

Biyani's Think Tank

Concept based notes

Indian Economy

[B.A.-Part-I]

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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

INDIAN ECONOMY

Syllabus

UNIT – A

Basic characteristics of Indian economy, Natural Resources: Land, minerals, water, forest and power resource. Population: Size and growth, labor force, occupational distribution and Population policy, Human Resource Development indicators. Agriculture: Role and importance of agriculture in the Indian economy, productivity trends of major crops, Land Reform legislations, Irrigation and irrigation policy, use of Fertilizers and Fertilizer policy, Institutional credit for agriculture, marketing of agricultural goods, Support Price and Public Distribution System, New strategy of agricultural development, Agricultural Policy, Capital formation in Indian agriculture.

UNIT- B

Industry: Role, strategy and challenges, Cottage and Small Scale industries: Policy, problems and future perspective, Public and Private Sector Industries, Industrial Finance: Role of financial institutions and commercial banks; Problems of Trade Union Movement; Social Security Programmes; Industrial Policy: Pre and Post reform period, New Economic Policy, disinvestment of Public Sector Undertakings; Foreign Investment: Trends and its role in economic development of India; Foreign Trade: Size, composition and direction, recent trends in India's foreign trade, Foreign Trade Policy.

UNIT- C

Planning in India: Objectives of five year plans, review of economic progress under the plans, comprehensive study of the latest Five Year Plan; Problems of Poverty, unemployment, inflation and regional inequalities; Rural Development programmes, sectoral reforms in infrastructure after 1991- Power, communication, education and health sectors, Globalization and strategies for MNC's. Present position of Rajasthan in Indian economy, population, Human Resource Development (Literacy, health and nutrition), per capita income, agriculture, industry and infrastructure; Natural resources: land, water, livestock and minerals, constraints in the economic development of Rajasthan and the measures to overcome them.

UNIT- A

Characteristics of Indian Economy

Q:1 Explain the basic characteristics of India as a backward economy?

A:1 The basic characteristics of India as a backward economy are:

1. Reduction in the per capita income: One striking fact of the emerging scenario of a backward economy was the decline in the level of per capita income. During the 100 years of British rule, the per capita income remained stagnant, with a tilt towards the downward side.
2. Low living levels: The stagnant per capita income was however, a symbol of the utter poverty of the people which exhibited their low living levels. They ate a very inadequate and unbalanced diet, their clothing was scanty and even many went about in semi nude bodies and on bare feet.
3. A weakened economy: During the British rule, the Indian economy had become incapable of a higher growth rate. With low growth in national income, there was very little that was added to the stock of real capital of the country, the rate of investment remained stuck and the country's capital equipments were used intensively for war purposes with almost no provision for replacement.
4. Predominance of Agriculture: One of the main reasons behind the backwardness of the Indian economy is its increased proportion of workforce engaged in agricultural operations.
5. Low level techniques: The use of primitive techniques in different spheres of economic life also makes India to lag behind.
6. Anti growth attitudes and Institutions: One of the reasons for India's stagnant growth and backwardness is its religious and social structure. It is argued that in India, there are religious customs, practices and social institutions giving rise to castes, joint family system etc which foster attitudes and behavior inimical to economic growth.

7. **Population Pressure:** Another explanation of Indian backwardness is its rising population. It is argued that a fast rising population consumes an increasing proportion of stagnant production and leaves little for investment.
8. **Economic Drain:** The drain of resources from India to the United Kingdom also led to the backwardness of the Indian economy. This ceaseless flow of resources which could be utilized for the development of the country, made India impoverished.
9. **Large Unemployment:** On account of slow growth of economic activities, there was large scale unemployment among the Indians. In towns and cities, besides the underemployed, there is a considerable number of people suffering from open unemployment. These are people who have completed their school level or higher education.

Q:2 State the progressive features of the Indian economy?

A:2 The progressive features or characteristics of the Indian economy are as follows:

1. **Uptrend in Income:** One aspect marking the progressive feature of the Indian economy is its upward trend in the national income. There has also been a rise in the industrial output over 6%.
2. **Increase in productive capacity:** There has also been an increase in the productive capacity of the country which is evident through the rates of investment, economic and social capital and structural changes in the economy. Large increase has also taken place in the irrigation capacity with the construction of dams, canals, wells etc. Apart from this, significant progress has taken place in the field of electricity generation, transport facility and manufacturing capacity.
3. **Improvement in human capital:** There has been a sizeable progress in the formation of human capital. With the large increase in the number of schools, colleges and universities, many have received education and the literacy rate has improved. With the establishment of many scientific, professional and training institutions, there has arisen a large cadre of highly qualified and trained scientists, workers and managers.
4. **Modernization:** The modernization trends reflected in the variety of structural changes in the economy is yet another symbol of the developing character of India. There has been a decline in the share of agriculture and the income originating from mining, manufacturing and construction sectors have increased. There is considerable progress in terms of sophistication of technology and the range of goods manufactured in the country.

5. Institutional Improvements: Radical changes have also taken place in the institutional set up of the country. With liberalization and globalization, considerable expansion of the private sector has taken place and the entire economy has become market oriented and competitive.

Q:3 What do you mean by natural resources?

A: 3 Resources given to us by nature have a vital bearing on the economic life. Since very long in the past, when man started interacting with nature, natural resources have been made available in varying varieties and various quantities. The recent developments in science and technology have enlarged our resource base and also the perceptions about the uses of these resources. In a general way, natural resources can be defined as resources constituting of all that is given by the nature on, above and under the surface of the earth. Therefore, a natural resource is anything found by man in his natural environment that he may in some way utilize for his own benefit.

Q: 4 What is the importance of forest resources? Explain the problems faced by these resources and the measures to overcome them?

A:4 Forests are an important renewable resource that may confer many benefits on the country and have the potential of many more benefits if the area under them is expanded and utilized properly.

Problems:

1. Inadequate forest area: The total forest area is only 23% of the geographical area of the country which is grossly inadequate considering the various needs of the country. Also around 20% of the forest area is either inaccessible or unproductive. The national policy on forest has laid down in 1988 that the forest area should be as much as one third of the country's total land area and the existing coverage by the forests is quite unsatisfactory.
2. Large Deforestation: There has also been a big reduction in the forest area in the past few years due to reckless felling of the trees for use as fuel and industrial wood, extension of agriculture, construction of river valley projects, roads, industrial projects etc. Such large scale deforestation has led to many problems like deterioration of land and water resources, effect on plant and animal life and difficulty for the people living near the forest areas
3. Low production and productivity: A sizeable output is received from the forests but considering the needs and potential, this size is small indeed. Due to such low

production, the contribution of forestry to the gross domestic product continues to be low at around 1%

Benefits:

1. Protective umbrella of life: Forests support life on earth by maintaining the quality of water and air which are the basic essentials of the existence of life. Stability of soil is made possible by the presence of trees and they also absorb carbon dioxide and keep global warming at bay.
2. Ecological Improvements: Forests also confer considerable ecological benefits on the country by influencing climate and reducing extremes of temperature. They also conserve soil, intensity of floods is reduced and the supply of water in the streams and reservoirs is increased.
3. Industrial raw material and fuel wood: A variety of raw materials is supplied by the forests to many industries. Some of the major forest based industries are pulp paper, newsprint, rayon, resins, medicinal herbs etc. A variety of minor products are also provided like grass, fodder, honey, wood for house construction, fuel wood, essential oils etc.
4. Earner of foreign exchange and employment: Forests also play an important part in earning foreign exchange for the country. The main export items are teak, rosewood, paper and paper boards, natural gums etc. There is still a great scope for increasing the export of these items as also in that of various minor forest products. Also lots of employment opportunities are generated annually in the primary and secondary sectors of forest activities.

Measures for the development of forests:

1. Extension of area: In view of the large needs of forests and of their products, the area under them should at least be increased from the present 23% to 33% of the total land as laid down in the National Forest Policy. For this, measures must be taken for the deforestation of forests, remove poverty of the people living around forest area, rehabilitation of the degraded forests and raising the forest land by usage of the barren lands.
2. Raising productivity and diversification: Productivity of the forests should be increased not only by planting more plants but by planting quick yielding plants so as to raise the stock. Quality should be maintained by planting trees of various types to meet the economy's needs.

3. Promoting forests based economy: Efforts should be made for the promotion of a forest based economy by promoting agro-forestry projects and forest based small scale and cottage industries.
4. Expansion of wildlife: Wildlife is a very important activity associated with the forests which includes tigers, wild elephants, lions, large variety of deer etc. and a rich bird life. Population of some of these is dwindling for want of adequate measures for their preservation. The preservation and maintenance of these species require conservation of the forest area.

Q: 5 What are energy resources? State the problems faced by them and the remedial measures to overcome them?

A: 5 Energy has always been of key importance for the sustenance of life on earth. It is the very base of the high level living levels of the developed countries. It is an essential prerequisite for improving the physical quality of life and for the overall development of the country.

