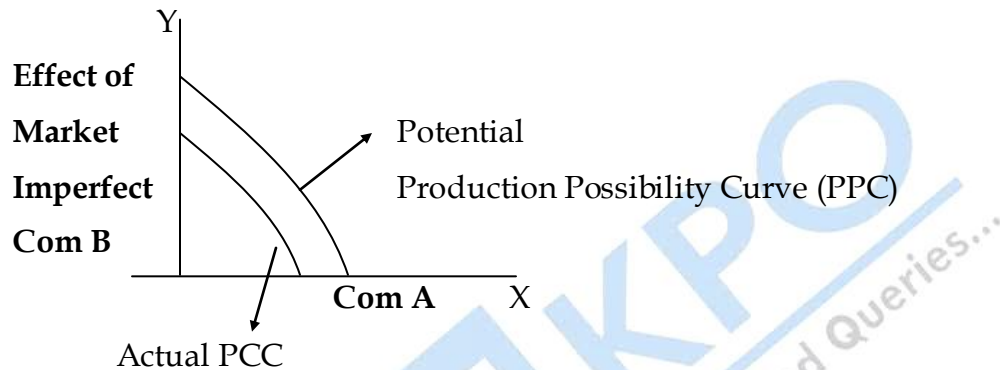
$$\text{Density of Population} = \frac{\text{Total Population}}{\text{Total Area}} = \frac{102.70}{32.80} = 324 \text{ Sq. Km.}$$

Q.5 Describe Market Imperfection.

Ans.: Market Imperfections : Main obstacle to the economic development of the underdeveloped countries is the market ;imperfection. An imperfect market is the market in which optimum production is not possible because of the improper distribution of the available resources imperfections of the market is means immobility of the resources instability of prices, rigid economic structures, presence of monopoly, and specialization, etc. As a result of these, efficiency of production in the underdeveloped countries, remains low, and a proper utilization of resources is not possible. In the underdeveloped countries, market imperfections are of the following types:

- (i) **Immobile Factors** : Factors affecting production are immobile in the underdeveloped countries. Despite very low marginal productivity of a majority of workers in the jobs in their hands, they do not show any tendency to switch over to those industries where their productivity may be higher. In spite of the progressiveness of these economies, there is no efficient distribution of capital. There are several types of social obstacles, like existing customs and conventions, caste-system and religious notions, etc, responsible for the immobility of resources. Scarcity of the capital required for the mobility of resources is a major obstacle among the economic factors which curb this mobility.
- (ii) **Ignorance of Market Conditions** : Second imperfection of the market is ;the lack of information regarding the employment opportunities in various markets. Workers do not know where the can get better and more employment opportunities. Similarly, the producers are ignorant about the possibilities of employment in the domestic and international market.
- (iii) **Monopolistic Practices** : Very few entrepreneurs are found in an underdeveloped country. They have a monopolistic control over the factors of production. As such these factors cannot be used to an optimum level.
- (iv) **Inflexible Economy** : Underdeveloped economies are more rigid. In these economies, the structure of the gross production remains more static than in the developed countries. Elasticity of supply is

low. Number of entrepreneurs being less, outdated modes of production continue to persist. The aforesaid market imperfections of market try to keep a poor country, poor still. As such, the resources of these countries cannot be used to the optimum level. We can elaborate this point with the help of Figure.

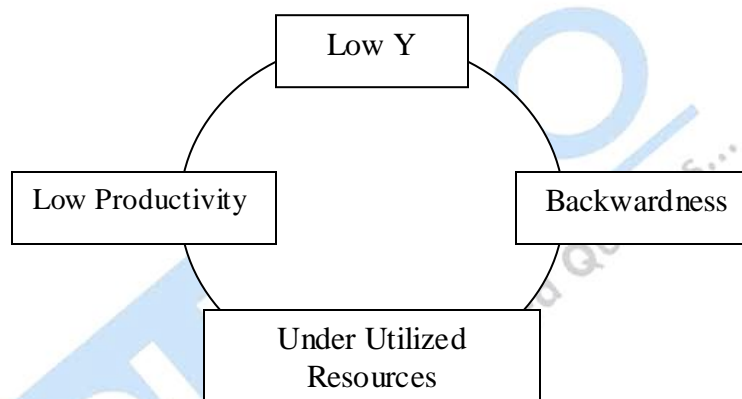


And due to market imperfections, the economy on actual PCC instead of potential PPC which is higher.

Suppose a country is producing wheat and rice. In the given figure, line PC is the Production Possibility Curve of the two items. Point P of this curve indicates the maximum quantity of rice produced in the economy, with the help of available resources. Similarly, point C shows how much quantity of rice can be produced. Other points on this curve show various maximum possibilities of wheat and rice which can be produced by available resources and given production technology. But the actual production of the underdeveloped countries is very inferior. Market imperfections put obstacles to the mobility of resources. The best possibility of resource utilization is not explored. The result is that **Actual Production Possibility Curve** is LM. It is much below curve PC. Through the difference between both these lines, the extent of underdevelopment can be measured. This figure makes it clear that market imperfections do not let the resources be used to an optimum level in the underdeveloped countries.

Q.6 Write salient features of Indian Economy.

- Ans.:** (1) Low National Income
(2) Low per capita Income
(3) Predominance of Agriculture
(4) Population Explosion
(5) Underemployment and Unemployment
(6) Low Income Level (= n) equilibrium)



- (7) Unbalanced Foreign Trade
(8) Planned and Mixed Economy
(9) Poverty in Plenty
(10) Unbalanced Industrial Growth
(11) Dependence on Monsoon
(12) Deficit Financing
(13) Lack of transportation
(14) Obsolete Technology
(15) Vicious cycle of Poverty

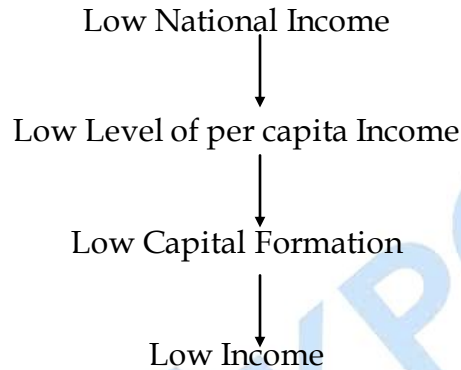
Q.7 Why there is Capital Deficit in India?

Ans.: One of the basis features of Indian Economy is Capable Deficiency here because of two reasons :

(1) The amount of (capital) per head is low.

(2) Current rate of capital formation is low.

In simple words, low National Income and low per capita income leads to low capital formation.



Q.8 Indian Economy is known as Mixed Economy, why?

Ans. Indian economy is called mixed economy because here equal opportunities are provided for working in public & private sector.

Mixed Economy = Pvt. Sector + Public Sector

In initial stages of plans public sector was given importance because for long gestation projects and lowly level projects private sector will not come forward. 50 public sector was promoted but because PCOs well non-profit organization they run in losses so, in 1991 liberalization, privatization and globalization was done.

Q.9 How inflation influences Economic Development?

Ans.: Inflation means rise in general price level in an economy. When general price level in an economy raises the real income of purchasing power of the commerce will fell down which will lead to low demand low demand will affects supply and there will be low production in an economy. Moreover high prices will left low income for saving which will lead to

low capital formation which will effect economic development of a country.

(Demand Side)

(i) High Prices (Inflation) \longrightarrow Low Demand \longrightarrow Low Production or Supply

(Supply Side)

(ii) High Prices \longrightarrow Low Supply Power \longrightarrow Low Capital Formation

Q.10 "Poverty among Prosperity in Indian Economy". Explain the statement.

Ans.: "India is a rich country inhabited by poor people."

The above statement demonstrates that opposing nature of Indian economy where even in presence of abundant natural resources, forest reserves a large proportion of population is living below poverty line with low living standard.

The whole statement can be divided into two statements :

- (1) India is a Rich Country.
- (2) India is inhabited by poor people.

"India is a Rich Country" : India is very rich and prosperous country on account of its geographical location natural make up, mineral resources, forest and water resources, human resources etc.

- (i) Suitable geographical location
- (ii) Vast area
- (iii) Large fertile land
- (iv) Vast water resources
- (v) Vast forest resources
- (vi) Vast mineral resources
- (vii) Power resources
- (viii) Suitable surface
- (ix) Suitable Climate

(x) Vast human power

“India is inhabited by poor people” :

(i) Low per capital income

(ii) Unemployment

(iii) Low living standard

(iv) Low capital formation

(v) Old techniques of production

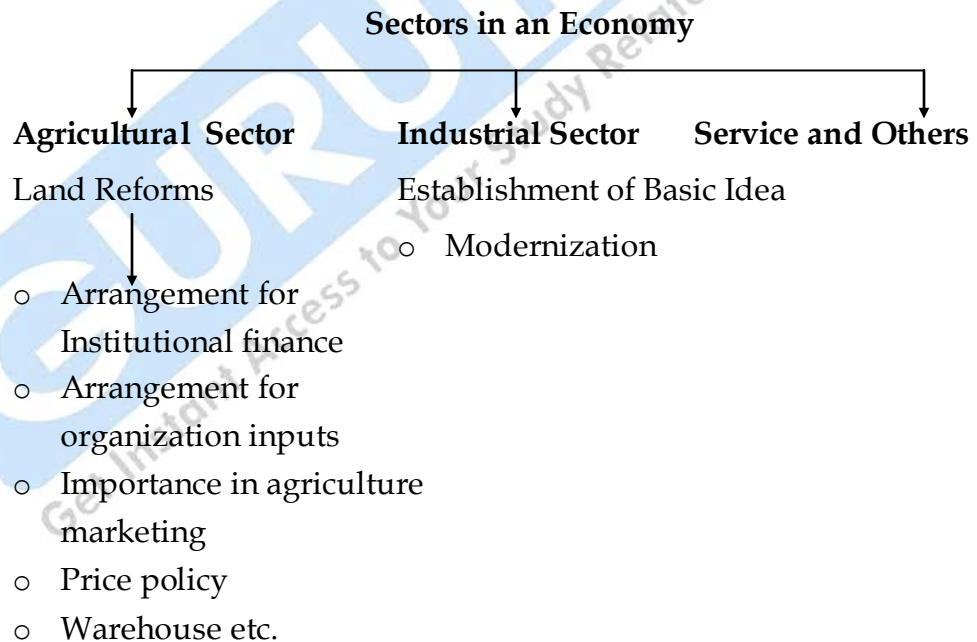
(vi) Heavy loan burdens

(vii) Vicious circle

(viii) Lack of transportation

Q.11 Write Suggestion for Rapid Economic Development of India.

Ans.:



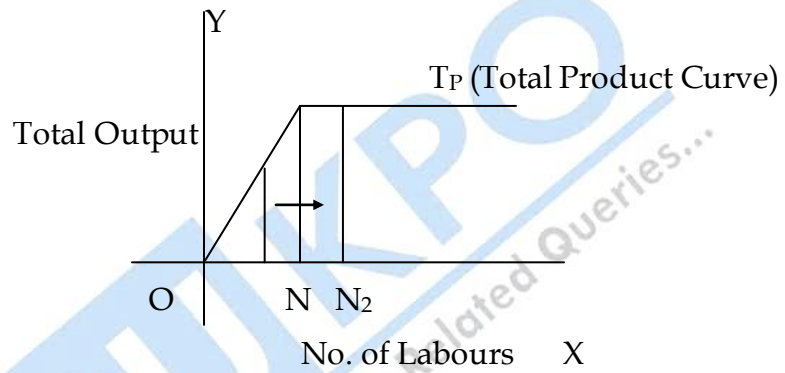
Q.12 Explain Disguised Unemployment?

Ans.: When the marginal productivity of labour is negligible zero or natural this is called disguised unemployment.

$$MP = \frac{TP_n - TP_{n-1}}{\Delta N} \quad \text{OR} \quad \frac{\Delta TP_n}{\Delta N}$$

Suppose if total production of 5 labours is 100 and if by employment 8th labour TP remains at 100 then MP of 6th labour will be zero.

According to Nurkse :



Upto N, TP is raising but after N to N₂, TP becomes horizontal to x-axis means N N₂ are disguised unemployed persons.

Q.13 Who is the Father of Green Revolution?

Ans. Professor M.S. Swaminathan.

Q.14 Causes of Under Development of Indian Economy?

Ans. Various causes are:-

- (a) Lack of Capital
- (b) Industrial Backwardness
- (c) Imbalanced Foreign Trade
- (d) Vicious circles
- (e) Lack of Education
- (f) Deficit Financing
- (g) Inflation
- (h) Political Unrest

(i) Natural calamities

□ □ □

GURUKPO
Get Instant Access to Your Study Related Queries...

CHAPTER-3

Economic Polices

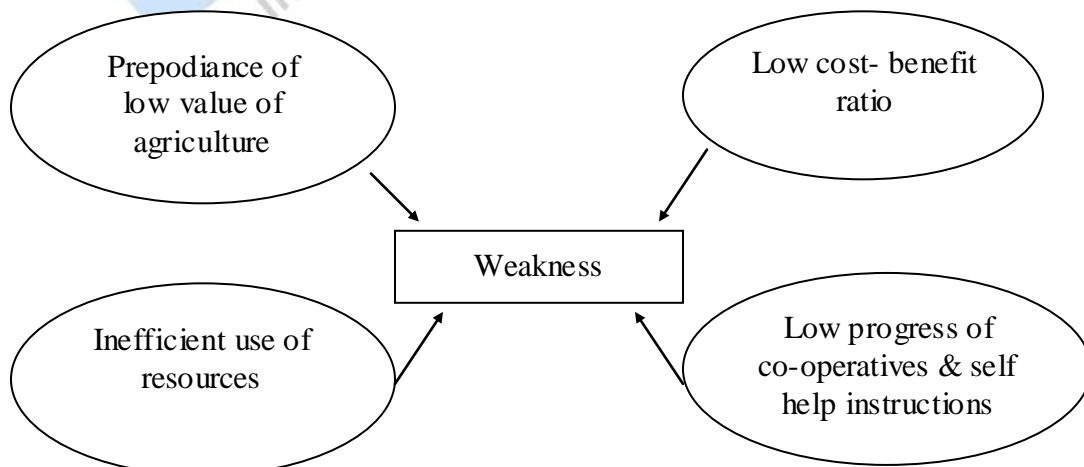
Q.1 What is meant by Economic Policy?

Ans. Eco Policy is the government policy through which economic activities of a country are regulated. Policies are made in order to maintain full employment, maintain high rate of economic growth increase eco welfare, maintaining stability of money.

Q.2 What is Agricultural Policy?

Ans.: Agricultural policy is the policy relating to the increase in agricultural production & improvement in standard of living of farmers. This policy is concerned with the comprehensive development of the agricultural sector Agriculture Policy.

“AP includes all those fundamental principles, guidelines and programmes which form bases for organization regulation, direction and growth of agricultural activities.



Q.3 Define objectives of Agriculture Policy.

- Ans.:**
- (1) More value added hectare.
 - (2) Improvement in productivity of inputs.
 - (3) Improvement in environment.
 - (4) Reduction in bureaucratic control of co-operative institutions.
 - (5) Expansion of Agricultural Credit.
 - (6) Extension of Irrigation Projects.

Q.4 What are the objectives of Economic Policy?

- Ans.**
- (1) Employment opportunities
 - (2) Rapid Eco Development
 - (3) Economic stability
 - (4) Max social welfare
 - (5) Eco Equality & Justice
 - (6) Eco Liberty
 - (7) Increase in Production
 - (8) Encouragement to Planned Development
 - (9) To Increase Exports
 - (10) Co-ordination b/w private & public sector.

Q.5 Various Instruments of Economic Policy?

- Ans**
- (1) Monetary Instruments
 - (2) Fiscal Instruments
 - (3) Commercial Instruments
 - (4) Eco Controls
 - (5) Subsidies.

Q.6 Various Components of Eco Policy?

- Ans. (1) Agricultural Policy
(2) Industrial Policy
(3) Commercial Policy
(4) Fiscal Policy
(5) Monetary Policy
(6) Price Policy
(7) Wage Policy

Q.7 Describe main features of Agriculture Policy.

- Ans.: (1) Policy for International Reforms (Land Reforms)
(2) Policy for Reforms in delivery System
(3) Policy for Agriculture Research & Development
(4) Agriculture Price Policy
(5) Agriculture Trade Policy
(6) Agriculture Credit Policy

Q.8 Evaluate Agriculture Development during the period of Planning.

- Ans.: (1) Defective Land Reforms
(2) Un-coordination Policies
(3) Neglect of Human Aspect
(4) Less Investment
(5) Low Property

Q.9 Define New Agriculture Policy.

Ans.: The new agriculture policy was announced by Government of India on July 28, 2000.

Need : Due to poor growth of agriculture during nineties.

4% growth rate per annum.

Which was just equal to the growth rate of population.

We have therefore been able to attain self-sufficiency without ending 'humper' in The country reasons for low growth.

- Capital inadequacy
- Lack of infrastructural support
- Demand sole constraints
- Difficulty in storage
- Difficulty in marketing

The following factors are mainly responsible for the emergence of this policy :

- Increasing Agricultural productivity and production.
- Regional imbalances.
- Degradation of land and water resources.
- Sub-division employment and unemployment.
- Value addition of Agricultural production.
- Dynamism to co-operatives.
- Research and training in advanced technology.
- Advantage of science and technology for all sections of farming community.
- Efficient use of marginal lands.
- Essay availability of agriculture inputs.

Objectives of New Agriculture Policy : In the words of **Shri Nitish Kumar**, then Union Minister of Agriculture :

- (1) Rate of Growth – Over 4% per annum in the agriculture sector by 2005.
- (2) Efficient Growth
- (3) Growth with Equity
- (4) Sustainable Growth
- (5) Demand Driven Growth
- (6) Promoting Pvt. Investment

Q.10 Write short form of following

- (1) NAP - National Agriculture Policy
- (2) HYN - High Yielding Varieties
- (3) NAIS - National Agriculture Insurance Scheme
- (4) FIIS - Form Income Insurance Scheme
- (5) AIGIL - Agriculture Insurance Co. of India

Q.11. Write any four appreciable aspects of new National Agriculture Policy (NAP) 2000.

- Ans.:**
- (1) New agriculture policy is marketing oriented.
 - (2) Effort has been made to free agriculture.
 - (3) Participation of Pvt. Sector in the agriculture sector will open new assets.
 - (4) With the objective of 4% growth rate in the agriculture sector, its efficiency and productivity will increase.

Q.12 Define Fiscal Policy.

Ans.: It is also known as budgetary policy. The word fiscal is used to describe something that related to Govt. money or public money, especially taxes. Fiscal policy refers to Government Policy regarding revenue and expenditure of the Government.