Major Problems:

1. Big Inadequacy: The most serious problem in respect of energy is that its availability is far short of the need for it, particularly in case of commercial energy. Also the growth of energy supply has also been lagging much behind the growth in its demand.
2. Serious imbalances: The problem of overall inadequacy is further complicated by the fact that there are several mismatches between the supply and demand for the various components of energy sources. The most important aspect in this is the slow growth of the commercial energy and its availability is lagging much behind its demand. Within the commercial sector also, there are gaps of considerable magnitude.. Difficulty has aroused due to the little progress made in the development of the new renewable commercial energy sources like solar energy, wind energy etc.
3. Several Inefficiencies: There are also inefficiencies that mark the energy scene of the country. The equipments and the appliances used are not energy efficient which leads to the wastage of energy. Considerable energy is wasted while it is being supplied to the different users. Also there has been inefficiency in the working of the power generating plants as well as the non-commercial sources of energy.

Remedial Measures:

1. Increase in supply: The energy supply should be increased in order to meet the increasing demand. The output of commercial energy should be stepped up and non-commercial energy must also be kept in use. Apart from this, new renewable sources of energy should be developed which has a scope in the near future and the productivity of the major sources of energy should be improved so as to increase the supply of energy.
2. Demand management and conservation: There is also a need for regulating the demand for energy and also its conservation. For better management, it is essential that technological improvements must be sought so that production of goods requires less energy sources and efforts must be made to avoid any kind of wastage.

Q:6 What are Mineral Resources? Explain the problems faced by them and the measures to overcome them?

A:6 Minerals play an important role in the Indian economy. They help in building the productive capacity of the country by providing basic raw materials for the building of economic infrastructure. They help in the production of consumer durables like bicycles, scooters etc and are also the biggest earners of foreign exchange through exports. They also make a significant contribution towards the employment of labor.

Problems:

1. Serious Deficiencies: One big shortcoming of the mineral situation is that the country is short in some vital resources. Crude oil is an example of one such mineral due to which the country imports it in large quantities. Similarly, there are deficiencies of high grade manganese, coking coal etc which are available only in meager quantities.
2. Inadequate facilities for refining and processing: Another major problem regarding minerals is the absence or inadequacy of requisite facilities for the refining and processing of raw minerals. So we export them as raw materials by not adding value to them. On imports also we lose because we import them as refined metals rather than as raw ores in the absence of refining and processing facilities.

Remedies:

1. Increasing availabilities: To overcome the problems of shortages of minerals, measures must be adopted to ensure larger supplies of these resources, their proper exploitation and efficient utilization. Mineral surveys must be done for exploration of new sites and new minerals. Natural gas available in large

- quantities can be used to replace petrol in many uses. Also better use of minerals must be done which are available in large quantities and best use of the scarce mineral resources.
2. Efficiency and environmental protection: The exploitation and utilization process of minerals should be highly efficient as it has a significant bearing on the productivity of the country. Mining and metallurgical industries are certain industries which are highly polluting industries for which proper attention must be given for environmental protection.

Q:7 What are Water Resources? Explain in brief the problems and the remedial measures?

A:7 Water is the most important resource for the sustenance of life next to air. No other resource can match it in its multiplicity of uses like drinking, cleaning, cooling, sanitation, irrigation, wildlife preservation, recreation etc. Although this resource is available in ample quantities in India but it has not been properly tapped due to which it is not made available to all people, all areas and all users throughout the year. Sources are surface water and ground water.

Problems:

1. Acute Scarcity: The greatest problem regarding the water resources in India is its acute scarcity in several respects like drinking, irrigation etc. Its smallness can be assessed when one looks at the world average. Our water resources are less than even the average of the low income economies. Apart from this, there is also an uneven distribution of these resources in some places with many areas getting much less than the average and some areas remaining completely dry for months.
2. Worsening Pollution: Another problem of consideration is that of water pollution which on the rise as a result of increasing population as well as rapid industrialization of the country. A major part of the problem is contamination of water, caused by the disease bearing human waste, agro-industrial effluents, intensive use of fertilizers etc. As a result, the surface water of river gets contaminated with toxic chemicals and heavy metals such as lead and mercury.
3. Severe floods and Draughts: Floods occurring during the monsoons are the regular yearly phenomenon which has devastating effects and cause havoc to the human life, animal and plant life, standing crops and so on. Droughts are also recurring phenomena in some parts of the country like that of Rajasthan. These areas go without rain even when it's raining somewhere else. These cause severe hardships to the people for want of drinking water, livestock production, irrigation etc.

Remedial Measures:

1. Additions and Consideration: The most important step is to augment water supplies from out of the potential that lies untapped and conserve it in a manner that is available to all and throughout the year. Efforts must be made to increase the supply of water and conservation of water can be made by augmenting the ground water by leveling of land or by covering the soil with vegetation.
2. Optimum Utilization: It is important that optimum utilization of water resources be done in order to maximize the benefits. Greater priority must be given to drinking water followed by agriculture, industries etc. There is a need for the economic use of water with the use of the most modern technologies. This will reduce the real cost of water supply and its use.
3. Appropriate pricing of water: An important component of water management is the pricing of water. This is needed as water is scarce and its availability involves costs. Appropriate pricing of water is essential which ensures equity in the provision of water and financial self sustenance regarding water utilities.

Q:8 Explain the size, growth and features of Indian Population?

A:8 Population refers to the total number of people residing in any country and they are the ends and means for different types of economic activities. When in right numbers, they are an asset but when the number is beyond the capacity of the economy, they become a liability. Therefore, maintaining the correct number is very vital for the efficient functioning of the economy.

Size and Growth:

India is characterized by a large size of population which has grown at a rapid rate in the past beginning with 1921 and more particularly since 1951. The growth rate since 1951 has been around 2% and this rapid increase in population has been caused by growing gap between a slowly falling birth rate and a rapidly declining death rate. The rapidly growing population has resulted in adverse consequences. It has placed considerable pressure on economic development as much of the current production is used for the maintenance of population.

Features:

1. Rapidly rising Density: Density refers to the number of persons per square kilometer. The density of population has been continuously rising since 1921 and the increase has been much rapid after 1951. This is both at the central and the state level although the change in density has varied from state to state. Within the states also, there are differences in density among different regions.

2. **Interstate /Regional differences:** There are great differences in the density of population of different states, regions and within the states. India being an agricultural country, factors like climate, rainfall, irrigation facilities etc. vary considerably in various states and regions. Another factor contributing to such variation is the unequal development of industries in different states and regions. States having greater industrial progress have greater density of population. Also places of religious and historical importance and places having availability of educational facilities have a greater density of population as compared to others.
3. **Density and Economic Development:** Density can never be taken as a sure indicator of economic development. For example, in USA, the density of population is only 32 but yet it is the most prosperous country in comparison to Australia where the density is only 3.
4. **Interstate variations:** There are huge variations in the number of people residing in different states. As per the census of the year 2001, U. P continues to be the state with the largest population which is followed by Maharashtra and then Bihar. North eastern states like Sikkim continue to be inhabited by small population.
5. **Rural and Urban Differences:** In India, there has been a predominance of rural population. The number of people residing in the rural areas is more in comparison to the urban areas. Although in the recent years, there has been some change in the rural-urban population composition and gradually the proportion of the urban population is increasing.
6. **Age and Sex Composition:** In India, the number of population falling in the category of 0-14 years is found to be very high when compared to the data of the developed countries. Around 50% of the population comprises of people in the age group of 15-59 years and people above 60 years constitute 6% of the total population. In relation to sex composition, the number of males is more in comparison to the number of females. The number of females is still falling and there are wide differences in female-male ratio in different parts of the country.
7. **Life Expectancy and Literacy Rate:** The number of years for which people of a country expect to live at the time of birth is the average life-expectancy of that country. At the beginning, the life expectancy of the country was very low and was calculated to be only 23 years. Later on, the number rose and at present it is estimated to be 63 years. The literacy rate has been on increase with a sharp step up in the latest 1991-2001 decade. Literacy rate among males is greater as

compared to females. Literacy rate also has wide variations in different states. Kerala has the highest literacy rate and Bihar has the lowest.

8. High birth rate and declining death rate: There has been a high birth rate in the country as compared to the other countries. The reasons behind it are poverty of the people, religious and social attitudes, illiteracy, ignorance and non-availability of birth control devices. Death rate has also been on a decline in the past few years as a result of the developments that took place in the country. The reasons behind are reduced famines and epidemics and improved medical and health facilities.

Q:9 Critically evaluate the Population Policy and state some of its weaknesses?

A:9 The policy to control population growth was adopted by the government as far back as 1952. Certain variations were made in that policy and a latest population policy was drafted and announced on 15th February 2000 named as the National Population Policy. The policy was set with three main objectives. The immediate objective was to provide facilities to meet the unmet needs for contraception, health care infrastructure and health personnel and an integrated service delivery for basic reproductive and child health care. The second objective is to bring the Total Fertility Rate i.e. the average number of children per woman in the reproductive age group, to the replacement level. The third long term objective is to achieve a stable population at a consistent level with the requirements of sustainable economic growth, social development and environmental protection by the year 2045.

Critical Evaluation of the Policy:

1. Much Desired Objective: The greater stress of the policy right from the beginning is to stabilize the population at a reasonable size as it is an essential requirement for promoting sustainable development with more equitable distribution. Prominent place has also been given to reducing infant mortality rates, raising marriage age, bringing down the total fertility rate etc. For the fulfillment of the long term objective of a stable population, the policy lays down an immediate objective of making up the deficiencies in the services related to population control.
2. Appropriate Measures: Appropriate measures have been mentioned in the policy which largely concentrate on the on the provision of services related to reproduction and child health and also provision of infrastructure and contraceptives. To encourage people to use contraceptives, provision has been made for providing incentives both in cash and kind and to make them available

- at places where fertility rate is too high. In order to reach to the village community, implementation of the policy is sought through people's agencies like Panchayats, Nagar Palika's etc. NGO's are also used to promote the small family norm among people.
3. Largely Correct Diagnosis: The objective of the population policy is based upon an analysis of the problem of population growth. One of the reasons diagnosed is the excessive number of children above the two children per family. High Total Fertility Rate is yet another reason due to which the policy stresses the urgency of making contraceptives widely available to people. Further, early marriage of the girls is also a significant factor diagnosed which keeps the TFR high for which the policy has provided measures to ensure that girls marry at or above the age of 18.

Weaknesses:

1. The greatest shortcoming is that the population control program continues to be essentially a government affair where there remains dominance of bureaucracy but in order to transform the social attitudes of people, there needs to be a people's movement.
2. It also seems that certain targets set to be achieved are overambitious like bringing down the TFR rate to 2.1, making school education up to the age of 14 free and compulsory, reducing school drop outs rate to below 20%, achieving universal immunization of children against all vaccine preventable diseases etc.
3. The incentives provided through the population policy is mostly in cash and many a times the cash provided was less although the actual amount was more. Despite these incentives, the performance so far has been far from satisfactory as the presence of cash incentives have resulted in widespread corruption.

Q:10 Briefly explain the occupational distribution of workforce in our country?

A:10 Occupational distribution refers to the distribution of workforce in different occupations or industries of the country. All occupations are divided into three sectors namely the agricultural sector, the industrial sector and the service sector. In the agricultural or primary sector, apart from agriculture, people are also engaged in activities like animal husbandry, fishing, forestry, mining etc.

Features and Trends of Occupational Distribution in India:

1. Predominance of Agriculture: The occupational structure of India is characterized by predominance of agriculture. A substantial proportion of the population is found engaged in agriculture and a very small proportion is engaged in industry and services. The agricultural sector of our country happens to be in a very

- unsatisfactory stage which is clear from the fact that even with a large proportion of workforce engaged in agriculture, we are not self-sufficient in quite a number of agricultural products and we have to import them from outside. Also too many people are working in the agricultural field who are surplus and their productivity is almost nil.
2. **Little Change:** The occupational structure of India has remained static over a long time with no significant changes taking place in its structure. There is however, a slight change in the recent years as the proportion of people engaged in agriculture have declined and the number of people involved in industries and services have increased. Moreover, the number of workers in modern industries is on the increase which is indicative of the fact that the country is producing new products and using new and modern techniques. There is also an impressive expansion of job opportunities in the service sector like health, education, science, railways, communication etc.
 3. **Changes in States:** At the state level also, there are some significant changes in the occupational distribution. In states like Kerala, Tamil Nadu, Maharashtra and West Bengal, the proportion of workforce engaged in agriculture has declined and those engaged in industries and service sector have gone up. On the other hand, in states like Rajasthan and Orissa, the proportion of people engaged in agriculture have gone up and those engaged in industries and services have declined.

Q:11 What do you understand by Labor Force? Explain their role in the economic development of the country?

A:11 Labor force refers to people who yield a stream of economic benefits over their working life and as per the economic concept, they are considered as a capital asset. An improvement in the mental capability, skill and physical capacity can enable the labor force to produce more. The productivity of labor force can be increased in various ways. One is education which includes general and technical training. General education helps in improving the mental faculties and technical training adds to the productive capacity of people. Expenditure made on the provision of health facilities helps in directly enhancing the physical capabilities of people. All such investments thus help in the up gradation of the quality of the labor force.

Role of Labor Force in Development:

1. **Increases Output:** Knowledgeable and skilled labor force helps in making the best use of resources and thus the production goes up. Apart from, general training, the vocational skills imparted to people helps them to perform well in varied

- professions like farming, manufacturing etc. The availability of adequate health facilities raise the physical capacity of the laborer and increases output.
2. Adds to productive capacity: Effective labor force contributes a lot in raising the productive capacity of the country. Through the knowledge and skill of the labor force, technologies can be modernized with little extra cost of physical inputs. The knowledgeable workers can augment the productive capacity by adopting and adapting superior technologies. Such workers help in building up an educated society which becomes capable of perceiving the advantages of saving and investment.
 3. Tool for economic change: The knowledgeable, skilled and physically fit people are a powerful instrument of change in the society. This is because the attitudes of people no longer remain traditional and custom bound. A big change also takes place in the personal qualities of people which are conducive to the development of individualism and entrepreneurship. The capacity to innovate also gets strengthened.
 4. Improves quality of life: Productive and creative labor force helps in transforming the very lives of people. They start living and enjoying higher incomes and more satisfying lives due to improvement in per capita income, educational attainment and life expectancy. The per capita income which is taken as a measure of welfare rises with the presence of skilled labor force. In order to become more productive and efficient, the educational attainments also go up which is a social indicator of development.

Q:12 Explain the role of agriculture in the economic development of the nation?

A:12 Agriculture is considered to be an important sector of the Indian economy which contributes significantly to the domestic product and to the exports. More than two-third of the workforce is engaged in agriculture and agro-based industries. In an agrarian economy like India, agriculture plays a vital role in the economic development of the country.

Role in Development:

1. Supply of food and raw materials: Agriculture literally feeds the process of development by meeting the needs of food grains. It also supplies raw materials for different consumer items like edible oil, sugar, cloth etc.
2. Supply of Labor: Agriculture contributes to development by providing work to almost the entire labor force of the country, thereby, ensuring that people do not remain unemployed and may find a place to earn their living.

3. **Supply of Foreign Exchange:** Agriculture plays a significant role in earning foreign exchange through the export of agricultural goods to different countries. The requirements for the expansion of exports can be easily met by adding a crop or two within the existing cropping pattern and that too with little incentives.
4. **Resources for Capital Formation:** Agriculture can also contribute to a growing country's needs for large capital resources. Also agricultural practices can contribute a lot by generating surpluses for industrial development. In this way, it ensures the growth of both agriculture and industry.
5. **Providing Employment:** Agriculture can solve the problem of unemployment by providing jobs to many people. An increase in production and productivity in agriculture will create more jobs and raise the volume of work to be done. Besides direct employment in the sphere of crop-raising, agricultural expansion also provides work in other spheres like agro industries, transportation of agricultural products etc.
6. **Stimulus to Industrial Expansion:** Large incomes of the rural people resulting from agricultural expansion can stimulate industrial growth. Although initially, a large part of the additional incomes should go to saving or capital formation, yet in certain specific ways, the increase in incomes or output with the rural people can promote industries.
7. **Significant placing in Government Budgets:** Both central and state budgets of the government have been considerably influenced by land revenue and tax income on one hand and the expenditure on its development on the other. The yield from agricultural tax does make some difference to the revenues of state government which are always short of funds. Also with reference to the budgetary operation, massive expenditure is being incurred for agricultural development.

Q:13 Describe the progressive features of agriculture?

A:13 Since independence, various changes have taken place in the agricultural field and these positive developments point to the emerging progressive character of this sector. Some of the points representing its progressive characteristics are as follows:

1. **Increase in Production and productivity:** After independence, good results have been shown in production and productivity of the country. The growth rate in agriculture has improved which stood very low before independence. There has been an increase in the much needed crop for the masses namely food grains which has made India nearly self sufficient.

2. **Trend towards Diversification:** Another progressive indicator is the diversified character of the Indian agriculture. The output from the non crop sectors like animal husbandry, forestry, fishing etc. have increased and also there is an increase in the labor force involved in the non crop sectors. The areas under commercial crops have increased and superior food grain crops like wheat and rice are grown on larger areas.
3. **Modernization of Agriculture:** Qualitative changes have also been made possible in the field of agriculture. A part of agriculture is becoming highly science based and industry linked through the use of laboratory researched high yielding varieties of seeds, chemical fertilizers, pesticides, threshing machines etc. New methods are adopted like intensive cultivation; scientific water management and improvement in the knowledge of farmers have brought a change in their attitudes.
4. **Increase in Capacity:** There have been additions to the agricultural capacity for sustained growth. The factors contributing to it are increase in the irrigation potential, increase in the facilities for agricultural research and education and a large increase in the number and variety of institutions dealing with marketing of produce, credit supply, purchase/distribution of inputs, storage etc.
5. **Improvement in Agrarian System:** Land reforms in agriculture have helped to change the agrarian relations in favor of the actual tillers of the soil. The zamindari system have been abolished, tenancy conditions have improved through fixation of rents, maximum land that a family can hold have been fixed under the land ceiling system and small and scattered lands have been consolidated in order to reduce the wastages and inefficiencies.