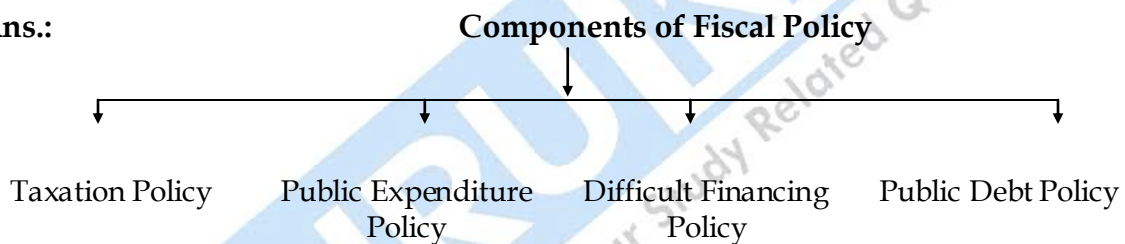
According to G.K. Shaw, "We define to change the level composition or timing of Government expenditure or change the burden structure and frequency of the structure."

Q.13 Write objectives of Fiscal Policy.

- Ans.:** (1) Mobilization of resources for rapid economic development of country.
- (2) Promotion of saving and investment so as to increase the rate of capital formation.
- (3) Encourage socially optimum investment.
- (4) To increase employment opportunities.

Q.14 Write components of Fiscal Policy.

Ans.:



Q.15 What is Fiscal Deficit?

Ans.: Fiscal Deficit = Total Revenue - (Revenue Receipt + Recoveries of Loans + Others Receipts)

Q.16 Monetized Deficit Defect Financing.

Ans.: Deficit Finance = Increase in Net RBI Credit to the Central Government.

Eminent economist Lord Keynes treated defect financing as an important means to increase effective demand and to remove unemployment.

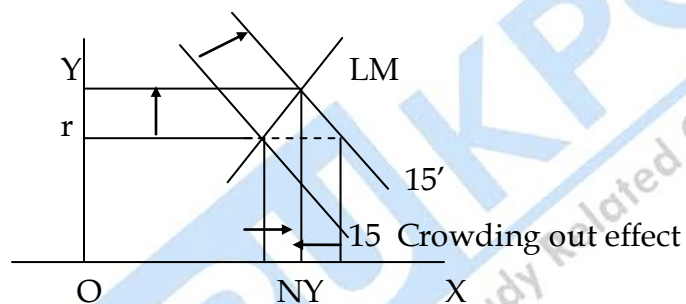
Defect financing in India means to meet the budgetary defect by taking loan from RBI by Govt. RBI gives this loan by issuing new currency note. Consequently money supply increases which creates inflation in an economy. So defect financing must be used within safe limits.

Q.17 Write characteristics of Indian Tax System?

- Ans.:**
- 1) Indian tax system is a multiple tax system in other words many types of taxes are imposed in the country
 - 2) The share of indirect taxes is more in total tax collection.
 - 3) Indian tax system is based on socialistic pattern of society means it's burden fall morerich and less on poor.

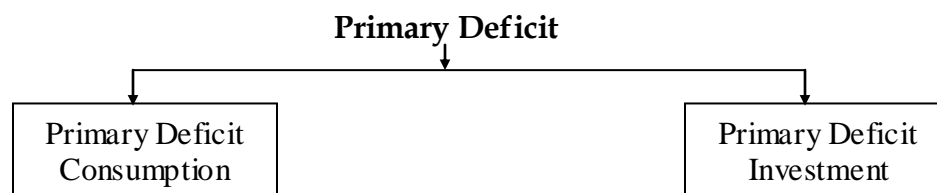
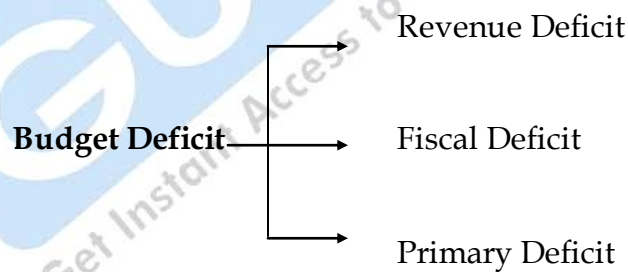
Q.18 Explain Fiscal Policy through IS-LM Curve.

Ans.:



Q.19 Explain Budget Deficit.

Ans.:



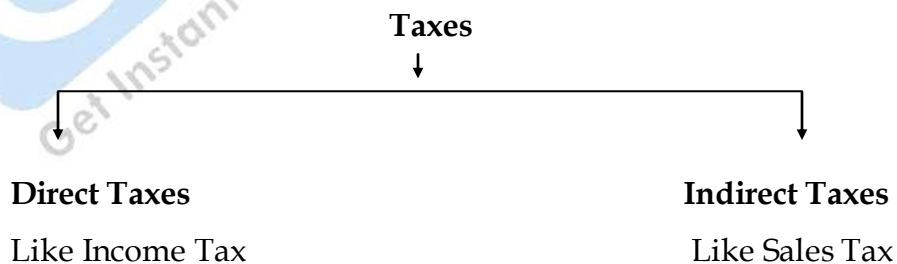
1. Revenue deficit = Revenue expenditure - revenue receipts
2. Fiscal Deficit = Already explained
3. Primary deficit = Fiscal deficit interest payment.
 - a) Primary deficit consumption = Revenue deficit - interest + interest receipts
+ Dividend & profits.
 - b) Primary deficit investment = capital expenditure - interest receipts -
dividend & profits - recovery of loans -
other receipts

Q.20 Write characteristics of Indian Tax System.

- Ans.:** (1) Indian tax system is a multiple tax system, in other words, many types of taxes are imposed in the country.
- (2) The share of induct taxes is more in total tax collection.
- (3) Indian tax system is based on socialistic pattern of society means it's burden fall more on rich and less on poor.

Q.21 Explain Indian Taxation System.

- Ans.** In the words of Newman, "By tax we mean a compulsory payment for public purposes."



Both direct and indirect taxes play an important role in Indian taxation system, but collection from indirect taxes is more. Indian taxation system

is **regressive** means it's burden more on rich and less on poor which also helps in reduction of disparities in income.

Q.22 Explain objectives of Indian Taxation System.

Ans.: Taxes are income on the one hand for Govt. and they reduce the disposable income of public so taxes should not be charged heavily. The following are the objectives :

- (1) Taxation policy is formulated in a way to reduce in essential consumption.
- (2) Price level does not increase much.
- (3) Increase a capital formation and savings.

Q.23 Explain Direct Taxes.

Ans.: Direct taxes are those which are paid by those on whom it is levied, in other words, these taxes can not be shifted. **For example : Income Tax.**

Q.24 What defects are involved in the Fiscal Policy of India?

- Ans.:**
- (1) Indian tax system lacks flexibility.
 - (2) Indian tax system is organize in nature, in other words, poor persons are taxed more than rich persons.
 - (3) Govt. has relied heavily on defect financing for meeting its expenditure defect financing must be used within save limits as this results in increase in prices or inflation as a result of increase in money supply.

Q.25 Write meaning & definition of Commercial Policy?

Ans.: Generally Export Import Policy (EXIM) of a country is known as commercial policy of that country.

According to Prof. Haberler - "Trade policy or refers to all those measures which regulate external economic relations of a country. These

measures are used by such regional or principal Govt. which has power to either obstruct or assist the export, import of goods and services."

Q.26 Write types of Commercial Policy.

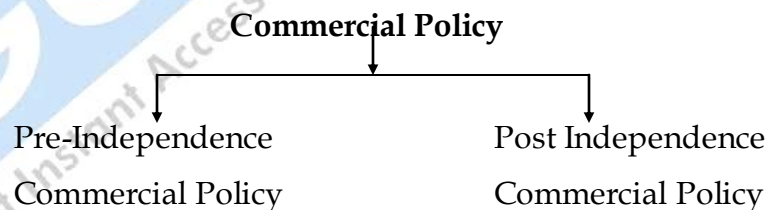
Ans.:

Free Trade Policy	Protections Trade Policy
Free trade is a conduction of international trade where nations do not impose customs duties or other taxes on imports of gods from other countries in simple works - Free movement of goods & service among nations (fire from theft, custom duties)	Policy of protection refers to Govt's such policy by which imports are restricted. In simple would the protect the country infant industries from under competition.

In the words of H. L. Harsen, "the theory of protection refers to imposition of duties on imports in order to 'protect' home produces of these commodities by malign for sign goods dearer."

Q.27 Explain Commercial Policy of India.

Ans.:



Pre-Independence Commercial Policy before Independence : Free Trade Policy was adopted in the country upto 1923. As a result, Indian industries could not sustain themselves. In competition with developed countries Briticisms make India a "Nation of exporting raw material and importing manufacturing goods."

Demand for raw-material is elastic & of manufactured goods was inelastic which newer the BOP unfavourable to India.

In 1921, Tariff Commission recommended adoption of discriminatory protection.

After 2nd world war, protection was provided to 34 communities.

Post-Independence Commercial Policy after Independence : After independence major changes took place in India's trade policy. More objectives of country's commercial policy are :

- Protecting country's industries.
- Planned economic development.
- Rapid industrialization.
- Encouragement to the process of economic development
- protectionists policy was adopted.
- Control on imports.
- Tariff and custom duties.
- Purchase to Indian goods in Govt. purchases etc.

Which a view to protect Indian industries from under competition or rest industries. Some of the committees deserve mention here in this connection :

- Dr. Alexander committee of Export – Import policy.
- Sondhi Committee on capital goods imports.
- Tandon Committee on exports.
- Venkataraman Committee on exports promotion council.

Q.28 Explain Export-Import Policy 1992-97.

Ans.: The Govt. of India announced its new EXIM Policy on 31st March, 1992. It was declared for a period of **five year from 1 April, 1992 to 31st March, 1997.**

This policy had made studies in minimizing restrictions, providing more freedom in foreign trade and reducing administrative control – Liberalization.

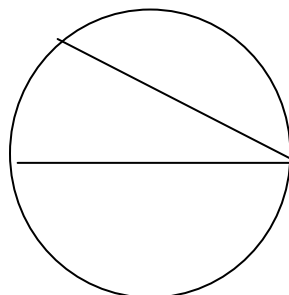
Objective :

- (1) To prepare a framework for world level India's foreign trade.
- (2) To increase productivity.
- (3) Modernization
- (4) Increasing capability of competition in Indian industries so that their export potential may increase.
- (5) To improve quality of goods for project
- (6) To arrange import of raw-materials equipments, consumable goods, capital goods, intermediate goods require by exporters with a view of increasing exports from India.
- (7) Encourage production of goods accepted at international levels.
- (8) Minimize or remove licensing completely and other decrementing countries.

Q.29 Explain India in World Economy in brief.**Ans.: Brief Discussions :**

- Important points about position of India in world economy.
- Highest production of wheat.
- In milk production, it is a leading country.
- India is among 10 top industrially developed countries of the world.
- **GNP**- National Income of American in the year 2000 was 960100cr. Dollars where as in India was 237500cr.
- Human development report by UNIO India is 24th among 173 nations, Pakistan is 138 & China is 96.
- Foreign Debt.

Sector wise 6 NP



		24.7	Agriculture
Less indebted 1999-02	Industry	26.4	
	Services	48.9	

Where a moderately indebted in 1998.

Highest indebted in 1991 & Now 9th in year 2002.

- Export of Food Grains :** Self sufficient doing 2001-02 India exported 75.62 lakh tones of food grains.
- World Population :** 2nd in world population - 102.70 crore, 16.7% of world population.
- World Trade :** 0.67%. Target is to achieve = 1%.
- Density of Population :** Means people living per sq. km.

$$\frac{\text{Total Population}}{\text{Total area}} = \frac{102.70}{32.80} = 324. \text{ sq. km.}$$

Compared with average density of population in the world of 46. sq. km.

- Gross Domestic Investment & Saving :**

	I	S
India	24	25
Highest in Japan	29	30

- Standard of Living is far behind Developed Countries**
- Area :** Total area of country = 3287263 sq. km., 0.42% of world area (7th place).
 - Largest State (Area wise) - Rajasthan
 - Smallest State (Area wise) - Goa
- Literacy :** 65.38%

- Male female ratio = **924 : 1000**
- State with highest population = **U.P.**
- State with lowest population = **Sikkim**

□ □ □

GURUKPO
Get Instant Access to Your Study Related Queries...

CHAPTER-4

Economic Planning

Q.1 Define Planning Process.

Ans.:

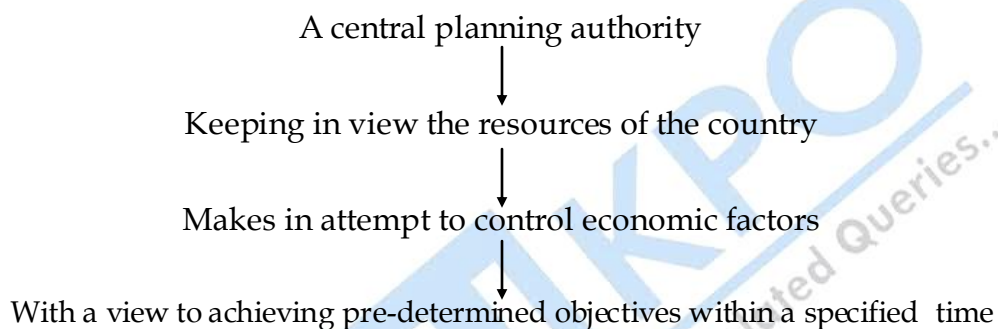


Q.2 Define Planning.

Ans. Planning is a system of economic organization which is apposed for the attainment of well defined and well decided objectives during a fixed period through the rational co-ordination & control of economic forces.

Q.3 Define Economic Planning?

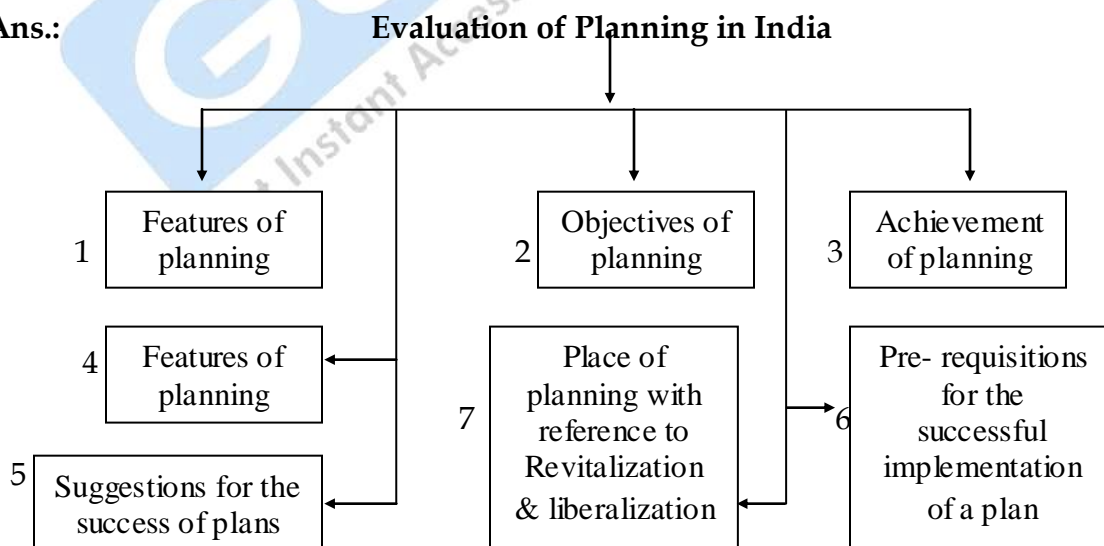
Ans.: Among the under developed democratic countries India was the first to follow the path of planning Economic planning refers to the process where in

**Q.4 Write objectives of Economic Planning?**

Ans. (1) Increase in national income or economic developed.
 (2) Increase in standard of living.
 (3) To reduce economic inequality.
 (4) Comprehensive development.

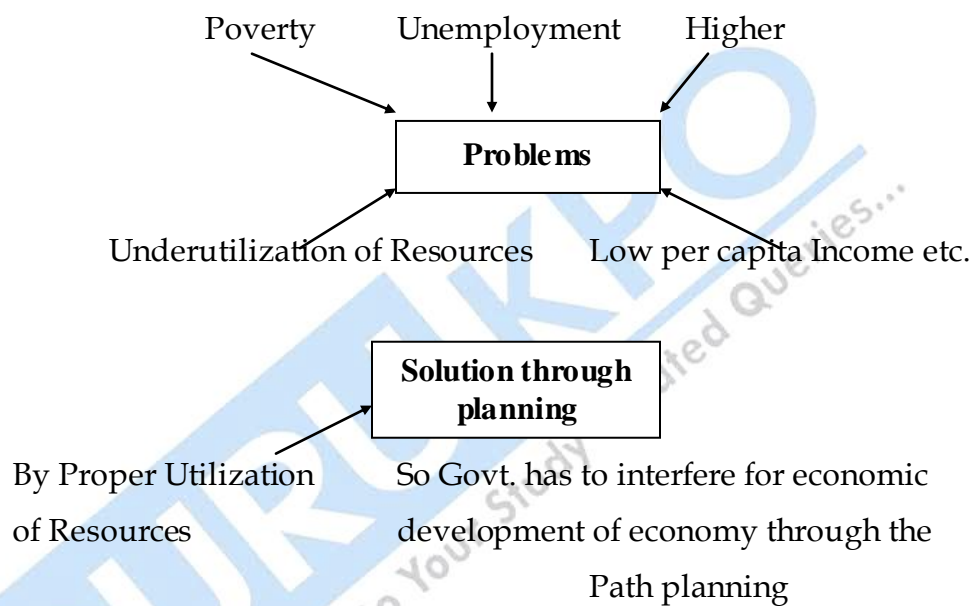
Q.5 Write Evaluation of Planning in India.

Ans.:



Q.6 When the great depression takes place in World?

Ans.: In 1930, when the great depression took place in capitalist economics, the significance of economic planning was felt by these economics. The developing economics followed the path of economic planning to rebuild their war tern economics after world war record. The developing economies follow the path of economic planning to solve their problems like :

**Q.7 Give any four characteristics of Economic Planning.**

- Ans.:**
- (1) Continuous process
 - (2) Definite periods
 - (3) A system of economic organization
 - (4) Central control and interference
 - (5) Pre-determined objectives
 - (6) Determination of targets
 - (7) Allocation 2nd uses of resources
 - (8) Public Co-operation

- (9) Maximum social welfare
- (10) Appraisal
- (11) Plan for while economy

Q.8 How many Commission has defined Planning?

Ans.: After independence in 1950 planning commission was set up under the chairmanship of late, **Sh. Jawaharlal Nehru**. It was to formulate plans for the economic development of the country on the basis of the availability physical, capital and human resource.

According to Planning Commission - "Planning is essentially a way or organizing and utilizing resources to the maximum advantage in terms of defined social ends.

Main constituters of concept planning are

↓
System of ends to be perused

↓
Knowledge as to available resources

↓
Their optimum allocation

Q.9 Explain Planning time periods.

Ans.: Till now in India we have completed ten five year plans and with five year plan in going on.