Q:14 Explain the National Agricultural Policy framed in the year 2000?

A:14 The National Agricultural Policy was announced in July 2000 to actualize the vast untapped growth potential of Indian agriculture, strengthened rural infrastructure, support faster agricultural development, promote value addition, accelerate the growth of agro business, create employment in rural areas, secure fair standard of living for farmers, discourage migration to the urban areas and face the challenges arising out of liberalization and globalization. The policy aims at achieving an annual growth rate of over 4% which is to be growth based on efficient use of resources, conservation of soil, water and bio-diversity, growth with equity spread across regions and growth that is demand driven that caters to domestic market and maximizes benefits from export of agricultural products.

Critical Evaluation of the Policy:

The following points critically evaluate the National Agriculture Policy of 2000:

1. **Landable aims:** The National Agricultural Policy with a time frame of two decades has set before itself various landable aims. It provides for a high growth of agriculture at over 4%, a strengthened infrastructure, faster growth of agro-business, large value additions in production, more employment, fair standard of living for the cultivators, discouragement of migration of rural people to the urban areas and to withstand the challenges arising out of globalization and liberalization.
2. **Reform Oriented:** The National Agricultural Policy has provided for much needed reforms of the agricultural sector. One of the major reforms is the enlargement of the functioning of the market. It aims at taking away severe controls and progressively removing restrictions and regulations on the movement of agricultural goods. Efforts have also been made for the active participation of the private sector in the agricultural field. The private sector will be encouraged to put in their resources in areas such as research, post harvest management, skill formation and marketing. For the transfer of technology, the policy aims at the setting up of agro-clinics on private basis. A bigger role has been provided to the private sector for the development of animal husbandry also.
3. **Comprehensive in Nature:** The positive point of the National Agriculture Policy is that it is all embracing in its scope. Almost all concerned activities have been brought into its orbit like animal husbandry, agriculture, farming, fisheries, agricultural business etc. For the development of the sector, all aspects of agriculture like investment, productivity, growth, technology, terms of trade, environment, globalization, liberalization have been taken into consideration.

Shortcomings of the Policy:

1. The major shortcoming of the policy is that it concerns itself with the long standing problems stretching in a two decade time frame and ignores the ongoing current issues which need to be dealt on a priority basis. Issues like declining trend in agricultural productivity, decline in public investment in agriculture, uneven competition due to removal of restrictions etc. are not given proper concern in the policy.
2. Too much dependence on the private sector for corporatization of agriculture may not be a feasible proportion for the private enterprise. The expectations regarding the flow of private investments in agriculture in a big way may be difficult to materialize.

3. The leasing of land to private sector under the policy for large scale production may also not work in practicality.
4. In some areas, the policy continues to impose greater restrictions which inhibit the growth of an efficient and viable agriculture.
5. The target of over four percent growth to be achieved in the agricultural sector appears to be somewhat unrealistic.

Q:15 Explain briefly the cropping pattern and the productivity trends of major crops in the country?

A:15 Different varieties of crops are grown in India and the net area sown under these crops is approximately 142.3 million hectares which constitutes 46% of the total geographical area of the country. A recent development of considerable importance in cropping pattern is the emergence of food grain surpluses.

Productivity trends of major crops are as follows:

1. Preponderance of Food grain Crops: with regards to the cropping pattern in India, a very large area has been devoted to the food grain crops covering approximately 65% of the gross cropped area. This trend of increased land area under food grain crops has been prevalent before and after independence.
2. Trend towards Commercial crops: In the recent years, an inclination towards the non-food grain crops or commercial crops has also been on the rise. The land under both food grain crops and non food grain crops has increased but the growth of the latter is much bigger.
3. Sharp increase of area under certain crops: Cropped area of few crops has increased in the recent years. It is both in case of food grain crops as well as non food grain crops. In case of food grain crops, the greatest increase has been in respect of wheat among all individual crops. Among the non food grain crops, sugarcane experienced the largest increase in area.
4. Preponderant but slow growing crops: There are certain crops which predominate much but the area under them has risen very slowly. In the group of food grains, rice is one such crop which is cultivated on a large area but growth within the area had been small. Therefore, its share remained almost the same. Similar was the case with jowar considered the crop of the poor and pulses. Among the commercial crops, cotton is cultivated on a large area but the growth within the area had remained small. Same is the case with jute, mesta and tobacco.
5. Emerging Imbalance: Another notable feature is the emergence of imbalance in the cropping pattern. The cropping pattern has been changing and has been

drifting away from what is a desirable course. For example, the area under fast growing crops like wheat and paddy has increased continuously in some states at the cost of cereals, millets, pulses etc due to technological differences, irrigation facilities, governmental support and changes of relative prices of different crops. All this has made wheat and paddy superior to other crops and due to this, production of cereals consumed by the poor has suffered.

Q:16 Explain the role of land reforms and the land reform legislations framed in the country?

A:16 Land reforms can be referred to those institutional changes which make property relations in respect of land favorable to the actual tillers of the soil and which raise the size of small farms to make them viable units. Therefore, the concept encompasses two types of change. One is related to the agrarian relations between the owners and the tenants who cultivate the land and the second is concerned with the size of the unit of cultivation. Land reforms are thus important for raising production and ensuring incentives and fair rewards to the cultivators. Land reforms comprise of three main elements which are improvements in the conditions of tenant cultivators, redistribution of land to favor small farmers and consolidation of small and fragmented holdings to make them compact units.

Role of Land Reforms:

Land reforms are of great significance for the country as it contributes a lot to the growth of the economy and social justice to the poor farmers.

1. Promotes Growth: Land reforms offer much needed incentives to the actual tillers of the soil. It also seeks improvements in their conditions of work and ensure for them reasonable sized units. Such favorable circumstances enable the farmers to put in more hard work, make more investments and take more care of the land and its produce.
2. Renders Social Justice: Land reform is a suitable means of doing justice to the small farmers besides contributing to growth. These reforms seek to remove the exploitive features of the agrarian system and provide for fair rents, secured tenure and humane conditions of work. They ensure equality of tenurial status to all the tenants and expand opportunities for them with regards to land. Through redistribution of land to the landless farmers, these reforms tend to reduce gross inequalities of productive assets. Also consolidation of small and scattered land holdings helps the farmers to raise the efficiency of the agricultural operations.

Land Reform Legislations:

The thrust of land reforms has been in three aspects of the agrarian system. They are as follows:

1. **Land Tenurial System:** The reform in the tenancy system has been on two fronts. One concerns the Zamindari System established by the British government which was sought to be abolished by these reforms. As a result, the Zamindars who collected high rents from the cultivators were eliminated and the cultivators came in direct contact with the state. This step in a way took India into the modern agrarian system. Secondly, these reforms had a great concern for the tenants who worked on land owned by others. Various steps have been taken for their improvement like fixation of rents, security of tenure through protection against rack renting. Steps have also been taken to prevent the eviction of tenants living in homesteads and huts.
2. **Redistribution of Land:** The reforms have provided for the ceiling of land that a family can own. Thus, if there is any surplus, it can be transferred to the landless or small cultivators. The ceiling varied as per the quality and crops grown on the land and almost all states have now enacted laws in this regard. Surplus land is taken over by the state and distributed to the poor farmers.
3. **Consolidation of Holdings:** Through consolidation of holdings, land reforms aim at providing compact pieces to farmers and bring together the land scattered in different areas. Small and scattered pieces pose hurdle in efficient cultivation as these lead to wastage of resources and under utilization of land. Measures of consolidation of land holdings have been undertaken in most of the states and this has surely helped in improving the agrarian system and providing justice to the poor.

Q:17 Give a brief note on Institutional Credit for Agriculture?

A:17 Finance is an essential requirement for every productive activity and agriculture is no exception. Most of the needs for finance are linked to the productive processes like acquiring of inputs, sale of output, digging of wells etc. Agricultural finance is different from industrial finance. Unlike industrial finance, there are no quick or big changes in the amounts required in response to changes in output. The reason is that it takes time for changes in production to show themselves in terms of changes in requirement for finance. It is difficult to estimate correctly the credit needs in advance as is possible in case of non agricultural industries as an agriculturist is more dependent on nature and has the least command over the quality and quantity of his product.

Types of Credit:

There are three types of credit for different purposes:

1. **Short Term Credit:** Short term credit is usually for a period up to 15 months and they can be fully repaid out of the current income of the farmers. Inputs like seeds, fertilizers etc. are purchased out of these loans. Also current expenditures like wages, taxes and rents are paid out of these loans. So, they are basically concerned with the current activities of production.
2. **Medium Term Credit:** These loans cover a period ranging from 15 to 5 years. The activities financed out of these loans are repair of wells, purchase of cattle, improvement of land, purchase of implements etc. All these expenditures facilitate production over a longer time frame and repayment options are also spread over a long time period.
3. **Long Term Credit:** The period involved in these loans range from 15 to 20 years or even more. They are used for purposes which contribute to agricultural production over a longer time period and their repayment is also spread over a longer period. Long term credit can be used for activities like reclaiming of new lands, purchase of machinery etc.

Sources of Agricultural Credit:

There are different sources of agricultural credit. They are as follows:

1. **Co-operative Credit:** In the field of co-operative credit, there are two prime institutions. First is the agricultural credit societies which cater to the needs of short term and medium term finance. Second is the land development bank which caters to the long term loan requirements. For financing of agriculture, co-operative credit is considered the most appropriate institutional arrangement as it is based in rural areas and its membership involves people from the rural areas. So these institutions have intimate knowledge of the villagers with whom they have to deal. Government provides considerable help to these institutions and they also receive special treatment and guidance from the Reserve Bank of India. The guidance and help of these institutions have become more specialized with the inception of National Bank of Agriculture and Rural Development which is an apex institution.
2. **Commercial Bank Credit:** These institutions have entered the credit field recently but the credit supply from these institutions has been on an increase. Earlier, they primarily solved the needs of big cities and the funds were mainly drawn from the urban areas. This was because of the uncertain characteristics of agriculture, lack

- of proper accounting of agricultural transactions, inadequate security of loans and absence of satisfactory guarantee for the repayment of loans. However, at present these banks have become quite important suppliers of credit especially for short term purposes and to an extent for the medium terms as well. In addition to the commercial banks, there are regional rural banks also which are sponsored by the government and the commercial banks and their services are specifically meant for the small marginal farmers, artisans etc.
3. **Government Loans:** Government is also an important source of finance for the agricultural activities and it extends help both directly and indirectly. Direct loans are provided to the farmers termed as Taccavi Loans which can be short term, medium term or long term. These are given at low interest rates and at easy repayment conditions. Indirectly, help is provided by the government through the co-operative societies. So, initially government extends help to these societies to stand on their own feet by purchasing of shares which are later on taken by the Reserve Bank of India.
 4. **Moneylenders:** The most important private source of agricultural finance is the moneylender. This agency also occupies an important place and is known by different names like Mahajan, Sahukar etc. Their importance has increased due to the inadequacy of institutional agencies for this purpose. Also being the residents of village, they have an intimate knowledge of local conditions and people and their method of work is also flexible.

However, there are many shortcomings also like they sometimes credit loans very easily without inquiry which has lead to an increase in rural indebtedness. Heavy rate of interest is charged ranging from 15 to 50% or even more and take advantage of the illiterate agriculturists and make manipulations in accounts. They take advantage of the helplessness of the farmers and exploit them.

In the recent years, efforts have been made to regulate the activities of these moneylenders and the Reserve Bank of India now exercises tight control over the activities of moneylenders.

5. **Other Private Sources:** Other non institutional sources are also used for the purpose of agricultural finance like relatives, traders, commission agents, landlords etc. But apart from relatives, all others generally charge a very high rate of interest which adds to the dead weight of indebtedness of the poor farmers.

Q: 18 Explain briefly the marketing of agricultural goods and its significance in the functioning of the economy

A:18 Marketing of agricultural goods is also an important activity which makes progress and development in agriculture possible. Marketing is a process whereby the seller and the buyer is brought together. The marketing of agricultural produce involves several activities such as collecting and storage of agricultural goods, their transportation to the storage points, their gradation, settlement of bargains etc.

Significance:

1. **Functioning of Economy:** A proper marketing system is the basic essential for a healthy functioning of an economy. The existence of a good marketing system is an assurance to the farmer that his produce will be taken off the field. It helps the farmers to assess the demand that exists for various goods and thus production can be made accordingly. Thus, a suitable marketing system will not only complete the process of production by providing a link between producers and buyers but also fulfill the needs of farmers and buyers.
2. **Economic Development:** A good marketing system is a major contributor in the development of agriculture thereby adding to the GDP of the country. Proper marketing helps in organizing surpluses from the agricultural sector which can be used in the non-agricultural sector. Trade can be improved as good marketing makes way for profitable opportunities by bringing foreign demands at the doorstep of domestic producers.
3. **Welfare Considerations:** Effective marketing system helps in the promotion of well being of people in which the first and the former beneficiary is the farmer himself. He is able to get the highest possible price for his produce. A good marketing system will align properly the agricultural prices with those of non-agricultural prices. This will do well both to the farmer and the non-agriculturists, thereby, promoting an efficient and optimal trading scenario.

Q:19 What do you mean by Public Distribution System? Explain its importance in the development of the nation?

A:19 Public Distribution System is an important measure in tackling the food problem of our country by extensive state intervention across the country, huge

expenditure for subsidizing the sale of food items through fair price shops and by affecting the living levels of a massive number of people. PDS makes available such essential commodities as rice, wheat, edible oils, sugar, kerosene etc. These commodities are sold against ration cards at prices generally lower than the market price. Since June 1992, PDS system has extended to cover the backward and remote blocks falling in drought prone areas, desert areas, hill and tribal areas. Additional quantities of food grains are given to them along with commodities like tea, soap, pulses and iodized salt.

Importance:

1. For Development: PDS is an important step in the development of the economy. Its positive role was recognized as far back as the First Five Year Plan(1951-1956). Food items constitute a major proportion of the consumption of workers and PDS helps in supplying wage goods at prices lower than the market price. This keeps the industrial costs low and the real wages of the workers are protected.
2. Anti-Poverty Measure: The PDS is also helpful in reducing the distress caused by the very low incomes of the poor especially those who are destitute with very little employment. The PDS through the supply of food grains at cheaper rates provide a means of security to the poor. Thus, it can be considered as one of the important ways of combating poverty in the country.
3. Protecting Poor from Unfavorable Effects of Reforms: The PDS is of great help in ensuring that the vulnerable sections of the population are not adversely affected by the ongoing structural changes in the economy. These changes bring change in the traditional occupations which go under the fierce forces of competition and modernization and the poor with little knowledge may not be able to take advantage of the new opportunities. Also with the opening up of the economy, the prices of essential goods will go up, putting the poor in difficulties. In these circumstances, PDS can be of immense help to the poor.

Multiple Choice Questions **(Option “a” is the Answer)**

1. Natural resources can be defined as
 - a. All resources given by nature
 - b. All resources produced by man and machines.
 - c. All resources brought from another country.
 - d. None of the above

2. Forest resources are considered to be
 - a. Renewable resources
 - b. Non renewable resources
 - c. Both renewable and non renewable resources
 - d. None of the above

3. In the past few years, there has been a big reduction in the forest area due to
 - a. Deforestation
 - b. Afforestation
 - c. Ecological Improvements
 - d. None of the above

4. One of the vital minerals in which the country is having a big shortcoming is
 - a. Crude Oil
 - b. Manganese
 - c. Iron Ore
 - d. Coal

5. Population can be defined as
 - a. Total number of people residing in a country.
 - b. Type of people residing in a country.
 - c. Characteristics of people residing in a country.

- d. None of the above
6. The National Population Policy drafted and announced on 15th February, 2000 was set with how many main objectives?
- Three
 - One
 - Four
 - Two
7. Occupational distribution in an economy refers to
- The distribution of workforce in different occupations.
 - The distribution of workforce in similar occupations in different sectors.
 - The concentration of workforce in agriculture.
 - None of the above
8. Which of the following is an allied agricultural activity?
- Animal Husbandry
 - Farming
 - Crop Rotation
 - None of the above
9. Land reforms in Indian agriculture can be referred to
- Institutional changes to make land favorable to the actual tillers of the soil.
 - Efforts made to make land more fertile.
 - Legislations for improving the land fertility.
 - None of the above.
10. How many types of Institutional Credit is provided or in agriculture?
- Short, medium and long term
 - Only short term credit
 - Only medium term credit
 - Only long term credit.

UNIT –B

Industry and Foreign Trade

Q:1 Explain the role of Industry in the Indian economy?

A:1 Industry is a place where the production of an economic good or service takes place within the economy. For a predominantly agricultural country like India, development of industries is a must. A look at the progress made in the past few years present a picture that some developments have definitely taken place in the field of industries. Material riches and industries go hand in hand and this has been amply demonstrated by the industrially advanced countries.