First Five Year Plan	1951 - 56
Second Five Year Plan	1956 - 61
Third Five Year Plan	1961 - 66
Three One Year Plan	1966 - 69
Fourth Five Year Plan	1969 - 74

Fifth Five Year Plan	1974 - 79
Seventh Five Year Plan	1979 - 85
Eight Five Year Plan	1985 - 90
Ninth Five Year Plan	1997 - 02
Tenth Five Year Plan	2002 - 07
Eleventh Five Year Plan	2007 - 12

(Going on)

Slogans of Plans :

First Plan : "Self-sufficiency in too & grains."

Second Plan : "Basic and heavy industries."

Third Plan : "Social and economic justice."

In 1965 - Indo-Japan war slogan of "**Jai Jawan Jai Kisan**"

Fifth Five Year Plan : "Self Reliance"

Sixth Five Year Plan : "Removal of Poverty"

Seventh Five Year Plan : "Productive Employment"

Eight Five Year Plan : "Employment Oriented Growth"

So, main objectives of planning were :

- to accelerate the economic growth rate
- self - reliance
- Modernization

All with price - salability.

Q.10 Explain need for Economic Planning and causes for its popularity.

Ans.: Almost all UPCs of the world have adopted the strategy of planning for their economic development. In India, **Sir M. Vishveshwalya**, an eminent engineer and state man in his book.

Planned economy for India 1934 had for the first time laid stress on scientific planning for the re-construction of the country.

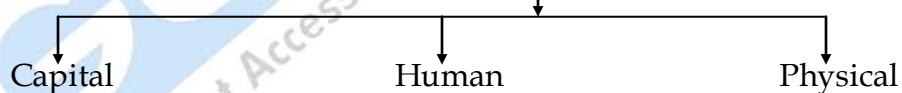
Economic planning is not a pre-condition for economic development of an economy. Many DCs have not followed the path of planning yet they are developed economic. But these DCs have abundant resources which UPCs are defined off moreover to achieve economic development in short - period, SE UPCs has to follow the path of economic planning because of following reasons: -

- (1) Demerits of laissez faire and market economy - Means no control of Govt.
- (2) Ideology of communism
- (3) Demerits of capitalism
- (4) World wars
- (5) Great depression of thirties
- (6) Desire for rapid economic develop
- (7) Democratic Govt.

Prof. Robbins had rightly observed - "The planning is a grand panacea of our age."

Q.11 Write importance of Economic Planning.

Ans.: (1) Promote utilization of available resources.



- (2) Helps in increasing the rate of capital formation in the country.
- (3) Increase in national income.
- (4) Improvement in standard of living .
- (5) Economic stability.
- (6) Moral Upliftment
- (7) Balanced Regional Development

Q.12 Write limitations and demerits of Economic Planning?

Ans.: Economic Planning is not without its adverse effects many scholars has criticized economic planning on the following basis :

- (1) Lack of necessary incentives
- (2) No personal freedom
- (3) Demerits of bureaucracy ad red-tapism.
- (4) Dictatorial Tendency
- (5) Muddled economy
- (6) Corruption and inefficiency

Q.13 Write the period of Fourth Five Years Plan.

Ans.: 1969 - 70 to 1973 - 74

Q.14 Which country adopted the New Deal Policy for Economic Stability?

Ans.: U.S.A.

Q.15 Write any two political objectives of Economic Policy.

- Ans.:** i) Defense
ii) Offence

Q.16 What growth is predicted in Tenth Five Year Plan.

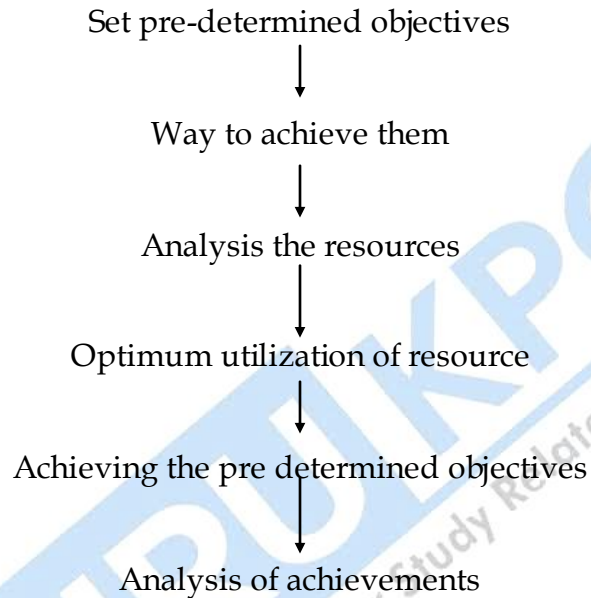
Ans.: 8% economic growth rate.

Q.17 In which period the country had continuous three One Year Annual Plan.

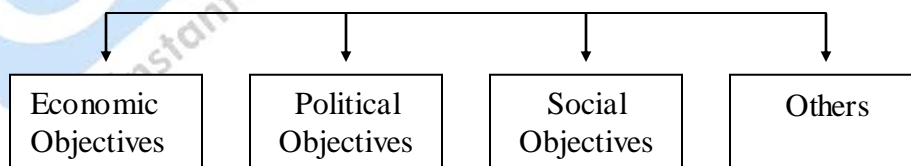
Ans.: 1966 - 67,
1967 - 68,
1968 - 69

Q.18 General Discussion on objectives of Planning.

Ans.: The very first step in planning in to well - determine the objectives a country was to achieve through the path of planning. Because only after defining objectives a country will be able to direct its efforts towards it. Various steps in economic planning are :

**Q.19 Explain the objectives of Planning.**

Ans.: Before adopted economic planning, the country has to determine its objectives various objectives can be **classified as**

**Q.20 What are Economic Objectives.**

Ans.: Economic objectives are as follows :

- (1) Optimum utilization of resources
- (2) Rapid economic development

- (3) Max. production
- (4) Full employment
- (5) Agriculture development
- (6) Industrialization
- (7) Balanced growth and regional dev.
- (8) Production in economic disparities
- (9) Economic stability and control on trade cycles
- (10) Economic security
- (11) Reconstruction after war
- (12) Self reliance
- (13) High GDP and PCY

Political Objectives :

- (1) Defense
- (2) Offence
- (3) Peace and international co-operation

Social Objectives :

- (1) Social security
- (2) Social equality
- (3) End of class - conflict rich poor
- (4) Moral and intellectual uplift.

Other Objectives of Economic Planning : In addition to the above, there are some other objectives of economic planning such as :

- (1) Population control
- (2) Decentralization of art and craft.
- (3) To create public awareness.
- (4) To check production of inessential and harmful commodities

Q.21 Explain objectives of Planning in India?

Ans. Objectives of 1st Five Year Plan : Slogan was self sufficiency in food grains plan time period - 1951-56.

Main Objectives :

- (i) To correct economic imbalances created due to second world war.
- (ii) Comprehensive balanced development increased in National Income.
- (iii) High standard of living.

Objectives of 2nd Five Year Plan :

Slogan - Heavy and Basic in directed "Social and economic justice"

Time period 1956 - 57 to 1960 - 61

Main Objectives :

- (i) Increase NY at the rate of 25%.
- (ii) Rapid industrialization through emphasizing the development of key and heavy industries.
- (iii) To create employment opportunities.
- (iv) More equal distribution of economic power.

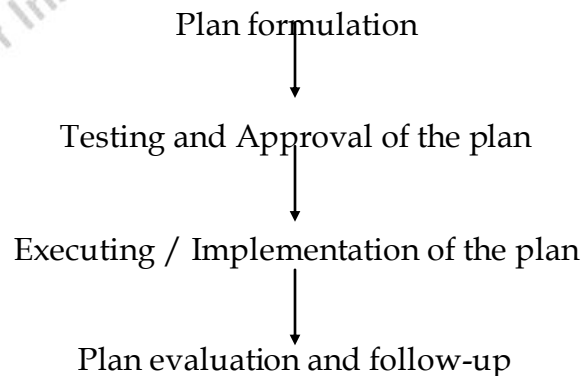
Objectives of IIIrd Five Year Plan :

Slogan "Take off stage"

"Defence and Development"

Q.22 Explain techniques of Planning.

Ans.: Formation of Planning Organization :



Q.23 Explain 9th Five Year Plan.

Ans.: Introduction : Ninth five year plan was launched on the 50th year of independence of our country.

Slogan - "Growth with equity"

Time Period - It covered the time period town.

1st April 1997 to 31st March 2001

Total Investment proposed us Rs. 2205000 Cr. Of it 8,75,000 cr. will be in public sector and rest in pvt. sector.

The plan aims it achieving 7% growth rate per annum.

Objectives :

- (i) Priority to agriculture and Rural development
- (ii) Growth and stability in prices
- (iii) Food and nutritional security
- (iv) Minimum basic services
- (v) Reduction in growth rate of population
- (vi) Environmental reforms
- (vii) Encouragement to people's co-operation
- (viii) self - reliance
- (ix) Agents of socio-economic change.

In short main objectives of the ninth -five year plan is to achieve the goal of "**Growth with Equity**".

Q.24 Write objectives of 10th Five Year Plan.

Ans.: Time period 1st April 2002 to 31st March, 2007 and this was the most ambitious plan so far the tenth plan provides on opportunity at the start of the new millennium, not only to build upon the gains of the past but also to address the weaknesses that have emerged.

The tenth plan must learn from the past experience must strengthen what has worked well but also avoid repeating failures.

Tenth five year plan is being drawn up as reform plan instead of merely being a resource plan.

Objectives - According to Prime Minister "Atal Bihari Vajpayee" plans aims at equitable development process and people oriented planning to make India on economic power in the foreseeable India.

Main Objectives were :

- (i) Rate of growth of NY - 8% per annum
- (ii) Growth rate of per capita income
- (iii) Improvement in quality of life
- (iv) Reduction in poverty
- (v) Provision of gainful employment
- (vi) Provision of universal education
- (vii) Reduction in gender gaps - 27 : 1000
- (viii) Reduction in GR of population
- (ix) Increase in literacy rate
- (x) Reduction of infant mortality rate
- (xi) Reduction in material mortality ratio
- (xii) Environmental protection
- (xiii) Growth, equity and sustainability
- (xiv) Balanced development in all sectors.

Q.25 Write the formula of calculating per capita Income.

Ans.: Per capital & Y =
$$\frac{\text{Total National income}}{\text{Total Population of the country}}$$

Q.26 What was the Poverty Ratio in the Country in the year 1999 - 2000?

Ans.: 26.1%

Q.27 Write three new States in the Country came into existence in the year 2000.

Ans.: Uttaranchal, Jharkhand, Chhattisgarh.

Q.28 Write any four points of success in Indian Planning?

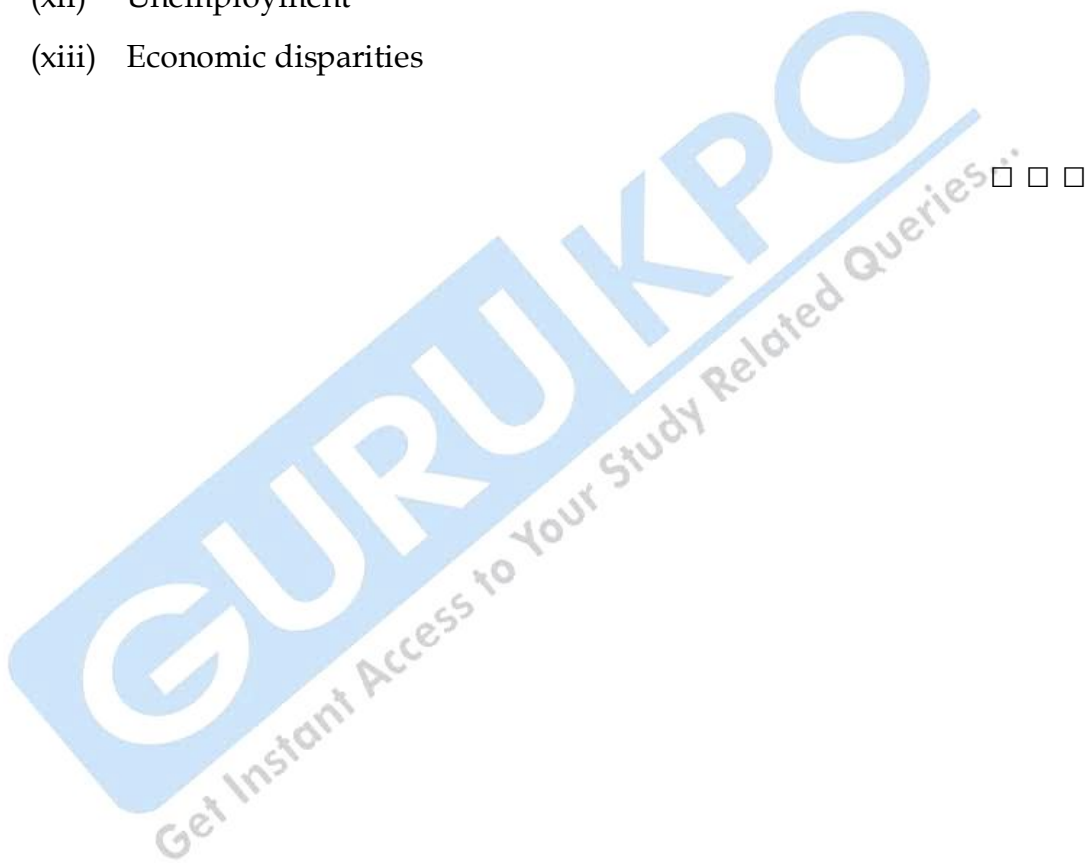
- Ans.:**
- (i) Increase in NY and per capita income
 - (ii) Increase in agriculture production
 - (iii) Institutional reforms in agriculture and green revolution
 - (iv) Development of industries
 - (v) Development of infrastructure
 - (vi) Social services
 - (vii) Employment
 - (viii) Modernization
 - (ix) Self - sufficiency

Q.29 Write failure of Planning.

Ans.: Main objectives of Indian Planning are to raise std. of living of the people, to achieve self - sufficiency in agriculture and industrial production to remove inequalities of wealth and income, so tax reveals that plans have failed to attain their objectives. Population was increasing at a high rate that employment opportunities the main failures are -

- (i) No substantial increase in the standard of living
- (ii) Rise in prices/Inflation
- (iii) Increase in unemployment
- (iv) Inequality in distribution of Income and wealth
- (v) Insufficient Administration
- (vi) Lack of strong foundation

- (vii) Less growth in production sector
- (viii) Increase in more trade deficit
- (ix) More ambitions
- (x) Instability
- (xi) Poverty
- (xii) Unemployment
- (xiii) Economic disparities



- Agriculture finance

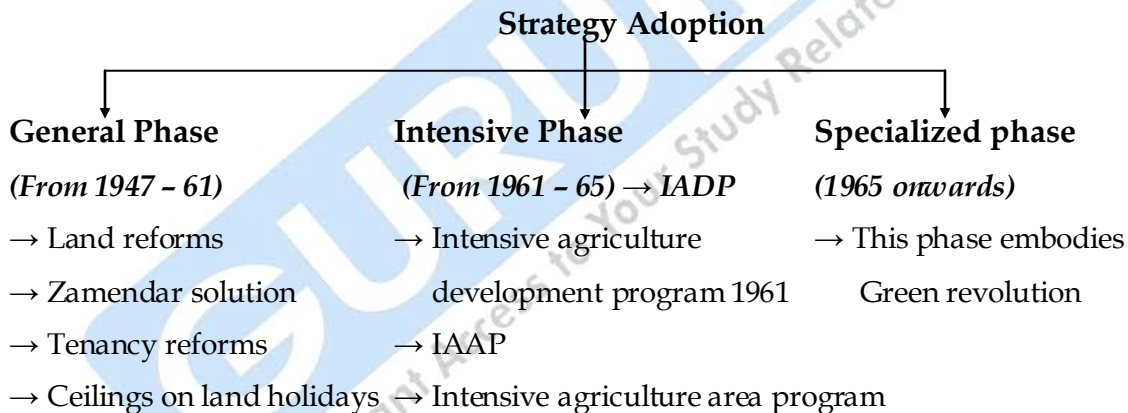
Q.3 What do you understand by Green Revolution?

Ans.: During the sixties, Indian agriculture experienced a spectacular increase in production, especially in that of wheat and rice crops it was mainly through an increase in **productively per hectare** of these crops. The jump in the rate of producing increase was so sudden and conspicuous that some economists termed the new change as green revolution. Base of Green Revolution was the use of H.Y.V Seeds.

Q.4 What strategy adopted for development of Indian Agriculture?

Ans.: We know agriculture development is a precondition for over all development of an economy.

Strategy adopted can be classified in to three phases :



Q.5 Write a note on India's Agriculture Price Policy.

Ans.: Green revolution has accelerated the growth of commercial family in India. Farming population has become more responsive to charges in agricultural prices.

Doubtless : It is said that a rational farmer keeps his one eye on the plough and the other on market.

Agriculture Price Policy : The agriculture price policy is the policy formulated by the Govt. in relation to agriculture prices with the aim of bringing stability in agricultural prices, encouraging agriculturalists to invest in order to increase production, encouraging agriculturists to employ new techniques and making agricultural product available to consumer in proper qty. and at right prices.

Q.6 Write objectives of Agriculture Price Policy.

Ans.:

From point of view of Farmers

- To protect farmer from unstable prices of agriculture products by announcing minimum agriculture support prices.
- To promote him to use new techniques of production.

From the point of view Consumers

- To protect the consumer from high prices of agriculture product through storage and use houses etc.

Q.7 Explain CACP.

Ans.: CACP stands for commission for agriculture cost and prices.

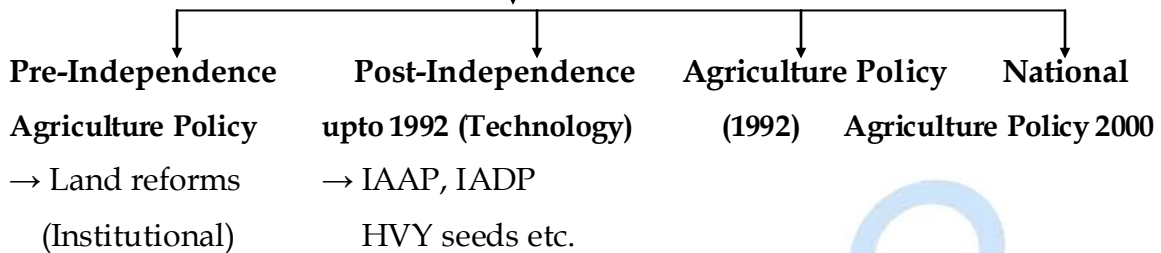
Following the recommendations of the committee, agricultural prices commission was set up in 1965. Later on in 1980, it was renamed as commission on agriculture cost and prices.

Q.8 Write a note on "India's Agriculture Policy".