Role of Industries:

1. **Raising Income:** Industries provide a secure basis for the rapid growth of income as industries produce products which are largely depended on man's efforts as against agriculture where man's hard work is restricted by the limiting factor of nature. Through the application of ever-improving technologies, industries can push on with the objective of producing more and more goods. This will help in increasing the per capita income of the people.
2. **Meeting High Income Demands:** Only industries can help people in meeting their high income demands as beyond a certain limit, the demands of the people are usually for the industrial products. With the advancement of the economy, the needs of the people have gone up and it cannot be met by agriculture.
3. **Overcoming Disparities in Export and Import Elasticity:** In India, there is a wide disparity between export and import. Goods are not exported in ample quantities so as to earn a considerable foreign exchange. On the other hand, import is very high especially of capital goods and a considerable amount of money is spent in paying import prices. Industries can help in bridging the gap between the elasticity of imports and exports through import substitution.
4. **Absorbing Surplus Labor:** Indian economy is characterized by rising population and surplus labor. In order to absorb this surplus labor and to provide them jobs at commensurate rates, industries are of great importance. Establishment of more

- and more industries will generate employment opportunities on an accelerated rate.
5. **Strengthening the Economy:** Industrialization provides strength to the economy through the development of capital goods which enables a country to produce variety of goods. It makes possible the development of railways, dams etc. which in any way cannot be imported. Through the establishment of industries, elasticity can be imparted to the system and helps in the rapid growth and diversification of the economic structure.
 6. **Providing for Security:** Industrialization is very much helpful for providing for country's security, especially in cases when an international crisis develops. All time dependence upon the foreign sources may be a risky affair and the process of industrialization helps in achieving the national objective of self-reliance.

Q:2 Explain in detail the strategy of industrial development and state the challenges even in the midst of development?

A:2 The strategy for industrial development is as under:

1. **Impressive Growth:** The industrial production has grown at a rate of 6% since 1951, the First Five Year Plan. The contribution to the Gross Domestic Product has also gone up in the recent years. In comparison with the other countries, the growth rate of India appears to be of fair size. Therefore, India can be rightly described as a semi-industrialized country.
2. **Strengthened Industrial Base:** Besides the satisfactory performance in the overall quantitative terms, there has also been a large progress in strengthening the base for further industrial growth. This is evident from the large strides made in the fields of basic and capital goods industries. The establishment of industries such as cement, steel, engineering, petroleum etc. has strengthened the supplying capacity of the country. Increased dependence on agriculture has also been reduced.
3. **Modernization:** The profile of industrialization has undergone a radical change in the recent years. There had been a considerable diversification in the industrial set up of the country. The weightage of traditional industries like textiles etc have declined substantially and non-agricultural industries like engineering etc. have acquired a higher status. Advances have also been made in the field of technology and managerial skills as well. Progress has also been made in the field of industrial research for bringing new innovations in the industrial arena.

4. **Positive Investment Scenario:** There had been several healthy and positive developments in the field of investments also. This is evident from the large investments actualized and planned for in the 1990's and thereafter. There were sharp increases in the loans sanctioned and loans disbursed by the All India Financial Institutions. Similarly, there were big increases in the number of new issues, amount raised from capital market and domestic and foreign sources.

Challenges

The process of industrialization has however undergone several challenges even in the midst of development.

1. **Long Retrogression:** A matter of concern is that the growth of the industries has slowed down considerably in the past few years. There has also been large decline in the growth rate of basic and capital goods which has led to structural retrogression.
2. **Large Inefficiency:** Another serious weakness is the inefficient working of large many industries which is obvious from the large costs of several costs. Inefficiency is also reflected in the low levels of productivity and the existence of large unused capacity. Industries have to go through severe consequences of underutilization like wastage of capacity built, finances and managerial ability, wastage of employment potential, loss of production, emergence of unethical practices etc.
3. **Widespread Sickness:** There are also many industries which have fallen sick resulting in their sporadic closures. These industries fall sick due to their inability to meet statutory liabilities like provident fund, failure to pay timely installment of principle and interest on loans taken from financial institutions and through public deposits. This in turn results in loss of production, loss of jobs and loss of revenue of the government which is very difficult to be absorbed.
4. **Gross Regional Imbalances:** A particular shortcoming in the industrial development of the country has been its regional imbalances. With regard to industrial development, few states like Andhra Pradesh, Gujarat, Maharashtra and Tamil Nadu have taken a lion's share. At the other end states like Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal have achieved very little by way of industrial development.
5. **Insufficient Production of Wage Goods:** Another criticism leveled against industrial set up is its incapacity to produce goods of mass consumption in sufficient quantities, which is what matters for the bulk of population. The

inadequacy of wage goods has led to a rise in the prices of goods of mass consumption, slowness in the acceleration of these industries and employment.

6. **Small Employment Generation:** An unsatisfactory feature of industrial growth is that it has failed to generate employment to a significant extent. This is particularly directed against the large scale industries where the rate of employment has declined.

Q:3 Briefly elaborate the role and importance of the Cottage and Small Scale Industries in the Indian economy? Also state the various problems faced by them?

A:3 Cottage and small scale industries occupy an important place in the Indian economy. These industries are generally grouped under the heading of Village and Small Industries (VSI) and cover a wide variety of activities. It is split into eight sub sectors namely khadi, village industries, handlooms, sericulture, handicrafts, coir, small scale industries and Power looms. But these industries are also facing lot of problems due to the smallness of their operations. Therefore, it is very essential to take measures in order to promote them.

Importance:

1. **Large Employment:** These industries provide an ample scope for employment on a massive scale as these can be set up in no time and provide immediate employment. Being labor intensive industries, they use proportionately more labor in their production a compared to other factors of production. Industries like handloom, sericulture, food processing industry have great employment potential and provide employment to a large mass of population.
2. **Large Production and Large Exports:** These industries contribute a sizeable amount to the industrial output of the country. 40% of the production comes from these industries and major products are in the nature of consumer goods with a significant part consisting of luxury goods. Also several luxury items like handloom cotton fabrics, silk fabrics, coir products, handicrafts, carpets, jewellery etc. Swell the exports of the country, thereby, contributing to the accumulation of foreign exchange.
3. **Use of Domestic Resources:** An important feature of these industries is that they use and develop resources which are available locally and quite many of them would have remained unused. These resources are hoarded wealth, family labor, artisan's skills, native entrepreneurship, material inputs etc. By unearthing the hoarded wealth, these industries put into circulation savings which propel

- investments in the economy. They also provide opportunities to the small entrepreneurs to learn, to take risks, to experiment and to innovate.
4. **Welfare Promoting:** These industries are welfare promoting as people of small means can organize these industries. This increases their income levels and the quality of life. Also these industries tend to promote an equitable distribution of income, thereby, reducing the poverty and disparity within the country.

Problems:

1. **Several Inefficiencies:** There are many areas where these industries are beset with several inefficiencies. One dismal aspect is that a significant proportion of their capacity remains unutilized. A number of industries are plagued with incompetent management and very little has been done in the field of research in important matters like location, financial viability, existence of market, future prospects etc.
2. **Large Sickness:** Another problem is the large sickness that permeates this sector and the number of sick units runs into thousands. Such a huge number has entailed wastage of an equally large amount of finances which remain locked in them. These losses and wastage is not only in financial terms but also in terms of production, exports and employment.
3. **Inadequate Dispersal:** The inadequate dispersal of these industries is also a major problem as most of them remain confined to a few states. There is also an inadequate spread of these industries regionally between urban and rural areas. Therefore, measures must be taken to overcome such geographical disparities.
4. **Inadequacy of Finance:** These industries have problems in respect of credit both for long term and short term purposes. This is evident from the fact that the supply of credit has not been commensurate with their needs associated with fixed and working capital.
5. **Difficulties of Marketing:** These industries also have the crucial problem of effectively marketing their products. The problem arises from such factors as small scale of production, inadequate market intelligence, lack of standardization of products, competition from technically more efficient units and inadequate holding capacity in case of overproduction or deficient demand.
6. **Shortage of Raw Materials:** Shortage of raw materials also continues to plague these industries. Raw materials available are neither in sufficient quantity, nor of requisite quality and nor at reasonable prices. Therefore, they have to take whatever is available at high prices which in turn affect their quality, production and costs.

7. **Low Level Technology:** The methods of production which these small scale industries use are old and outdated which results in low productivity, poor quality of products and high costs.
8. **Competition from Large Scale Industries:** Another serious problem is the fierce competition that these industries face from the large scale industries. It becomes difficult for these industries to find markets where they may have a sufficient demand for their product. Severe competition is also faced when these industries seek new materials and other inputs like credit, electricity. Water etc.

Q:4 Explain in detail the government policies and measures undertaken for the further growth and development of cottage and small scale industries?

A:4 The various measures undertaken by the government for the betterment of these industries are as follows:

1. **Policy Approach:** Government has taken a positive approach and has assigned an important place to these industries. It has favored this sector for the use of local skills and resources and for the development of entrepreneurial skills. Through the promotion of these industries, the policy aims at preservation of the country's valuable craftsmanship and art heritage. In relation to this approach, the resources devoted to these industries have increased in the recent years. Besides planned resources, quite a large investment has taken place on private account as well.
2. **Facilitative set up:** A number of agencies and organizations have been set up to cater to the development needs of the small scale industries. These organizations are National Small Industries Corporation, Small Industries Development Organization, District Industries Centre, State Financial Corporations, All India Handloom and Handicrafts Board etc. These organizations render various services free of cost or at nominal charges for the development of these industries.
3. **Concessions and Reservations:** Government has extended support to these industries through concessions in the field of excise duty, procurement of machinery on easy terms, allocation of land on cheaper rates, exemption from labor and factory laws and protection in various forms.
4. **Supply of Raw Materials:** The policy has ensured the supply of raw materials from major suppliers and to route them through the State Small Industries Development Corporations for distribution to the cottage and small scale Industries.
5. **Marketing Support:** Government has also made efforts to improve the marketing system of these industries. For this, measures have been adopted to orient

- production in order to meet the needs of the customers. The strategy adopted includes diversification of markets, product mix, introduction of modern marketing techniques, better management practices, exploring new markets etc.
6. **Improving Skill and Technology:** Government has also extended help for the purpose of skill formation and technological up gradation. These facilities are made available through training institutes, demonstration centers, mobile training units etc. Efforts have been made to develop suitable technologies which ensure better utilization of locally abundant resources.

Q:5 Explain the role and significance of Public and Private Sector Industries in the Indian economy?

A:5 In Indian economy, both public and private sectors have an important placing and both operate in almost all sectors of the economy although their relative positions differ widely in different sectors.

Public Sector:

Public Sector Undertakings have acquired an important place in many fields of economic activity over the past many years and have involved massive investments. Public sector existed even before independence. Railways, posts and telegraph were owned and managed by the British government. In the new approach of the government, as embodied in its policy of 1991, the profile of public sector has undergone profound changes. The number of industries exclusively meant for the public sector has been drastically reduced. In spite of this, the public sector undertakings enjoy a high standing in the economy.

Role:

1. **For meeting Development Objectives:** Public sector undertakings came into existence to achieve the country's major objective of development. A large number of heavy industries producing largely basic and capital goods were set up in the public sector. The rationale was that a quick building of productive capacity would enable the country to produce after some time, a much larger output of consumer goods and other goods needed in other sectors like machines for agricultural operations.
2. **Large share in Industries:** The public sector investment in industries has been quite substantial. It is evident from the large share of such investment in the total investment on the industry in most of the plans which have so far been completed. It is thus obvious that the public sector has been a very important factor in expanding the industrial sector of the economy.

3. **Strengthening the Industrial Structure:** The public investments in the industrial sector have strengthened the industrial structure. Since most of the public sector investments have been in the basic and capital goods industries, the productive capacity of the country has substantially increased and has been of great help in diversifying the economic activities of the country
4. **Modernizing Technology Base:** A contribution of key significance is that the public sector has provided a modern technological base for a large segment of the industrial economy of the country. A large proportion of public investment in industries with latest technologies has been in petroleum, chemicals, light and heavy engineering etc. This has uplifted the entire sector comprising of these industries. Also the large public expenditure incurred on research and development has improved the technology and quality profile of various industries.
5. **Changing Import Export Composition:** In the sphere of foreign trade too, the public sector industries have much to their credit. Quite a number of industries produce import goods which has altered imports considerably through import substitution. This has reduced or even eliminated the too much dependence on the foreign sources. On the export front too, the production and export of non-traditional items like metal ores, engineering goods etc. have contributed to a change in the composition of exports and added to the foreign exchange earnings of the country.
6. **Promoting Social Interest:** Another contribution of considerable importance by the public sector industries has been made in the social sphere. The public sector through the provision of many benefits to its employees such as houses, medical care, retirement gratuity etc. is setting new standards and acting as a model employer.

Private Sector:

The private sector has also been an important sector in the functioning of the Indian economy. Even when the public sector owned the key industries, the private sector was quite large in the remaining areas of this field. Under the New Industrial Policy, the private sector occupied greater importance as compared to the public sector.

Significance:

1. **Considerable Growth:** Private sector industries have grown rapidly since independence and have thus become quite a big force in the Indian economy.

2. Impressive progress: The private sector since the departure of the British has grown much both in respect of areas covered by it and the nature of activities falling in its scope. The government undertook the responsibility of encouraging private sector through the supply of infrastructural facilities and financial services also through financial institutions.
3. Rising Foreign private Investments: An aspect of the growth of the private sector is the large increase in the presence of the foreign private companies with a sizeable segment of industries under their ownership and control. Most of these investors belong to the advanced countries like U.S.A, U.K, Germany, , Japan etc. The investments have been made in a variety of areas such as engineering, electronics, chemicals, computers etc.
4. Much Diversified Structure: Another important aspect of the growth of the private sector is the increase in the diversification of the industrial products. Initially at the beginning of 1960's, the industrial composition leaned heavily towards the consumer goods and these industries were earmarked for the private sector. With the passage of time, other types of industries also began to be included in the private sector. Quite many of them belonged to the intermediate and capital goods industries which includes industries connected with chemicals, plastic materials, paints, engineering, cement, rubber products etc.
5. Reasonably Profitable: Besides contributing to industrial development in terms of output and diversification of products, the private sector has something to its credit in its operations. The profitability ratios of these private sector industries have depicted a very high trend when compared with those of the Indian branches of multinational corporations and the Indian subsidiaries of the foreign companies.

Q:6 What do you understand by the term Industrial Finance? Explain its different sources?

A:6 The provision of adequate finance is of utmost importance for the efficient working of the industries and for their expansion. Industrial finance pertains to the financial system that provides financial resources for the conduct of industrial activities. It refers to the provision of finance for the conduct of activities mainly connected with the production of industrial goods. For the performance of industrial production, three types of finances are needed namely, long term, medium term and short term. Long term extends from 5 to 7 years or from 10 to 15 years or even more. It is basically needed for activities such as construction of buildings, manufacture of machines etc. Medium term finance is shorter than the

long term finance and is repayable over a period of 5 to 7 years or even less. This finance is employed for services such as repair, replacement etc. Short term finance is repayable over a short period of one year and is used for the purchase of raw materials, making wage payment to workers etc.

Sources of Finance:

1. **Internal Self- finance:** Internal self financing can be done by the household, the business or the government. The households invests out of its own saving and the surplus that it has, it lends to other units through the financial institutions like banks, capital market etc. The savings of the business comprised of depreciation and the retained earnings are normally short of investments. Hence, it also borrows from financial institutions. Government too finances a part of their investment from internally generated funds which arise from the excess of tax and other income over consumption spending plus transfers.
2. **Equity, debentures and bonds:** A large part of finance for fixed investments like buildings, machines etc. comes from different types of equity or shares. The credit worthiness of promoters of industries and profitability of industries determine the extent to which savers invest their money in shares. Long term finance of the industries is met through the issue of debentures and bonds which are loan instruments.
3. **Public Deposits:** Public deposits are also debt instruments mostly for short term finance. Under this system, people keep their money as deposit with these companies or managing authorities for a period of six months, a year or even more. The depositors receive a fixed interest and they can ask for the refund of money at any time.
4. **Loan from Banks:** Commercial banks provide funds for meeting the short term needs for working capital. Loans are given against the guarantee of government securities and stocks with companies and are advanced in the form of overdraft and cash.
5. **The Managing Agency System:** This system of industrial finance is peculiar to India and is of little importance nowadays. Under this system, an individual or group of individuals finance the initial stage of the establishment of industries and manage many activities of the company thus established. Managing agents rendered a valuable service in the past when there was shortage of industrial finance and lack of financial institutions. However, these agencies developed certain drawbacks in the due course. The managing agents started extracting too

- much interest on their money and commission for services. Thus the government put a ban on this system in 1970.
6. **Indigenous Bankers:** Indigenous bankers mainly provided finance to the small scale industries. In the absence of adequate institutional finance, industries used to depend upon indigenous bankers. But these banks charge very high rate of interest, thus, making finance a costly affair. Therefore, the importance of these banks is on the decline.
 7. **Development Finance Institutions:** These institutions cater to the needs of large and small industries. Some of these institutions are Industrial Development Bank of India, Industrial Finance Corporation of India, Unit Trust of India, General Insurance Corporation of India etc. These institutions provide huge amount of finances for setting up of new industries and for meeting their several needs in several forms.
 8. **Foreign Capital:** As a supplement to domestic finance, external capital too has been made use of in meeting the needs of industrial finance, mostly for long term needs. Foreign capital has taken several forms like foreign aid, help from foreign government and foreign institutions like World Bank to the Indian government. A part of this assistance has also gone to the private sector.

Q:7 Explain some of the weaknesses of Industrial Finance and also state the remedial measures to overcome them?