Ans.: Agriculture is a personal occupation so no clear and specific policy has been declared for it, as had been formulated for industry trade and

transport, for course, the Govt. has taken several steps from time to time for the development of agriculture.

The **Agriculture Policy of India** can be studied as under :



Failures of New Agriculture Strategy :

- (i) Increase in disparities
- (ii) Increase in regional disparities
- (iii) Shortage of agricultural inputs
- (iv) Increase in unemployment
- (v) Dependence on industrial sector
- (vi) Limited to some crops
- (vii) Lack of institutional charges

Suggestion for the success of New Agriculture Strategy or Green Revolution :

- (i) Use of seeds on the basis of soil tests
- (ii) Use of fertilizers in appropriate qty.
- (iii) Arrangement of agriculture finance
- (iv) Co-ordination between various depts..
- (v) Effective implementation of land reform programmes.
- (vi) Administrative efficiency
- (vii) Encouragement to co-operate faming.
- (viii) Extension of agriculture facilities
- (ix) Development of small & cottage industries

- (x) Plant protection scheme.
- (xi) Expression of programme.

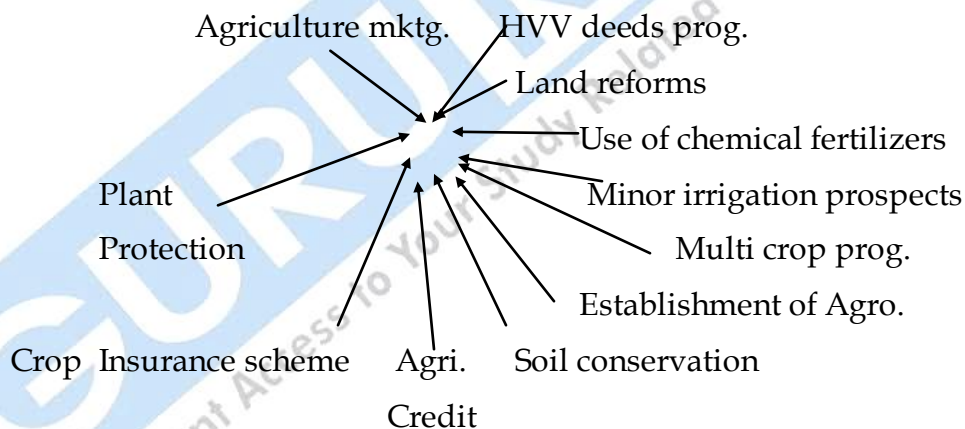
New Agriculture Strategy :

Introduction : Several revolution steps were taken to increase agricultural production. It was termed as green revolution. The base of the green revolution was the use of H.Y.V. seeds which registered 3 to 4 fold increase in agricultural production. The increase was so sudden that some economical termed it as green revolution.

New HYV seeds of wheat were developed by **Prof. Normal Bollaguh.**

Wheat Production increased from 5000 to 6000 Kg per header in Mexico started in India in 1966 (HYVP).

Elements :



Achievement :

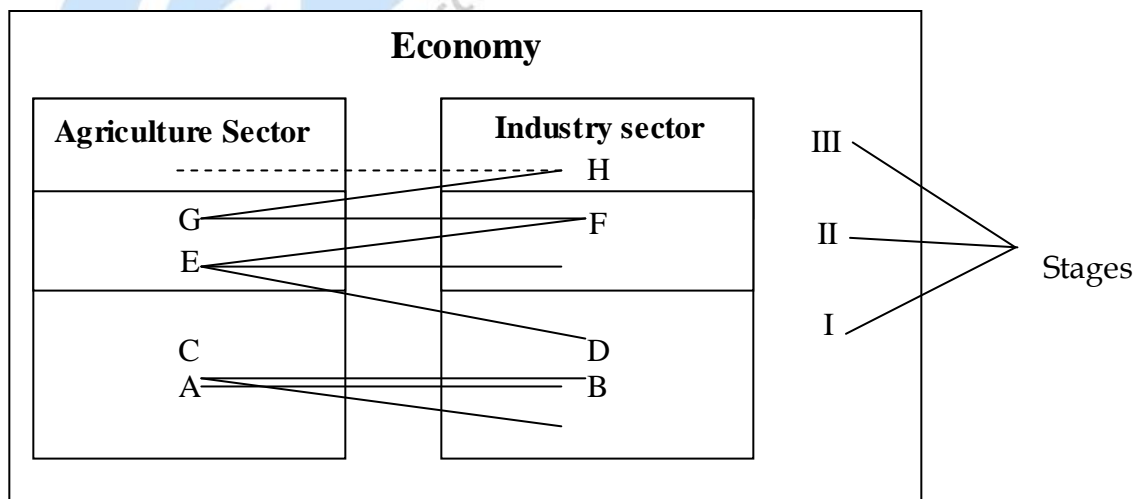
- (i) Inc in production of food grains
- (ii) Extension of irrigation area,
22.6 mill 1950-57 - 76 mills 1999-2000
- (iii) Increasing use of fertilizers
- (iv) Increasing use of improved seeds national seed corporation
- (v) Plant protection and use of pesticides

- (vi) Agricultural Mechanization
- (vii) Soil conservation.
- (viii) Soil conservation in production of industrial raw material
- (ix) Guarantee of fair prices - MSP
- (x) Agriculture education and research
- (xi) INC in productivity
- (xii) Agriculture as a pretension
- (xiii) Proper utilization of resources.
- (xiv) Export and import of agriculture products
- (xv) Basis for white revolution

India wins largest livestock in the world.

Q.9 Define relation between Agriculture and Industry?

Ans.: In the initial stages of development, agriculture helps in the development of industry by providing raw material to industries and later on industry helps agriculture by providing tools, machines etc.



Q.10 What do you know about Crop-Insurance Scheme?

Ans.: It is necessary to provide the facilities of crop-insurance to Indian farmers as this field is more prone to natural risk and disasters. Therefore **NAIS** National agriculture insurance scheme was introduced from Rabi 1999-2000 replacing the erstwhile comprehensive crop insurance scheme **CCIS** main objective is to –

- Protect farmers against crop losses suffered on account of natural calamities.

Q.11 Write significance of Agriculture in Indian Economy.

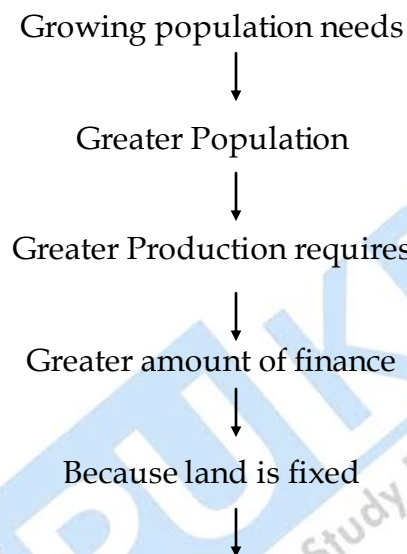
Ans.: **Introduction :** Around 52% of country's population is dependent on Primary sector. It is the main source of employment & national income. It's the basis of Industrial development.

- (i) Share of Agriculture in National Income
- (ii) Important contribution to employment
- (iii) Important source of industrial trade
- (iv) Foreign exchange earnings through export of agriculture exports.
- (v) Supply of milk and milk products.
- (vi) Supply of fodder
- (vii) Gains from fisheries sector
- (viii) Important for internal trade
- (ix) Budget and Govt. policies
- (x) Huge Investment of Capital
- (xi) Impact on GDP growth rate.

Q.12 What is Agriculture Finance?

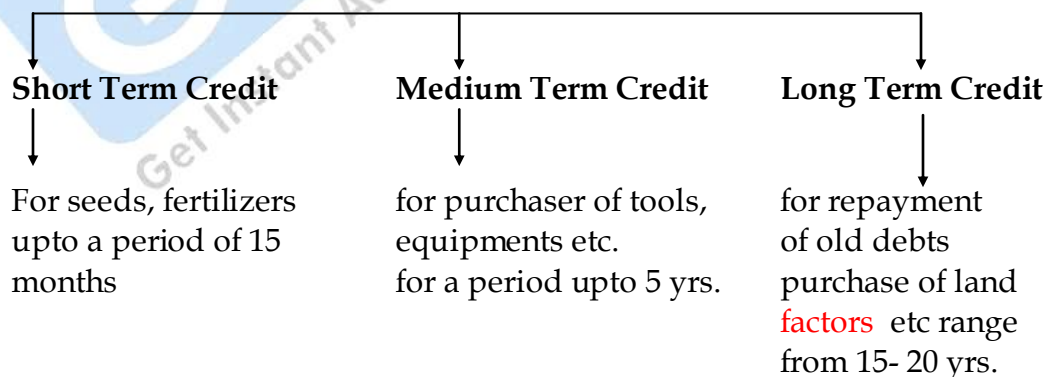
Ans.: Introduction: - Highlighting the significance of agriculture credit, "Prof. Kindleberger Writes".

It is a part of wealth which is invested to enhance productivity of land.



Agriculture production can be increased through intensive user of seeds, fertilizers, other agriculture inputs.

Financial needs of farmers in India is more because of their poverty.

Classification**Q.13 Explain KCC.**

Ans. **Kisan Credit Card** scheme was introduced in **1998-99**. NABARD was made mainly to fulfill the long term credit requirement to farmers. So **Kisan Credit Card** scheme was launched to fulfill short term credit requirement of farmers.

Kisan Credit Card Scheme : Kisan Credit Card schemes was introduced in 1998-99 to facilitate access to credit from commercial banks and RRB. The salient features of the scheme are as given below :

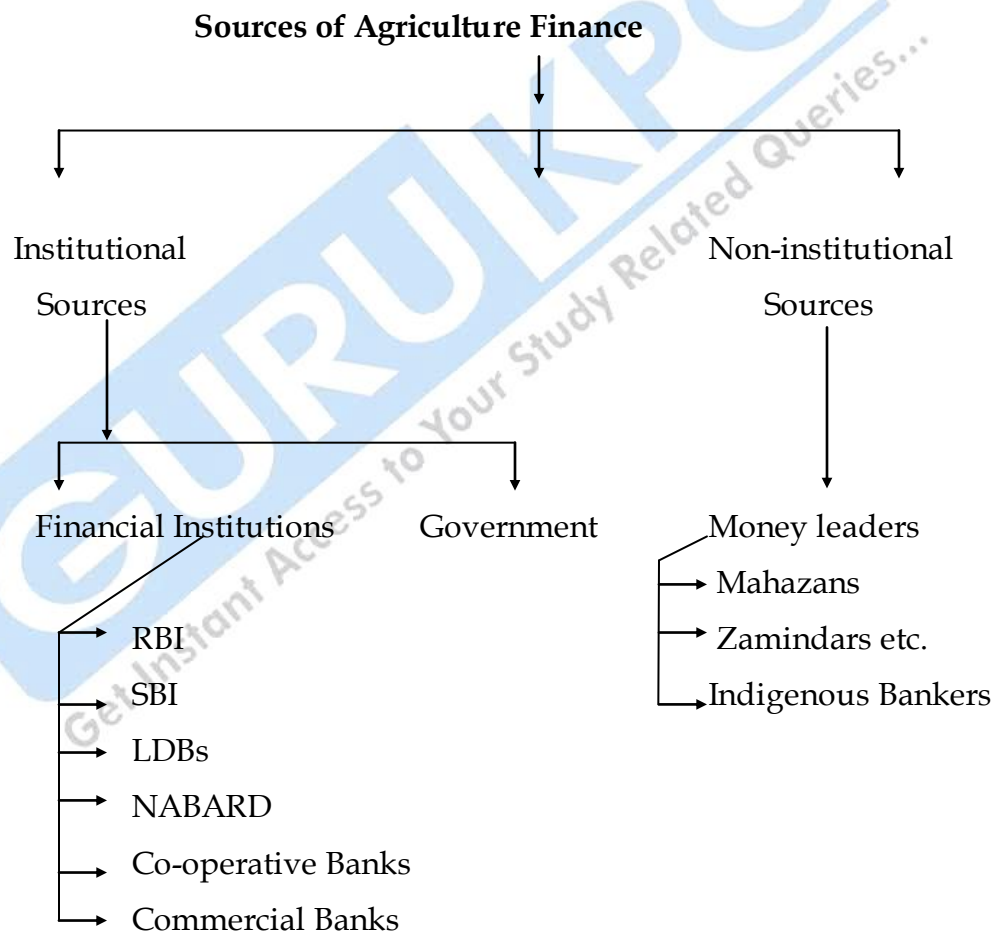
- (a) Farmers eligible for production credit of Rs. 5000 or more are eligible for issue for **Kisan Credit Card**.
- (b) Eligible farmers to be provided with a Kisan Credit Card and pass book on Card-cum-passbook.
- (c) Provision of revolving cash credit facility involving any no. of drawls and repayments within the limit.
- (d) Limit to be fixed on the basis of operational land holding, cropping pattern and scale of finance.
- (e) Sub-limits may be fixed at discretion of banks.
- (f) Card valid for 3 yrs. Subject to annual view.
- (g) Each drawal to be repaid within 12 months.
- (h) With drawals through slips / cheques accompanied by card and pass book.
- (i) Security, margin, rate of interest as per RBI norms.

Q.14 Write the name of Instruction providing Loans for Agriculture?

Ans.: Financial needs of farmers are more in India because they are poor. Moreover agriculture production is more prone to natural hazards and risk and uncertainly.

Q.15 What is white revolution?

Ans. Operation Flood was a rural development programme started by India's National Dairy Development Board (NDDB) in 1970. One of the largest of its kind, the programme objective was to create a nationwide milk grid. It resulted in making India one of the largest producers of milk and milk products, and hence is also called the White Revolution of India. It also helped reduce malpractices by milk traders and merchants. Objectives include:



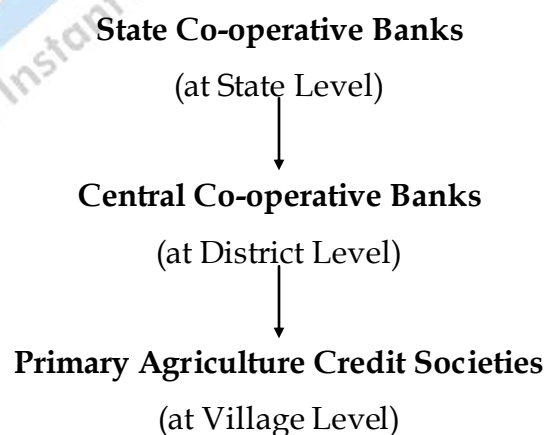
Q.15 Write a short note on NABARD.

Ans.: To fulfill the financial needs of farmers many institutions come into being of which NABARD is one. The full form of NABARD is **National Bank for Agricultural Bank for Agriculture and Rural Development**, which was established as an **Apex** institution on **24th July, 1982** by the Govt. of India. NABARD does not provide credit directly to farmers and also does not accept deposits directly from farmers. It fulfills the needs of farmers and also does not accept deposits directly from farmers. It fulfills the needs of farmers indirectly by subscribing to the share complex of the banks' main features.

- It took over all functions earlier performed by RBI in the field of rural credit.
- The authorized capital of the bank is 100 crs. Bank is 50:50 50 crs each.
- The bank has taken over the functions of ARDE – Agriculture refinance and development corporation.
- It provides long term, short term, medium term credit to farmers through SEBs, RRBs, LAB etc.

Q.16 Discuss the Co-operative Credit Structure in India?

Ans.: The organizational structure of co-operative banks in India, is of two folds. The first fold provides short-term and medium term loans. Its shape is **Paramedical** where as state – co-operative banks work at state level, central co-operative banks at district level and primary agricultural credit societies at village level. The second fold provides long term; such loans are provided by LDBs.



Q.17 Why uncertainty is found in Agriculture?

Ans.: One of the important features that distinguish agriculture from other sectors of the economy is concerned with the roles played by nature in production in different sectors.

Difference between Risk and Uncertainty :

Risk : Some events can be predicted at least in probabilistic terms. Their occurrence can be foreseen.

Uncertainty : On the other hand, refers to those events to the occurrence of which, no probability values can be attached ex. Flood, Drought.

"Indian agriculture is gambling of monsoon."

Q.18 What is Dry farming?

Ans. Dry farming is basically a way to encourage farmers to increase agriculture produce of those crops which need less water consumption. Emphasis has been given to increase agriculture output through dry farming in the areas not having facilities of irrigation.

Q.19 Why there is situation of uncertainty found in Agriculture?

Ans.: In India the uncertainty is found in agriculture because of irregularity of rainfall, in adequacy and uncertainty.

Q.20 Who was the Chairman of National Commission on Agriculture which was constituted in the year 1970?

Ans.: Shri M. L. Dantawala

Q.21 Write types of Uncertainty.

Ans.: (1) Yield Uncertainty

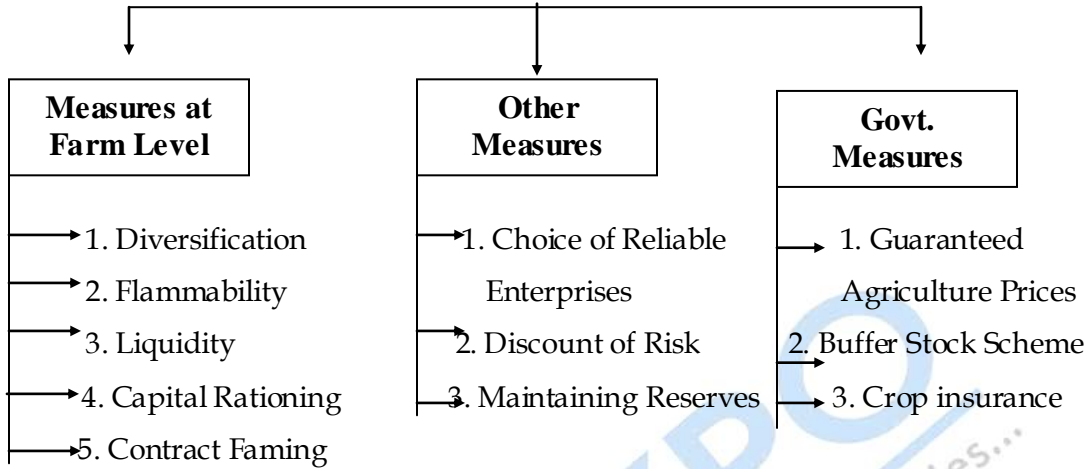
(2) Price Uncertainty

Uncertainty as regard to Prices of Input / Quality.

Q.22 Write measures to deal with Uncertainty.

Ans.:

Measures to deal with Uncertainty

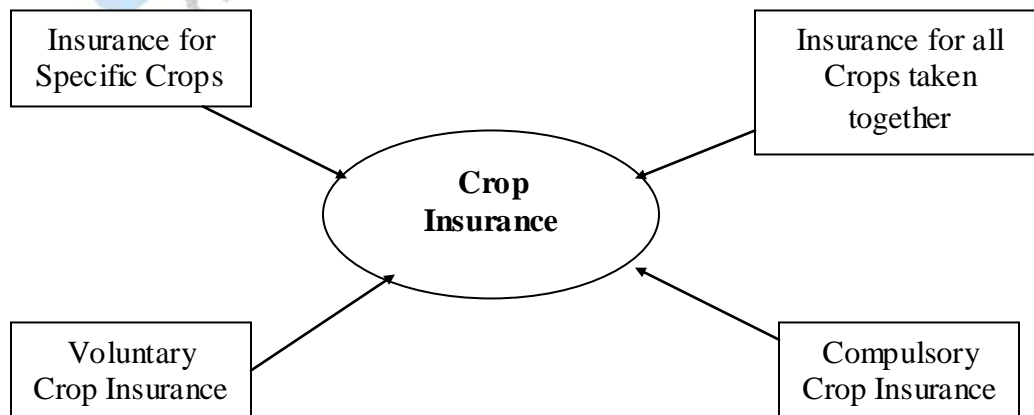


Q.23 Explain the National Agricultural Insurance Scheme.

Ans.: Comprehensive crop insurance scheme in the country is being implemented since 1985. National agricultural insurance scheme in the country is being started since 1955-2000. At present, 11 crops had been included under agriculture insurance and the scheme has been implemented in 21 states and 2 union territories. Upto 30th Nov. 2003, crops of 328.04 lac farmers has been insured.

Q.24 Crop Insurance.

Ans.: Crop Insurance can be of several type.

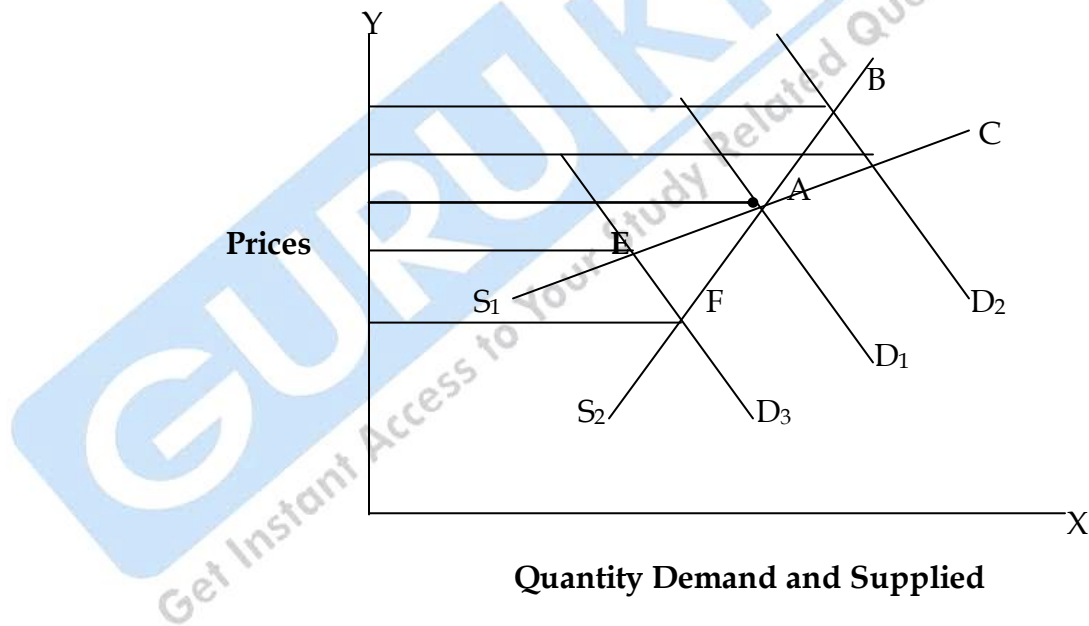


Q.25 What efforts have been made by Govt. for stabilization of Agricultural Policy?

Ans.: Reason for greater price fluctuation in agriculture.

The supply as well as demand for most of agricultural products is relatively less price elastic.

How inelastic supply and demand magnify fluctuation in their prices.



Q.26 Explain WTO and Agriculture.

Ans.: The Uruguay Round of GATT negotiation was formally concluded in Mairakish on 15th April 1994 when the final act was signed by 125 countries including India on the basis of this agreement WTO is established and has become operational since January, 1995, India become a founder members of TWO.

“The former GATT was not really an organization. It was merely a legal arrangement.” On the other hand, “the WTO is a new international organization set up as a permanent body, it is designed to play the role of a watchdog in the spheres of trade in goods, services, foreign investment, intellectual property rights etc.”

Agreement on Agriculture :

- (i) Domestic Subsidies
- (ii) Export Subsidies
- (iii) Minimum Market Access Commitment
- (iv) Domestic Support - AMS
- (v) Sanitary and Phytosanitary Measures
- (vi) Food Stocking and Food Aid

Q.27 Explain TRIPS.

Ans.: TRIPS : Trade Related Intellectual Property Rights provides norms and standards for copyright and related rights, trade marks, geographical indications, industrial designs, patents, layout designs of integrated circuits and protection of undisclosed information.

Q.28 Explain TRIMS.

Ans.: Trade Related Investment Measures :

- To offer national treatment and all such facilities to all foreign investors as are available to their domestic investors.
- To remove all TRIMs within a period of 5 yrs.
- Not to force internal investors to make investment in the priority areas of host country.
- To extend all facilities to foreign investors.

Q.29 Explain GATS.

Ans.: General Agreement on Trade in Services :

- Economic liberalization and emerging trends in Agriculture.

- Prior to liberalization the main aim of agricultural policy in India was achieving self-sufficiency in food.

□ □ □



CHAPTER-6

Industry

Q.1 What is meant by Industrial Policy?

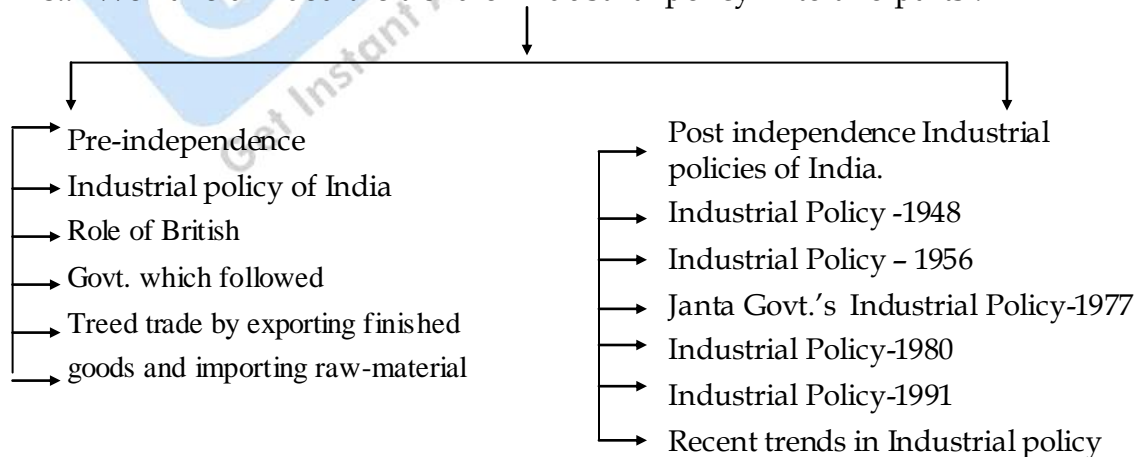
Ans.: Industrial development of a country call for an appropriate and progressive industrial policy. Industrial policy is “Those principles and activities which are pursued and performed to help industrialize a country”

It is therefore aptly said, “**Industrial policy an instrument, with the help of which the state participates in growth process.**”

Thus, industrial policy is a comprehensive concept which provides guidance and outlines of the policy for establishment and working of industries.

Q.2 Explain Industrial Policies.

Ans.: We have divided the trend of industrial policy in to two parts :



Q.3 Write any three main objectives of new Industrial Policy.

Ans.: The main objectives of new industrial policy are :

- (1) Deployment of Natural Resources
- (2) To augment Industrial Production
- (3) Modernization
- (4) Balanced Industrial Development
- (5) Co-ordination between Small and Large Scale Industry
- (6) Coordinational Industrial Relations
- (7) Proper utilization of Foreign Investment.

Q.4 Write the number of Industries reserved for Public Sector under Industrial Policy 1991?

Ans.: On 24 July, 1991 Govt. of India announced a new industrial policy. The main objective of this policy was to unshackle the Indian industries from the unshackle the Indian industries from the bucratic or unnecessary control of Govt.

Under this policy, only four industries will be included in public sector :

- (1) Defense equipments
- (2) Atomic mineral
- (3) Atomic energy
- (4) Railway transport

Q.5 Explain Industrial Policy 1991.

Ans.: We have already given the brief discussion of industrial policy 1991.

Main Features :

- (1) Contraction of public sector
- (2) Delicensing
- (3) Abolition of Registration
- (4) Foreign capital
- (5) Organization of boards
- (6) Technical experts
- (7) Public enterprises incurring losses - BIFR
- (8) Facilities to labourers - NRF
- (9) Establishment of industries
- (10) Govt. encouragement
- (11) Concession from monopolies act - MRTPACT
- (12) Reservation for small scale industrial
- (13) Facilities of Import

Q.6 Explain Industrial Policy of 1948?

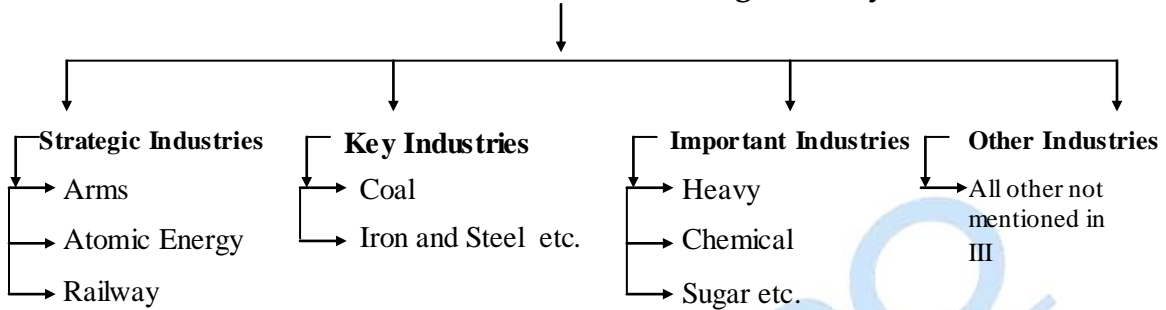
Ans.: After having independence it was the first industrial policy announced by Gov. of India on 6th April, 1948. The formal papers were submitted by industry minister Dr. Shyama Prasad Mukherjee.

Main Objectives :

- (1) To create employment opportunities.
- (2) To build such social structure where all people could get equal opportunities.
- (3) Deployment of natural resources.
- (4) To increase production in both agriculture and industry sector.
- (5) To determine responsibilities of both public and pvt. sector.

- (6) To determine responsibilities of both public and pvt. sector.

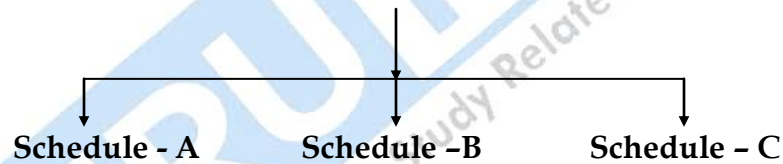
Classification of Industries according to Policy 1948



Q.7 Explain Industrial Policy 1956.

Ans.: Pt. J. L. Nehru - Prime Minister of India, announced it on 30th April, 1956.

Classification of Industries

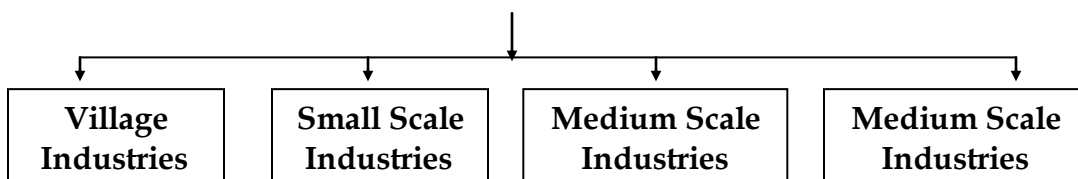


Q.8 What are Small Scale Industries and also define role and problems faced by them?

Ans.: Introduction : Small and cottage industries occupy an important place in Indian economy. These industries have a special place in the share of :

- Employment
- Economic Development

Classification of Industries



Village or Cottage Industries : According to fiscal commission (1949-50) "Cottage industry is an industry which is run either as whole time or part-time occupation with the full or partial help of the members of family.

Small Scale Industries : Small scale industries are some what different from cottage industries. They mostly use power and small machines and employ a small no. of workers also. But unlike big factories, they are small units. In 1999 to 2000, the investment limit for small scale and ancillary undertaking had been reduced from existing 3 Cr. To 1 Cr.

Tiny Units : The investment limit in the small scale industry and the tiny unit has been fixed at Rs. 1 Cr. and Rs. 25 lacs respectively.

Importance of Small - Scale Industries : According to Prime Minister - Pt. J. L. Nehru, "Cottage a small scale Industries have great significance for Indian economy. They must be developed in every respect."

Importance of SSI-

- i) Employment potential
- ii) Equal distribution of wealth
- iii) Decentralization
- iv) Less pressure of population on agriculture
- v) Increase in production
- vi) Suitable for UDCs like India
- vii) Artistic goods
- viii) Individual taste
- ix) Complementary to large scale industries
- x) Industrial peace
- xi) Encouragement to co-operation
- xii) Experience from foreign countries
- xiii) Less gestation period

- xiv) Exports
- xv) Use of local resources
- xvi) Significance in comparison to large -scale industries

According to Planning Commission, "Small cottage industries are important to achieve some of the crucial objectives of plans, such as, removal of poverty, equal distribution of wealth and income and regulation in regional imbalances."

Problems of Cottage and Small - Scale Industries :

- i) Problem of raw-material and power
- ii) Problem of finance
- iii) Old methods of production
- iv) Problem of marketing
- v) High cost of production
- vi) Competition with large-scale industries
- vii) More taxes
- viii) More importance to luxuries
- ix) Lack of able entrepreneur
- x) Lack of advertisement
- xi) Lack of standardization
- xii) Sick units

Suggestions for Improvement :

- i) Industrial co-operative societies
- ii) Supply of raw-material
- iii) Marketing facilities
- iv) Credit facilities

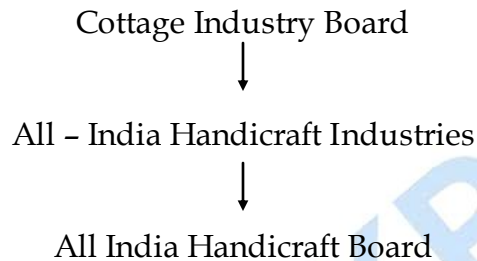
- v) Improvement in the method of production
- vi) Training
- vii) Protection
- viii) Govt. help
- ix) Quality control & New products
- x) Publicity or exhibitions
- xi) Govt. Emporium
- xii) Research
- xiii) Management consultant
- xiv) Modernization

Q.9 Define Govt. Policy and its measures.

Ans.: Govt. Policy and Measures : In recent years, there has been a very remarkable change in the policy of the Govt. towards cottage and small scale industries. They have realized that, in view of the peculiar conditions in the country, cottage and small-scale industries have a very vital and central place in the development of industries.

- (1) **Setting up SIDO :** Small industries development organization for the development of small scale industries SSIs. Its scheme are :
- i) Credit linked capital subsidy scheme for technology up gradation.
 - ii) Integrated infrastructure Development scheme.
 - iii) ISO 9000/14001 certification Reimbursement scheme.
 - (iv) SENET – Small enterprises information and resource center network.

- (v) UPTECT - Technology Upgradation and Modernization Programme.
 - (ii) SSI - MDP Marketing Development Programme.
 - (iii) Cluster Development Programmes.
- (2) **Setting up Boards :**



Q.10 Define Central Marketing Organization.

Ans.: Khadi and Village Industries Commission etc.

- (1) New principles adopted
- (2) Exhibitions and Emporia
- (3) Excuse duties
- (4) Financial facilities - NABARD
- (5) Favourable stores purchase policy
- (6) Training institutes
- (7) Industrial co-operatives
- (8) Industrial estates
- (9) District industries centres (DICs)
- (10) Buffer stocks of critical inputs

Q.11 Explain Globalization Vs SSIs.

Ans.: Small sector stands second after agriculture in providing employment opportunities in India providing employment opportunities in India.

Main Feature : *More employment with low capital investment.*

Globalization and liberalization has challenged the Constance of small sector, In India, small scale sector has developed in the pvt. Sector :

- It utilizes local raw material.
- Natural resources and human resources.
- IT is field of employment opportunities and elasticity in its operation.
- But in the era of WTW the arousal of small sector is being challenged.

Yet, production of some goods is reserved for SSIs, but the number of such items is decreasing along with removal of quantitative resections.

- Now, the goods produced in SSIs are force to be sold in international marketing. Where they have to complete with international goods.

Q.12 What is VAT?

Ans. A **value added tax or value-added tax (VAT)** is a form of consumption tax. From the perspective of the buyer, it is a tax on the purchase price. From that of seller, it is a tax only on the “value added” to a product, material or service, from an accounting point of view, by this stage of its manufacture or distribution. The manufacturer remits to the government the difference between these two amounts, and retains the rest for themselves to offset the taxes they had previously paid on the inputs.

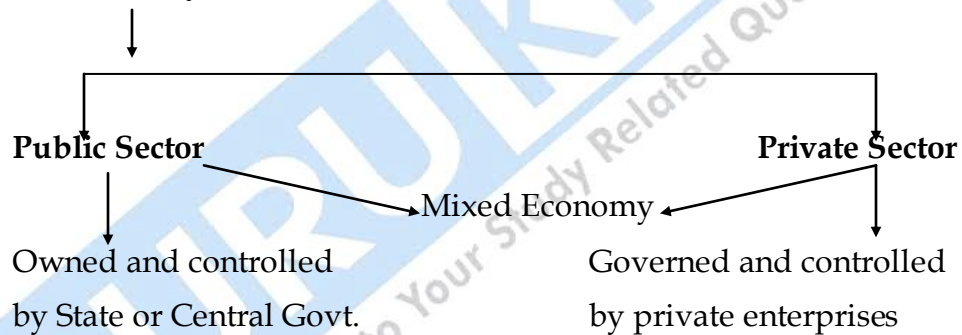
□ □ □

CHAPTER-7

Public Sector Vs Private Sector

Q.1 Role and problems of Public Sector.

Ans.: The whole economy can be divided into two sectors :



Q.2 Define Public Enterprises.

Ans.: "By public enterprises is meant the industrial commercial and economic activities carried on by the central government or by the state government or jointly by State Govt. and Central Govt." - S.S. Khera.

Q.3 With what objectives Public Enterprises in the County were established? Write any two objectives?

- Ans.:**
- 1) For speedy development of the county.
 - 2) The check concentration of economic power.

Q.4 In which year Indian Constitution came into existence.

Ans.: 1950

Q.5 Name the two big Public Enterprises of the Country.

- Ans.:** 1) SAIL – Steel Authority of India Ltd.
2) National Thermal Power Corporation

Q.6 Explain importance of Public Sector.

- Ans.:** (1) Public sector has helped the counting in establishing various basic and defense industries.
(2) Public sector units in the country have helped the county in developing technology.
(3) Public sector have boosted the economic growth of the county.
(4) Public sector has laid the sting foundation of balanced industrial development in country.

Q.7 Write problem of PSSs.

- Ans.:** (1) Low level of efficiency
(2) Non-profit organization
(3) Delay in taking decisions
(4) Low capacity of utilization
(5) Long gestatun period.

Q.8 What is Privatization?

Ans.: The term privatization refers to any shift an activity from public in the private sector. This cored involve merely the introduction of private capital or management expertise into public sector activity. But more

typically it involves the transfer of ownership of public enterprises to the private sector.

Viren J Shah, "Privatization means economic democracy."

Q.9 Write objectives of Privatization.

- Ans.:**
- (1) To improve the operational efficiency of public enterprises.
 - (2) To develop competitive efficiency in the industries
 - (3) To generate resources for deficit budget.
 - (4) To invite foreign capital.
 - (5) To promote industrial peace
 - (6) To create environment for rapid industrialization.
 - (7) To free the government from to loss making enterprises.

Q.10 Write argument for Privatization.

Ans.: Privatization benefits the society in several ways, the fact that privatization is an important strategy of economic rejuvenation of even the "Communist" nations is a testimony to the economic rate of privatization.

- 1) Financial Resources
- 2) Optimum utilization of resources
- 3) Fostering competition
- 4) Reduces fiscal Burden
- 5) Economic democracy

Argument against Privatization :

Some has defined privatization as - "Selling one's own gold to fulfill his luxuriose life style."

- (1) Problem of Price
- (2) Problem of finance

- (3) Dependence on government
- (4) Improper working
- (5) Bad industrial relations
- (6) Widespread sickness
- (7) Imbalance growth.

Q.11 What is the main aim of Disinvestment

Ans. Main objective of disinvestment is to put national resources & assets to optimal use & in particular to unleash the productive potential inherent in our public sector enterprise.

- **aim**

- (1) Modernization of PSE's
- (2) Up gradation of PSE's
- (3) Generation of employment
- (4) Retiring of Public debt.

Q.12 Explain Positive Impact of Liberalization on Agricultural Development.

Ans.:

- (i) Increase in GDP and agriculture growth rate.
- (ii) Increase in production and per capita availability of milk.
- (iii) Increase in production and export of fish and marine products.
- (iv) Increase in food grains production
- (v) Increase in production of sugar cane and sugar
- (vi) Increase in yield per hectare of major crops.
- (vii) Increase in irrigated area under different crops.
- (viii) Increase in production and consumption of fertilizers
- (ix) Increase in agricultural exports
- (x) Kisan Credit Card Scheme.

Q.13 Analyse critically the impact of Liberalization on Agricultural Development.

Ans.: Introduction : After four decades of socialism, public sector industries, bureaucracy, licenses, quotas and permit raj, the Indian economy was forced to embrace economic liberalization in 1991.

“Economic Liberalization means reducing government inference in economic activities and encouraging privatization.”

The main aims of Economic Liberalization are :

- Removing hindrances in the process of economic development.
- Increasing competitiveness in order to enable Indian industry to enter international markets.
- Ensuring fast development of agricultural sector.
- Widening the scope of private sector.
- Developing better capital and money marketing.

Q.14 Explain negative impact of Liberalization on Agriculture Development.

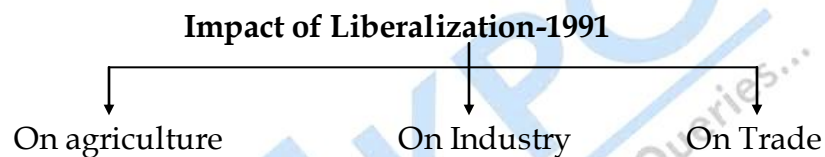
Ans.: Liberalization has not only its positive impact on agriculture, it also had its negative impact which are :

- (i) Decrease in index numbers of the production of pulses, oilseeds and fibers.
- (ii) Decrease in several crop's yield per hectare.
- (iii) Decrease in percentage share of agriculture sector in India's export.
- (iv) Decline in share of investment in agriculture as percentage of GDP.
- (v) Failure in raising production of edible oil and oilseeds.
- (vi) Increase in agriculture input's cost.

Main Features of New Economic Policy :

- (1) Liberalization
- (2) Privatization
- (3) Globalization

- (1) **Liberalization** : Liberalization means to rid industry and trade and agriculture of unnecessary restrictions and make them more competitive.
- (2) **Privatization** : Privatization means to bring most of the enterprises of the country under the ownership, control and management of the private sector, As a result of it, Government monopoly over the economy is either reduced or come to an end.
- (3) **Globalization** : Globalization means linking the economy of a country with the economic of other countries by means of free trade and free mobility of labour and capital.



Q.15 Define Rationale of Liberalization.

- Ans.:**
- (1) Failure of Nehru - Mahalanobis Model
 - (2) Rapid Industrial Development
 - (3) Optimum Utilization of Resources
 - (4) Lack of Competitive Industrial Environment.

Q.16 Analyse of impact of Liberalization on Industrial Sector.

Ans.: The Indian industry has certainly benefited from liberalization and economic reforms implemented during decade (1991-2001), Govt. of India announced its New Industrial policy it is policy of **Liberalization** as against regulation, and of privatization as against nationalization.

- Increase in FDI
- Decline in external Debt
- Huge foreign exchange reserves.
- Increase in production
- Check on inflation

- Stable prices on manufactured products and essential commodities
- Import of best technology

Q.17 Explain the impact of Liberalization on Trade Development?

Ans.: The objective of liberalization in trade sector was to **liberate foreign trade from several restrictions so as to render it more competitive.**

It's main factors were :

- (i) Prior to 1991, foreign capitalist could invest in Indian companies upto 40% of equity capital and every case of IT required Government sanction. Now the foreigners can invest upto 50% of paid up capital and sanction for it is granted as a matter of
- (ii) In July 1991 Govt. of India devalued India rupee by 20% by way of International adjustment of exchange rate. The objective was to promote exports, import substitution and to accelerate the growth of exchange rate.
- (iii) To encourage exports, partial convertibility of Indian rupee was allowed.

Impact :

- (i) Increase in share of India's exports in world trade.
- (ii) Increase in Indian exports.
- (iii) Growth of imports.
- (iv) Favorable impact of BOP.
- (v) Trade balance.
- (vi) Increase in exports as percentage of GDP at current market prices.
- (vii) Increase in import as percentage of GDP at current marketing prices.
- (viii) Current A/c balance.

Q.18 What is Globalization?

Ans.: In simple words globalization means linking the economy of a country with the economics of other countries by means of free trade, free mobility of capital, labour etc.

According to Shrikant Sonam, “Globalization means binding an economy with world economy.”

According to Vaghul, “Globalization refers to the rapid and world wide expansion of market.”

Globalization is a n important constituent of **New Economic Policy.**

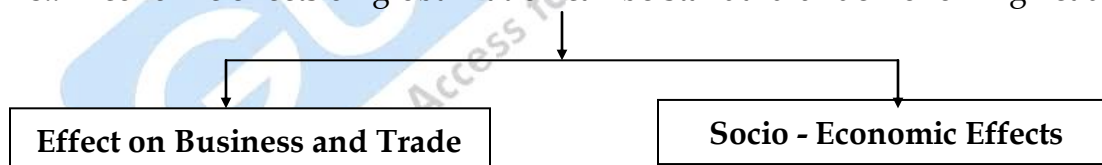
- Liberalization
- Privatization
- Globalization

The term globalization has four parameter :



Q.19 Write economic effects of Globalization on Indian Economy.

Ans.: Economic effects on globalization can be standard under following heads :



Positive Implications of Globalization : Globalization leads to contraction or shortening of world market its main impact on business and trade were :

- (i) Expansion of market.
- (ii) Indigenous MNCs
- (iii) Technical development
- (iv) Flow of resources

- (v) Expanded capital market
- (vi) Promotion of combinations
- (vii) Development of competitive
- (viii) Development of independent money market

Socio -Economic Effects :

- (i) Development of infrastructure
- (ii) Increase in S & I
- (iii) BOP
- (iv) Increase in employment opportunities
- (v) Removal of national boundaries
- (vi) Removed social status.
- (vii) Remedies to social problems
- (viii) Negative effects of globalization policy

Negative Effects of Globalization Policy :



On Business :

- (iv) Cut throat competitions
- (v) Removal of protection
- (vi) Ownership of foreign institutions
- (vii) Arrival of monopoly
- (viii) Limited field of domestic institution
- (ix) Hindrance of establishment of small and cottage industries

Socio-Economics Effects :

- (i) Expensive domestic goods

- (ii) Effect on properties of plans
- (iii) Unemployment
- (iv) Increase in inequalities
- (v) Effect on natural sovereignty

Q.20 Explain concept of "SWADESHI".

Ans. **"Swa + desh, means becoming self sufficient in domestic production"**

Concept of **Swadeshi** is based on self-dependence and **self-reliance**. The term swadeshi means that a country meets its demand for goods and services from its domestic production, but this does not mean to segregate a country from rest of the world.

The concept of swadeshi had a very important role in India's freedom struggle.

According to Gandhi Ji, "India which is a country of villages, can get freedom in five sense only when each villager is self reliant and all villagers work together to fulfill their basic requirements locally."

Arguments in favour of Swadeshi :

- (ii) Swadeshi concept has taught the lesson of self-reliance and self-dependence.
- (iii) It has discouraged imports.
- (iv) It has encouraged nationality and brotherhood.
- (v) It has encouraged handicraft of Indian.
- (vi) It is employment generating.
- (vii) Swadeshi concept has promoted small scale and cottage industries.
- (viii) It has decreased dependence on foreign aid and increased awareness among public.

Arguments in against of Swadeshi :

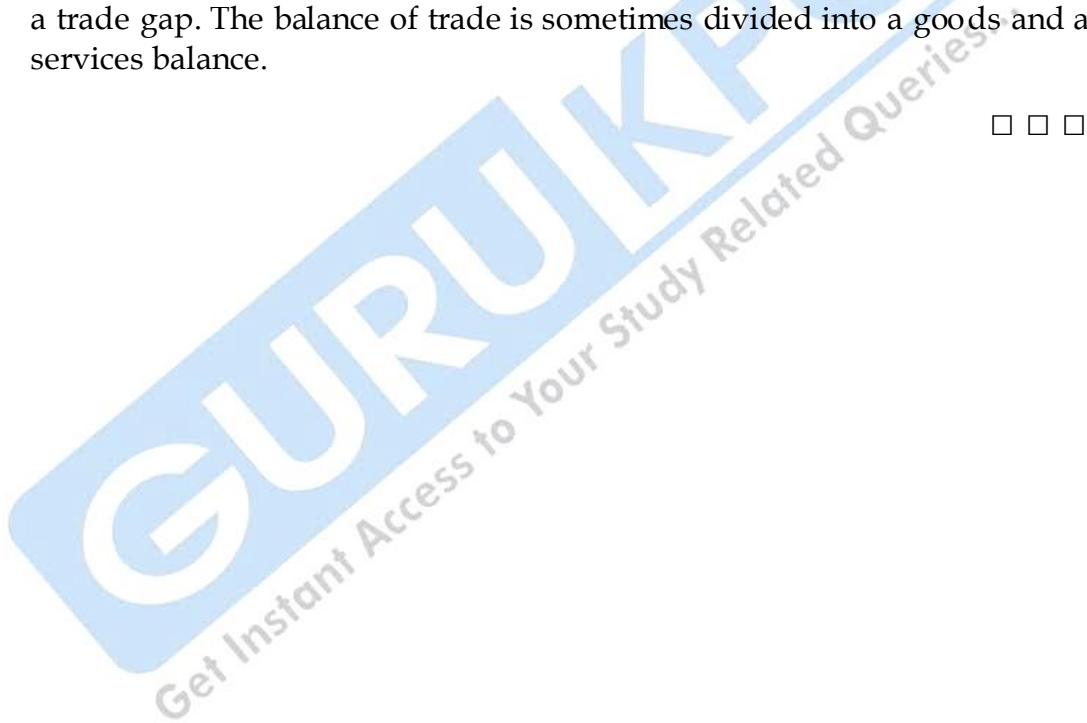
- (i) Swadeshi concept has constructed market.
- (ii) It pushed the country towards backwardness

- (iii) Indigenous companies cant' compete with MNCs.
- (iv) It has discouraged International trade.
- (v) It decreases the tendency of mutual co-operation

Q.20 What do you understand by balance of trade?

Ans. The **balance of trade** is the difference between the monetary value of exports and imports of output in an economy over a certain period. It is the relationship between a nation's imports and exports. A positive balance is known as a **trade surplus** if it consists of exporting more than is imported; a negative balance is referred to as a **trade deficit** or, informally, a trade gap. The balance of trade is sometimes divided into a goods and a services balance.

□ □ □



CHAPTER-8

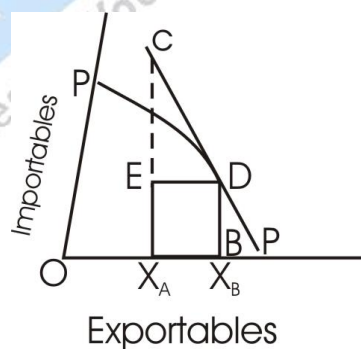
Foreign Trade

Q.1 Explain importance of Foreign Trade?

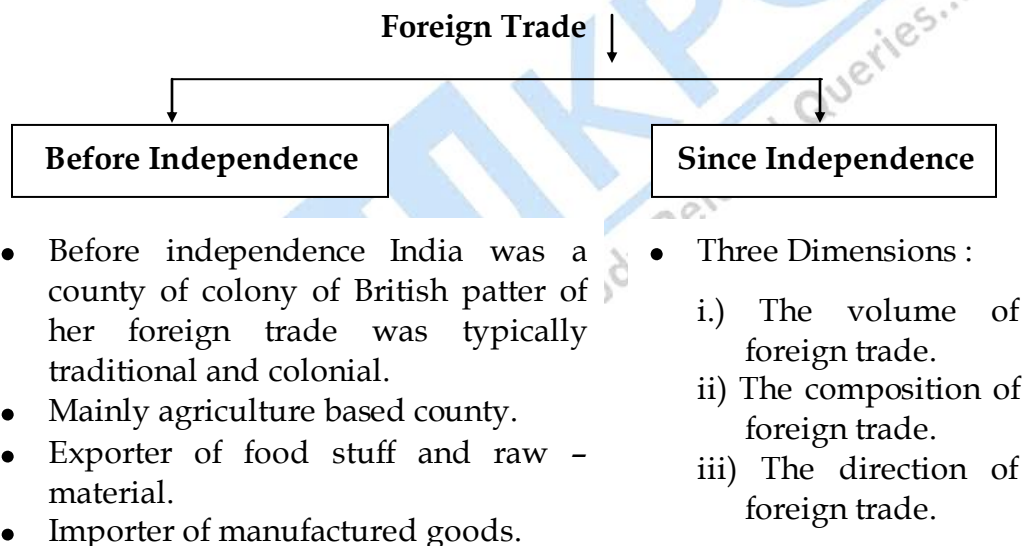
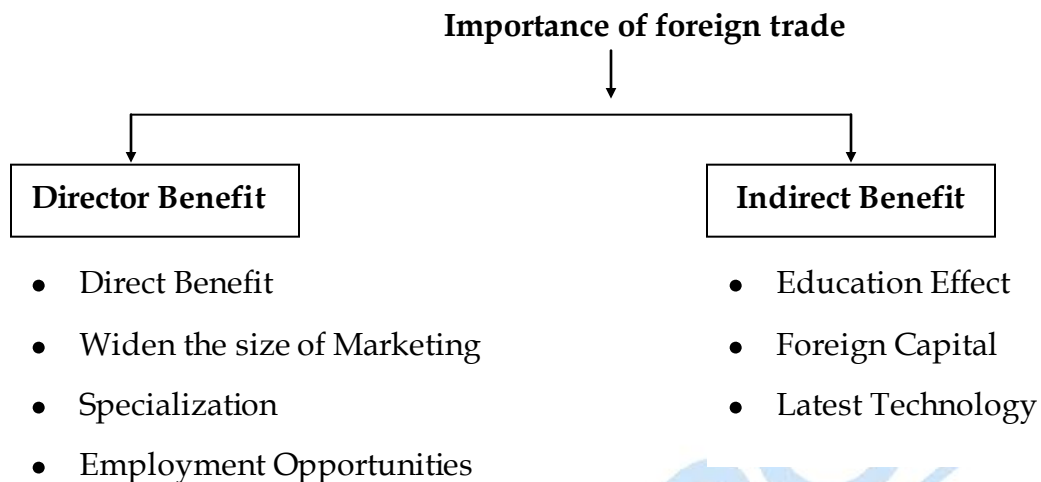
Ans.: According to Robertson, "Even unsteady growth through foreign trade is usually better than no trade at all."

The role of foreign trade in economic development is considerable. The classical and neoclassical economists has attached too much importance to foreign trade that according to **Robertson**, "Foreign trade is an engine of economic growth."

Importance of foreign trade can be explained with the help of diagram -



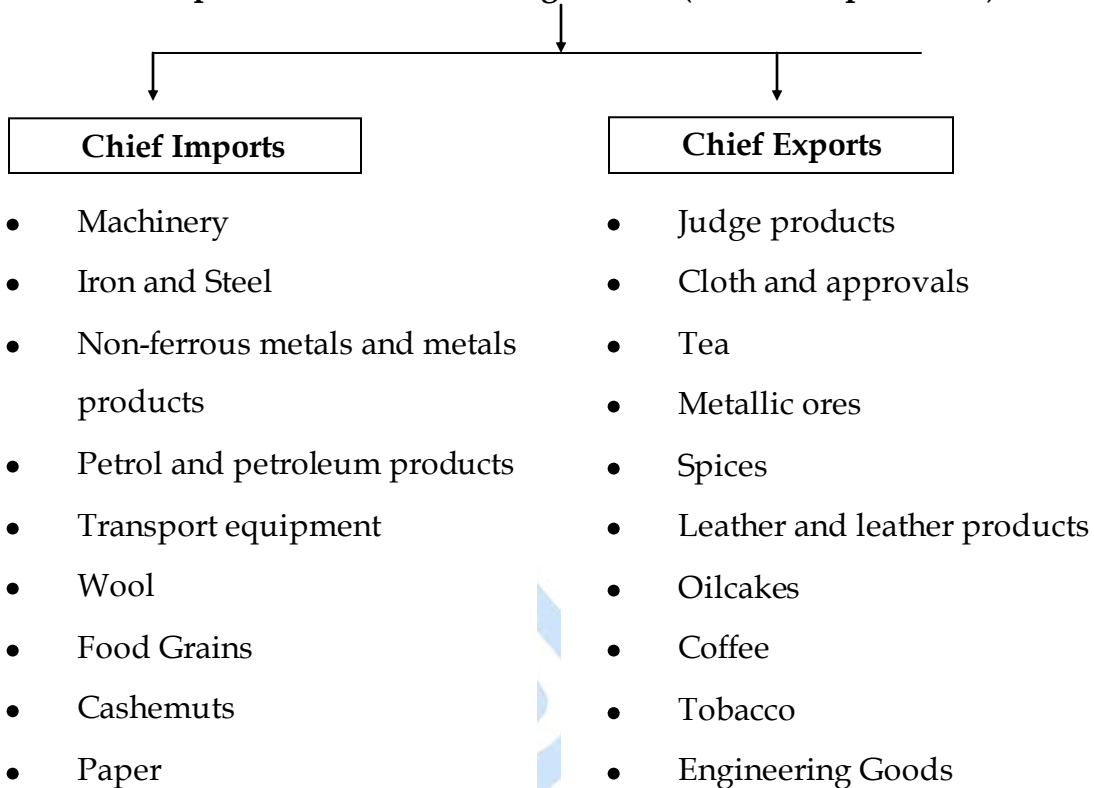
Before trade with underutilized resources a country is producing and consuming OX_A of primary products and X, E of manufactured product at point E inside the production possibility are. Now the utilization of enables unutilized land and labour enables the country to increase production for OX_A to OX_B and consumption of point C .



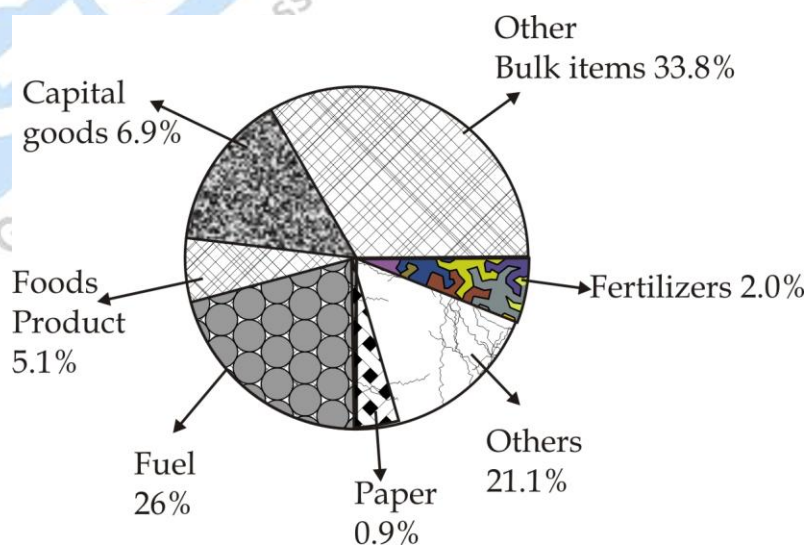
Volume of Foreign Trade : The volume of foreign trade has increased considerably during the plan period.

- (i) Growing volume of foreign trade
- (ii) Modest rise in export
- (iii) Very large increase in imports
- (iv) Widening trade deficit

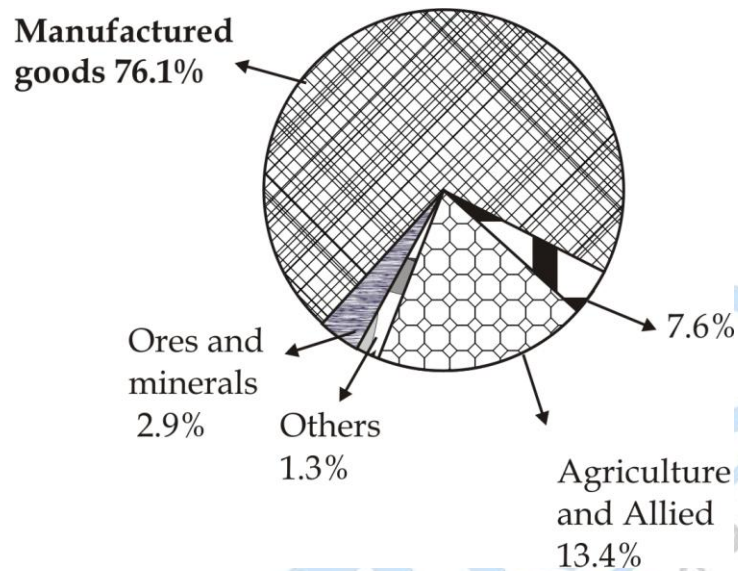
Composition of India's Foreign Trade (After Independence)



Composition of India's Imports after 1951



Composition of India's Exports



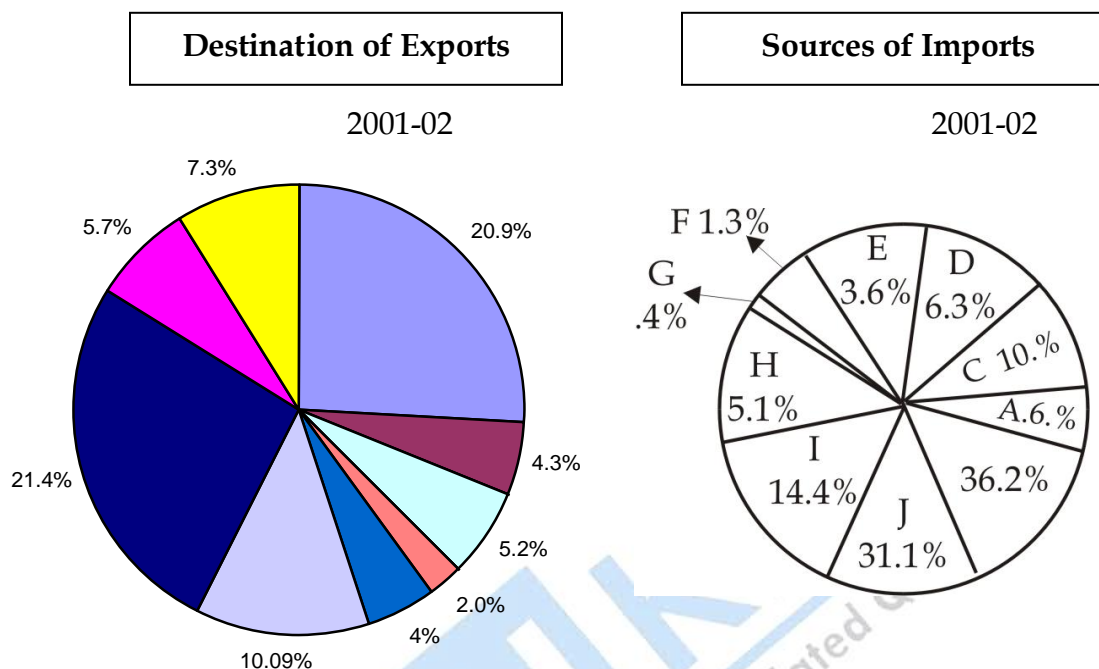
Change in Composition of Imports :

- i) Decline in imports of agricultural products
- ii) Increase in import of intermediate goods
- iii) Petroleum enjoys first place in import

Change in Composition of Exports :

- i) Decline in percentage share of agricultural items in total export.
- ii) Decline in percentage share of manufactured goods in total exports.

Director of Foreign Trade : Direction of trade means the countries which are associated with one country's foreign trade.



A = USA, B= Germany, C= other EU, D= U.K., E= Japan, J = others ADCs, K= other

Q.2 Explain new Export-Import Policy 2002-07.

Introduction : The economic and industry minister of the government of India announced the new EXIM policy on March 31, 2002.

The new policy will shift from import liberalization phase of past to a purely export-oriented one

- Quantitative restrictions on export have been withdrawn except on a few items relating to national security.
- The policy was announced when India's exports in 2001-02 had recorded a very low growth of 1.6% only.

Q.3 Explain Unfavourable Trade Balance of India.

Ans.: Unfavourable Trade Balance = Import > Export

When imports exceed exports

But was favourable because of following reasons-

- For economic development of the country many important goods were imported.
- Increasing prices of crude oil in world markets.
- Imports of war material in bulk.

Q.4 Write measures which could be adopted for correcting Adverse Balance of Trade.

- Ans.:** (1) Promoting Exports
 (2) Control Imports
 (3) Increase in production
 (4) Trade agreements

Q.5 What is Export Promotion?

Ans.: Export promotion means promoting country's exports through government and non-government measures. In order to achieve the objective of self-reliance every country is keenly interested to export its exports.

Q.6 What efforts are taken for Export Promotion?

Ans.:



- Appointment of Enquiry Committee
- Establishment of Export
- Export Incentives and Promotion Schemes

(a) Appointment of Enquiry Committees :

- (i) Gorwala Enquiry Committee - 1949
- (ii) De- Sooja Enquiry Committee - 1957
- (iii) Mudalier Enquiry Committee - 1961
- (iv) Alexander Panel 1997 -1977
- (v) Tendon Committee

(b) Establishment of Export Promotion Institution :

- (i) Directorate of Export Promotion
- (ii) Export Promotion Advisory Board
- (iii) Export Promotion Counsels
- (iv) Commodity Board
- (v) Export Inspection Counsel etc.

(c) Export Promotion Schemes :

- (i) Tax Concessions
- (ii) Preference and Concession in Railway Frights
- (iii) Additional import facility
- (iv) Import of Raw-Material and Manufactured Goods
- (v) Import Facility for Capital Goods
- (vi) Establishment of Licensing System (REP)

Q.7 Write suggestions for Export Promotion.

- Ans.:** (1) Cost reduction
- (2) Quality improvement
- (3) Search of new markets

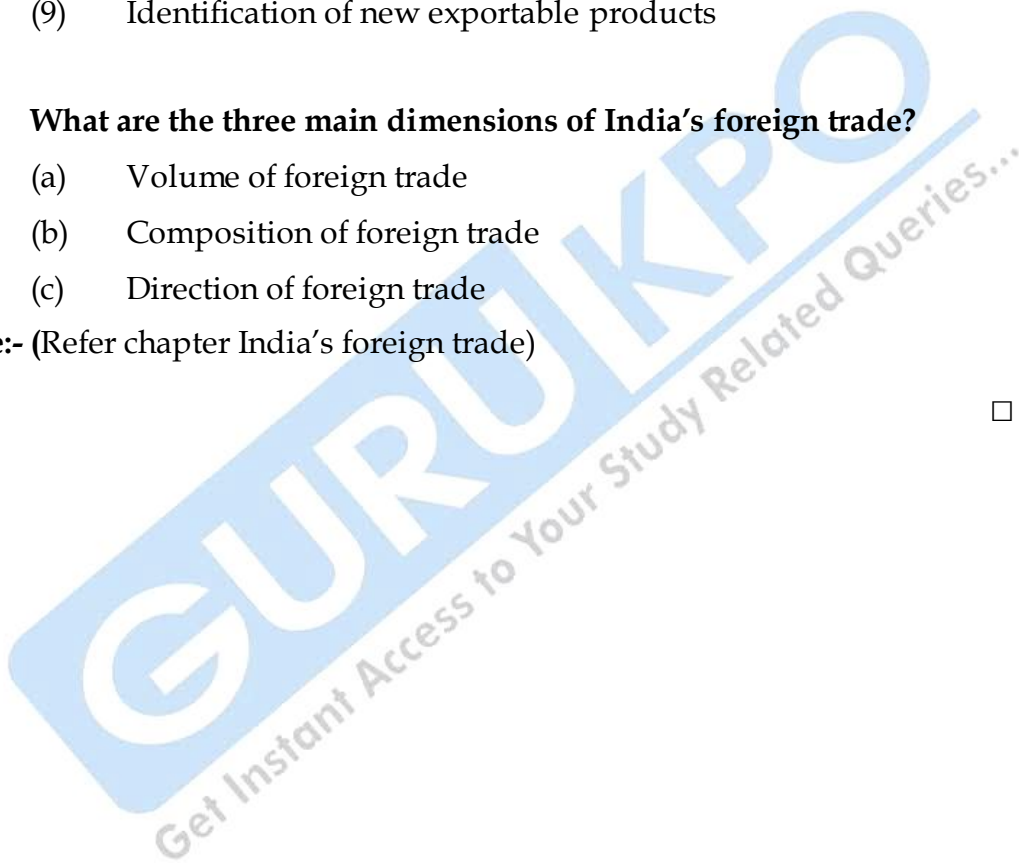
- (4) Check on inflations
- (5) Control on domestic consumption
- (6) Beards development
- (7) Advertisement and publicity
- (8) Increase in production of exportable products
- (9) Identification of new exportable products

Q.8. What are the three main dimensions of India's foreign trade?

- Ans.
- (a) Volume of foreign trade
 - (b) Composition of foreign trade
 - (c) Direction of foreign trade

Note:- (Refer chapter India's foreign trade)

□ □ □



CHAPTER-9

Indian Economic Problems

Q.1 What are the four main problem of Indian Economy?

- Ans.** (a) Poverty
(b) Unemployment
(c) Economic Disparities
(d) Population Explosion

Q.2 Explain Poverty.

Ans.: **Poverty** : "Poverty is that social situation in which a particular segment of the society fail to fulfill his minimum needs." In others words the doesn't get two times meal.

According to planning - "According to planning communism poverty line has been defined on the basis of minimum nutritional requirements 2400 calories per person per day for rural areas and 2100 calories per person per day for urban areas. In calories intake in rural areas there is the importance of food grains."

Q.3 What is Poverty Line?

Ans.: Planning commission has used the nutritional requirement as the basis for computing the poverty line. Accordingly, in terms of calorie requirement per person per day, the commission fixed 2400 calories, for rural area and 2100 calories for urban areas Population below poverty line- 26.1%.

Q.4 Define types of Poverty.

Ans.:

Types of Poverty	
Absolute Poverty	Relative Poverty
is a state in which a person lacks resources even to meet his family's biological needs, lives in condition of isolation with high degree of insecurity.	Is a state in which the population can be expressed in relation to others in the society, especially in terms of living and working conditions?

Relative Poverty :

- (1) Minimum nutritional level for substance
- (2) Cost of this minimum diet and
- (3) Per capita consumption expenditure

Q.5 Explain Poverty Alleviation Programmes.

Ans.: Anti - Poverty programmes have been strengthened over the yrs. to generate additional employment create productive assets impart technical and entrepreneurial skills and raise the income level of the poor :

- Population control
- More employment opportunities
- Public co-operative (Part of Answer of this question is written at the end of this section)
- Increase savings
- Social welfare
- Fast eco growth
- Liberal financing

Q.5 Explain reasons for Poverty in India.

Ans.: The main problems in India are unemployment population, low level of Y, low standard of living, which all is related to poverty.

High population -> High rate of unemployment -> Low per capita income -> Low standard of living -> poverty

Population is growing at a higher rate than the rate at which employment opportunities are increasing.

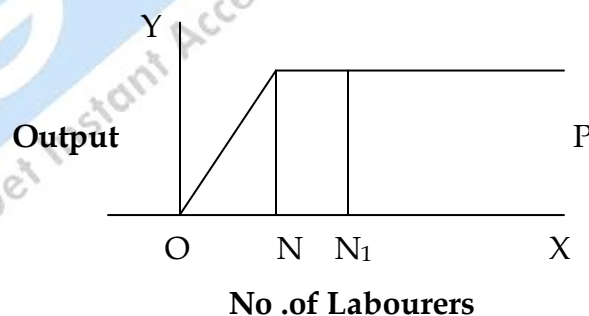
Q.6 What is Unemployment?

Ans.: Unemployment is a situation in which through people are prepared to accepted work at prevailing wage rates yet they fail to get it.

Lord William Beveridge, "Five economic monsters poverty Ignorance, fifth and unemployment - are ever ready to affect the mankind in the world, but the most dreadful monster is the unemployment."

Nature or Types of Unemployment in India :

- (1) Mass unemployment
- (2) disguised unemployment
- (3) Disbursed unemployment- This unemployment is basically found in the agricultural sector. Under this it looks that people are employed while in real sense they are unemployed. Under this situation marginal productivity of labour fall to zero or to at least minimum low level. **According to Nurkse -**



- (4) **Cyclical Unemployment** : Spread of un-employ of depression when effective

demand falls, it called cyclical unemployment.

- (5) Fictional
- (6) Structural
- (7) Seasonal
- (8) Residual

Causes of Unemployment :

- Rapid increase in population
- Slow growth of economy
- Lack of National employment policy
- Agricultural Backwardness
- Emphasis on capital intensive technique
- Lesser utilization of installed capacity
- Immobility of labour poverty
- Defective education system.
- Lack of training facilities
- Less investment in public sector

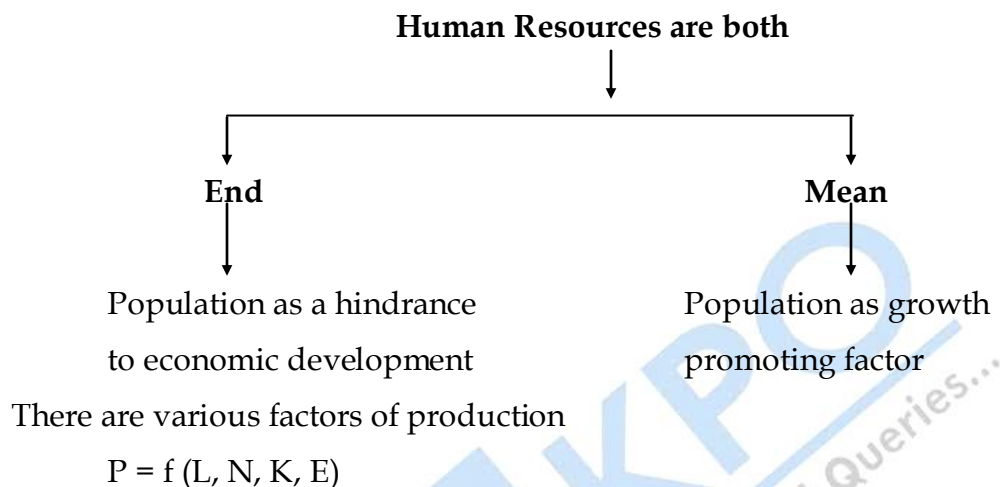
Remedies to remove Unemployment :

- Population control
- Determination of national employment scheme
- Agriculture development
- Adoption of labour instinctive techniques
- Fearing facilities
- Development of small and cottage industries
- Reforms in education system

Q.7 Explain Population Explosion.

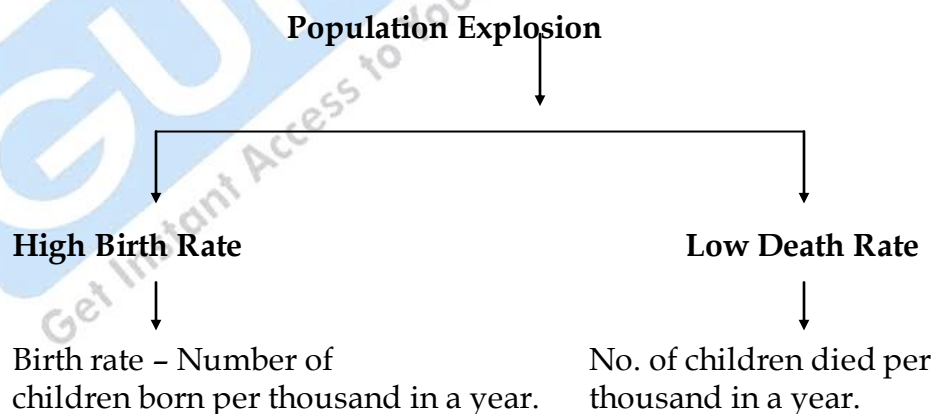
Ans.: When high birth rate exceeds death rate then population increase at a very high rate, this is known as population explosion.

Introduction : According to James Geant - “The central problem of the modern era would be how to solve the problem of rising population of the world.”



R. T. Gill, “Economic Development is not a mechanical process.”

Production is function of land, labour, capital, entrepreneur, but all other factors can be utilized only by labour human resource. So, human resource is important for he economic development of a country but beyond a limit it becomes harmful for a economy.



Causes of High Birth Rate :

- (1) Natural factors
- (2) Agriculture occupation

- (3) Pre-dominance of villages
- (4) Initial increase in per capital income
- (5) University of marriage
- (6) Child marriage
- (7) Social views
- (8) Illiteracy
- (9) Poverty
- (10) Unemployment
- (11) Ignorant about family planning
- (12) High import mortality rate

Causes of Low Death Rate :

- (1) Decline in epidemics
- (2) Urbanization of population
- (3) More medical facilities
- (4) Rate marriage
- (5) Facilities of maternity homes
- (6) Control over famines
- (7) Decline in social evils
- (8) Spread of female education
- (9) Balanced diet
- (10) Change of habits

Q.8 Write measures to control Population.

Ans.: Rising population proves to be an hindrance to economic development of under developed countries **G. M. Meier**, "In an UDC population does not induce capital widening investment or innovations, instead it diminishes the rate of capital accumulation, raises costs in extractive industries,

increases the amount of disguised unemployment and to maintaining children who die before reaching the proactive age.”

In short, “Resources go to the formation of population, not capital.”

Measures :

- Family planning programmes
- Family welfare measures
- New population policy
- Through mass media
- Improve health care
- Popularize “one child” norm

Population in India :

1991 - 84.63 Crores

2001 - 102.70 Crores

2010 - 1.21 billion

Growth rate of population during 1991 decade - 2.13%.

Q.9 What is the effect of Population Growth on Economic Growth?

Ans.: H. W. Singer, “is right in his opinion that increase in population is big hindrance in the economic growth. He had expressed the relationship between growth of population and economic growth in the form of an equation as under :

$$D = Sp - n$$

D = rate of economic growth

S = rate of saving

P = productivity of new investment

n = growth rate of population in the equation, growth rate of population (n) is negative factor. It is

increasing related to economic growth i.e. with increase in growth rate of population there is decline in rate of economic growth.

**Population as Growth
Promoting Factor**



1. Inc. in production
2. Labour is an important determinant of economics dev.
3. Population indirectly help in capital formation
4. Increase labour productivity is an important source of economic development

**Population as a Hindrance to
Economic Development**



1. Population increases investment requirement (50)
2. Population reduces rate of capital formation
3. Large sized population reduces per capita over liability of capital
4. Food problems
5. Vicious circle of poverty

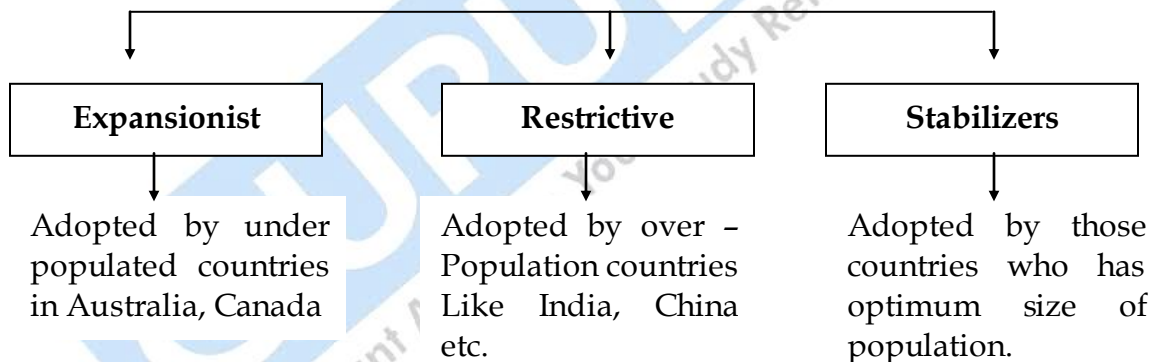
□ □ □

Main Features of 2001 Census

Q.10 Explain Population Policy of India?

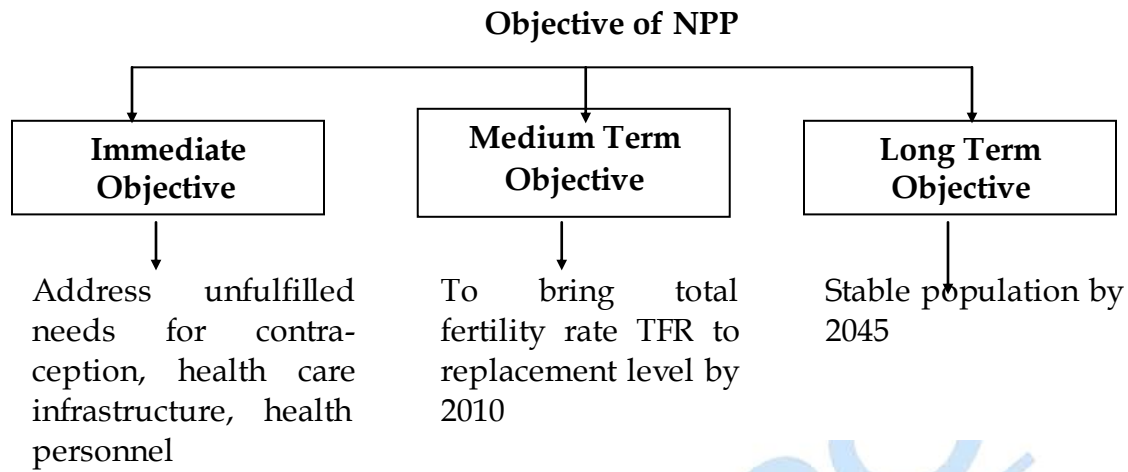
Ans.: Meaning : "Population policy means Govt. approach adopted for planning and controlling size, composition and distribution of population in the country according to pre-decided objectives."

Types of Population Policy



Population stabilization is an essential pre-requisite for sustainable human and social development with more equitable distribution. Hence, NPP 2000, recognizes the fact that population stabilization is as much a function of making reproductive health care affordable as other life quality services such as primary secondary education, sanitary, drinking water, housing etc.

The NPP 2000 has targeted to achieving net production rate of unity or replacement level of fertility by 2010.



Q.2 Explain Family Planning or Family Welfare in India.

Ans.: Meaning : Family planning means enlarging the size of the family upto a limit, in keeping with the size of the income of the family. It therefore implies **“the have children by choice not by chance by design and not by accident.”**

In other words, conscious acceptance of small family norm and proper spacing children are the thrust of family planning programmes.

Importance : Benefit to children, parents, society, and nation.

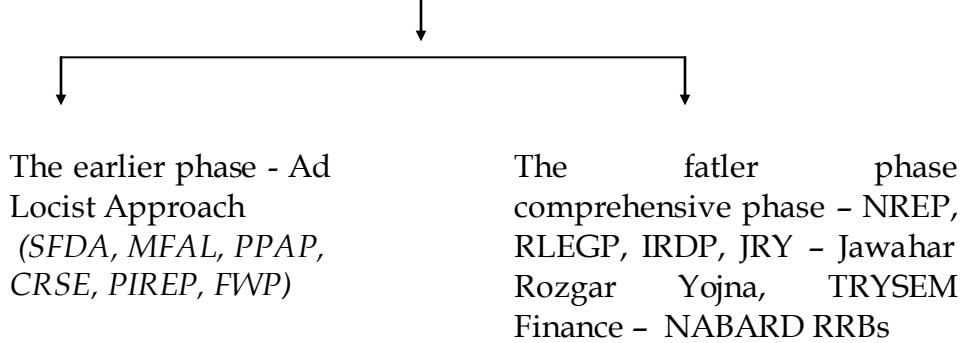
Obstacles : Poverty, illiteracy, fatalist, lack of publicity, religious opposition.

Q.3 Explain Poverty Alleviation Programmes.

Ans.: The strategy of direct assault on poverty through rural development and rural employment programmes is of recent origin. Only with the **fifth** plan, poverty alleviation come to be accepted as one of the principal objectives of economic planning country. During seventies a no. of special programmes for rural poor were undertaken of which the important ones are :

- (1) **SFDA :** Small Farmers Development Agency
- (2) **MFAL :** Marginal Farmers and Agriculture Labourers
- (3) **DPAP :** During Prone Area Programme

- (4) **CSRE** : Crash Scheme for Rural Employment
- (5) **PIREP** : Pilot Intensive Rural Employment Project
- (6) **PWP** : Food and Work Programme



Q.4 Explain salient features of Indian population according to 2001 census.

- Ans.
- (1) Total population
 - (2) Position in the world
 - (3) Sex Ratio
 - (4) Density of population
 - (5) Literacy Ratio
 - (6) Rural & Urban Population
 - (7) Birth & Death Rate
 - (8) Life Expectancy at Birth
 - (9) Growth Rate
 - (10) Children Population
 - (11) Infant & Child Mortality Rate
 - (12) Work Participation Rate

Q.5 Name the vice-chairman of planning commission of India 2011?

Ans. Shri Montek Singh Ahluwalia

B. Com. (Part-II) Examination, 2010
Economic Administration and Financial Management
First Paper
Economic Environment in India

Time : 1 Hour

Max Marks : 40

Objective Part-I

1. Attempt all questions. Each question carries 2 marks. Answer should not exceed 20 words.
 - i. Define economic environment.
 - ii. What is meant by economic policy?
 - iii. Write the formula of calculating per capital income.
 - iv. Write any two components of Fiscal Policy.
 - v. What was the name of revolution which was started for boosting agricultural production in India.
 - vi. When World Trade Organization came into existence?
 - vii. When World Trade Organization came into existence?
 - viii. Name any two financial institutions working in the Public Sector.
 - ix. What do you mean by trade deficit?
 - x. Who is the Chairman of National Commission of population?

2. Attempt all questions. Each question carries 4 marks. Answer should not exceed 50 words.
 - i. Explain four basic features of Indian economy.
 - ii. Write any four points of success of Indian Planning.
 - iii. Write any four main problems of small scale industries in India.
 - iv. Write the impact of liberalization on Indian agriculture.
 - v. Give any four points of the criticism of Indian Population Policy.

DESCRIPTIVE PART II

Time: Two Hour

Max. Marks: 60

Attempt three questions in all, selection one question form each Section. Each question carries 20 marks. Each question has internal choice in the form of either/or.

Section-A

3. Explain the factors affecting economic environment.

or

Write a critical note on New Industrial Policy of India.

Section-B

4. Discuss the various sources and main drawbacks of agriculture's financial in India

or

Critically examine of the role of public sector in Indian Economy.

Section-C

5. What is export promotion? What efforts have been made in recent year to increase India's exports? How far these measures have been successful?

or

Write any two short notes on the following:

- (i) Population Policy in India
- (ii) Poverty in India
- (iii) Causes of unemployment in India.

B.Com. (Part-II) Examination, 2009
Economic Administration and Financial Management
First Paper
Economic Environment in India

Time : 1 Hour

Max. Marks. : 40

Objective Part-I

1. Attempt all questions. Each question carries 2 marks. Answer should not exceed 20 words.
 - i. What is an economic environment?
 - ii. When the National Agriculture Policy was declared?
 - iii. What is VAT?
 - iv. Write the name of the Vice-Chairman of Indian Planning Commission.
 - v. What is Kisan Credit Card Yojana?
 - vi. Write any two functions of World Trade Organization.
 - vii. What is globalization?
 - viii. What is poverty line?
 - ix. What is meant by disguised unemployment?
 - x. What is meant by the concept of working population?

2. Attempt all questions. Each question carries 4 marks. Answer should not exceed 50 words.
 - i. Explain any four object of Industrial policy.
 - ii. Write any four causes of unemployment in India.
 - iii. Suggest any four measures to remove economic disparities in India.
 - iv. Give any four logic in favour of 'Privatisation' in Indian economy.
 - v. Why the export promotion is needed in an economy?

DESCRIPTIVE PART II

Time: Two Hour

Max. Marks: 60

Attempt three questions in all, selection one question form each Section. Each question carries 20 marks. Each question has internal choice in the form of either/or.

Section-A

3. Describe the basic features of Indian economy.

or

Define the economic planning. Explain various achievement and failures of Indian economic planning.

Section-B

4. Evaluate the 'New Agriculture Strategy' in India.

or

Critically examine the role of 'public sector' in Indian economy.

Section-C

5. Explain the recent trends in foreign trade in India

or

Write an essay on population policy in India.

B.Com. (Part-II) Examination, 2008
Economic Administration and Financial Management
First Paper
Economic Environment in India

Time : 1 Hour

Max. Marks. : 40

Objective Part-I

1. Attempt all the questions. Each question carries 2 marks. Answer should not exceed 20 words.
 - (i) What is meant by Economic Policy?
 - (ii) Define free trade policy.
 - (iii) Which sector accorded top priority in the eleventh Plan?
 - (iv) What is 'Dry Farming'?
 - (v) Name four institutions providing Agriculture finance.
 - (vi) Explain 'TRIPIS'.
 - (vii) What is economic liberalisation?
 - (viii) Explain Replenishment licensing system.
 - (ix) What is 'relative poverty'?
 - (x) Explain 'fiscal deficit'.

2. Attempt all the questions. Each question carries 4 marks. Answer should not exceed 50 words.
 - (i) Explain four factors affecting economic environment.
 - (ii) Planned Economy is 'an economy with open eyes'. How?
 - (iii) Write four advantages of liberalisation.
 - (iv) Write any four reasons of slow growth in India's export.
 - (v) Highlight four main features of 2001 census of Indian population.

DESCRIPTIVE PART II

Time: Two Hour

Max. Marks: 60

Attempt three questions in all, selection one question form each Section. Each question carries 20 marks. Each question has internal choice in the form of either/or.

Section-A

3. Explain the causes of underdevelopment of Indian economy and give suggestions for its improvement.

or

Write a critical note on 55 years of planned economic development of India.

Section-B

4. Explain the concept of liberalisation. What has been the impact of liberalisation on Indian economy?

or

Write short notes on the following :

- (i) Indian Agriculture and W.T.O.
- (ii) Problems of Public Sector

Section-C

5. What is 'poverty'? What are its main causes in India? What steps do you suggest to reduce poverty in India?

or

Write notes on the following:

- (i) Recent trends of India's Foreign Trade
- (ii) Population Explosion.

B.Com. (Part-II) Examination, 2007
Economic Administration and Financial Management
First Paper
Economic Environment in India

Time : 1 Hour

Max. Marks. : 40

Objective Part-I

1. Attempt all questions. Each question carries 2 marks. Answer should not exceed 20 words.
 - i. Define the economic environment.
 - ii. What is "Disinvestment"?
 - iii. Write two object of "Industrial Policy".
 - iv. What is two object of "White-revolution"?
 - v. Explain two object of "world trade organization"
 - vi. What is "Globalization"?
 - vii. Explain two key problems of public sector.
 - viii. Explain concept of working population.
 - ix. What is "Poverty line"?
 - x. Write two main causes of 'Population Explosion' in India.

2. Attempt all question. Each question carries 4 marks. Answer should not exceed 50 words.
 - i. Explain four tools of Fiscal Policy.
 - ii. Write any four problems of Indian Agriculture.
 - iii. Explain four features of India's foreign trade.
 - iv. Write any four logic in favour of "Privatisation" in Indian Economy.
 - v. Explain four basic features of Indian economy.

DESCRIPTIVE PART II

Time: Two Hour

Max. Marks: 60

Attempt three questions in all, selection one question form each Section. Each question carries 20 marks. Each question has internal choice in the form of either/or.

Section-A

3. Define the economic planning. Explain various achievements and failures of Indian planning.

or

Define commercial policy. Explain the salient features of Exim-Policy 2004-09 of Government of India.

Section-B

4. Explain the prospects of Industrial Development in India. Describe key problems of Industrial Development.

or

Write short notes on the following:

- (i) Role of public sector in Indian economy.
- (ii) Evaluation of globalization policy.

Section-C

5. Explain various causes of unemployment in India. What remedies would you suggest for removing unemployment?

or

Explain the following:

- (i) Measuring to remove economic disparities in India.
- (ii) Achievement of export promotion measures in India.

B.Com. (Part-II) Examination, 2006
Economic Administration and Financial Management
First Paper
Economic Environment in India

Time : 1 Hour

Max. Marks : 40

Objective Part-I

1. Attempt all questions. Each question carries 2 marks. Answer should not exceed 20 words.
 - i. Write four factors affecting Economic Environment.
 - ii. What is Economic Planning?
 - iii. Define the Economic Planning.
 - iv. Write the two points of Agriculture importance in India.
 - v. What is Disinvestment?
 - vi. Define Small scale Industries.
 - vii. Write the meaning of Economic Liberalization.
 - viii. What is Balance of Trade?
 - ix. What is density of population?
 - x. Write two main causes of Economic Disparities in India.

2. Attempt all questions. Each question carries 4 marks. Answer should not exceed 50 words.
 - i. What is following up action in Planning?
 - ii. Write any four characteristics of India's Exim Policy 2002-07.
 - iii. Write any four problems of public sector in India.
 - iv. Explain the concept of Swadeshi.
 - v. Write four causes of increase in population in India.

DESCRIPTIVE PART II

Time: Two Hour

Max. Marks: 60

Attempt three questions in all, selection one question form each Section. Each question carries 20 marks. Each question has internal choice in the form of either/or.

Section-A

3. Describe the basic features of Indian Economy.

or

What do you mean by Fiscal Policy? Describe the main components of Fiscal Policy.

Section-B

4. How WTO membership will affect Indian Agriculture? Critically examine.

or

Discuss the role of small and cottage industries in Indian Economy. .

Section-c

5. What do you mean by Export Promotion? What steps have been taken by the Government of India for the Export Promotion?

or

Discuss the main causes of Poverty in India. Suggest its remedies.