A:7 Some points depicting the weaknesses and the remedial measures are as follows:

1. **Paucity of Funds:** One dismal feature is the inadequate availability of industrial finance for the large and growing needs of industries. This is particularly in case of long term finance which is urgently needed and in large quantities. Apart from this, the concessional foreign capital is also on decline and the External Commercial Borrowing has become more expensive with increased interest rates.
2. **Underdeveloped Financial System:** Another deficiency is that the system of industrial finance is not yet fully developed. Capital market which is a source of long term finance is small and is not large enough to provide sufficient risk capital. Again there are little non bank financial intermediaries like development finance institutions, insurance companies etc.
3. **Unsatisfactory Interest Structure:** The interest rates for different types of loans namely short term, medium term and long term are neither appropriate, nor properly aligned with one another. They are in fact largely distorted and fail to represent true state of affairs in respect of supply of and demand for capital. The

- moneylenders also charge a very high rate of interest from the small industries which need to be given due attention.
4. **Difficulties of Small Industries:** Small industries face lot of problems in getting adequate finance due to the inadequacy of industrial finance, lack of adequate security acceptable to banks, their need for small amounts which is given less importance, more services of capital market to large industries and defects of the informal sector which is a major source of finance to the small industries.

Remedial Measures:

1. **Promoting Domestic Finance:** In order to improve the financial system for industries, efforts must be made to expand and strengthen the domestic sources of finance so as to lessen the dependence on foreign sources. The large external debt involving huge repayment obligations is another serious limiting factor on getting further loans from outside.
2. **Expanding Market Finance:** Setting up of market related institutions and market based finance is essential for the building of domestic finance. It is important because market related financial institutions are at present least developed and these institutions can promote the financial deepening of the system. Market finance can be a good signaling device for guiding the use of investment, in fixing appropriate interest structure and in locating points of surplus and deficits.
3. **Diversifying Sources of Finance:** Improvement can also be brought by diversifying the sources of industrial finance which will help in enlarging the availability of finances by attracting savings from people with different incomes, different temperaments and different objectives. For this setting up of new institutions and expansion of existing ones is required.
4. **Improving Banking Institutions:** Improvement of the banking institutions is also important to upgrade the quantity and quality of industrial finance. This can be done by making the banks more competitive and improving upon the management of banks.
5. **Setting up and Reforming Non-bank Financial Institutions:** More non-banking financial institutions also need to be set up and the existing ones improved in order to strengthen the industrial finance. Institutions like leasing company, Venture Company, securities market need to be extended and improved upon for meeting the financial requirements of the industries.

6. **Improving Finance for Small Industries:** In order to meet the financial needs of the small industries, it is essential to pay better attention to them so that adequate supply of finance can be ensured.
7. **Encouraging Foreign Capital:** Organization of foreign capital in a judicious manner is very essential to meet the increasing industrial needs. An important source of foreign capital is the foreign direct investment. The business risk in this case is borne by the foreign companies and they also bring with it modern technology and modern business practices.

Q:8 Write an elaborate note on the New Industrial Policy?

A:8 The New industrial policy was announced in two stages or two parts where the first part was announced on 24th July 1991 concerning the large industries and the second one was announced on 6th August 1991 concerning small industries.

Objectives:

1. **Progressive Economy:** The overall aim of the policy is to achieve a sort of development which makes industries dynamic in their growth and which renders justice to the people. The aim is to make the economy progressive by utilizing fully the indigenous capabilities of entrepreneurs, fostering R&D, making efforts for the development of indigenous technologies, raising investments, controlling monopolistic behavior, improving productivity and efficiency etc.
2. **Greater market orientation:** In order to achieve the various aims; the policy envisages the use of market in a big way. It intends to dismantle the restrictive and regulatory system and thereby save the economy from the cobwebs of unnecessary bureaucratic control. The market incentives will be used to influence the industrial development and to develop capital markets for providing avenues of financial resources to the entrepreneurs.
3. **Strengthening Private Sector:** The New Industrial Policy has granted greater role to the private sector and the public sector has now been left with only six reserved industries. The remaining has been thrown open to the private sector. Foreign equity or foreign direct investment has been allowed which accounts for the further expansion of the private sector.
4. **Dismantling of Controls:** The private sector has almost been freed from the government restrictions in respect of its functioning. The industrial licensing required for the creation of industrial capacities has been abolished. Freedom has also been provided in respect of foreign technology and their entry into high priority industries will receive automatic approval.

Critical evaluation:

1. **Erosion of Public Sector:** In the old industrial scenario, the public sector had been assigned a greater and a more crucial role in the development of industries than the private sector but the New Industrial Policy seems to go against this policy. There is now a reduction in the number of industries reserved for the public sector and emphasis is being given to privatization.
2. **More concentration of Economic Power and Regional Imbalance:** The New Industrial Policy has aimed at more concentration of economic power in private hands than the public hands as it believes that this will help in greater development. Also the new policy reinforces the attraction of the already developed regions or states rather than developing all regions.
3. **Greater Reliance on Market:** Under the New Industrial Policy, the market has been assigned a very large area where it will operate. The easy entry of foreign private direct investments to the extent of majority ownership in their projects will also strengthen the market related competitive forces. Also the transfer of foreign technologies into the country will further enhance the market forces.
4. **Globalization of the Economy:** The New Industrial Policy aims at integrating the domestic economy with the world economy. The removal of restrictions on the private domestic and private foreign entrepreneurs in respect of large number of industries brings the domestic market near to the world market. The entry of foreign direct investments and technology will help in linking Indian investments and technology profiles to those of foreign countries.
5. **Growth with Efficiency:** The thrust of the New Industrial Policy is to step up the growth of the industrial production through optimum utilization of resources. It aims at not only enlarging the resources base but also aims at improving the productivity of the existing resources.
6. **Mixed Deal for the Small Sector:** The New Industrial Policy provides for the sound growth of the small and the tiny sectors. The supply of inputs and provision of credit has been made in adequate quantities. Provision has also been made for the supply of risk capital through partnership and marketing of their products.

Q:9 Describe the role of Trade Unions in promoting the welfare of industrial workers?

A:9 Trade union of labor is an essential organization for the protection of labor rights and the promotion of their welfare. In India, trade unions are confined mainly to the workers in the organized sector such as large industries, railways, banks etc.

Unorganized sectors are almost without such agencies and therefore, they suffer from many problems of job security and other service conditions.

Importance:

1. **Overcoming Weaknesses:** Trade unions play a vital role in a market economy in overcoming the weaknesses of labor. The workers are unable to do anything in their individual capacity as they are poor and their power of bargaining is inherently weak. Due to large labor supply in India, the workers are susceptible to manipulations of employers who can pick and choose them as per their wish and hammer them into accepting unfavorable working conditions.
2. **Beneficent Role:** Labor can play a very important role when they are organized into large unions and can do a lot to improve their conditions. Their militant or fighting function can help them in bargaining with the employers regarding wages, working conditions etc. Fraternal function played by the unions helps in extending help to the workers in times of need such as illness, spreading education etc. The political power of the unions helps them to capture political power by fighting elections and gain more strength.
3. **Legal Protection:** The greatest advantage and strength of trade Unions is that it is recognized by the government of India. Their existence is legalized under the Indian Trade Union Act of 1926 which provides legal recognition to the activities of unions registered under it. This piece of legislation confers on the registered unions certain rights and privileges, besides putting their working under certain obligations.

Q:10 Explain some of the weaknesses encountered in the Trade Union Movement and suggest measures for improvement?

A:10 Despite their fast growth since independence, the trade unions have been beset with many weaknesses. They are

1. The union movement has not yet spread to the labor in the unorganized sector. As a result, the agricultural workers who constitute 25% of the total labor force remain out of its orbit.
2. There is proliferation of unions with little corresponding expansion in membership. It provides more and more berths to leaders rather than becoming forum for an increasing number of workers.
3. There is a multiplicity of rivalry among the unions and they are infected by unhealthy politics rather than by healthy atmosphere. Amidst all this, worker's welfare is neglected.

4. The leadership of quite many unions in the country is drawn from outside rather than from the rank and file of workers. Therefore, they cannot understand the real problems of the workers.
5. The administration of the trade unions is also weak due to predominance of small sized unions, poor finances due to small size and absence of whole time paid officers.

Suggestions for Improvement:

1. It is very crucial to eradicate illiteracy among the workers and to enlarge the membership of unions. This will help in the growth of leadership from within the workers.
2. Provisions must be made for conducting various welfare activities for the workers from time to time like mutual assistance in times of need, performance of cultural and social functions etc. This will help in inculcating a spirit of belongingness among the workers.
3. A reform in the structure of the trade unions is also essential. This can be done by avoiding communalism and casteism, establishment of one union in one industry and elimination of outside political interference in the day to day activities of the unions.
4. There is an imperative need for widening the philosophical basis of trade unionism that trade unions are solely meant for the workers and there is no doubt about it.

Q:11 Briefly explain the various Social Security Programmes undertaken by the government for the welfare of the society?

A:11 In the most comprehensive sense, social security programmes provide against all the risks and contingencies which the people in the society are exposed to from birth to death. The much less poor people are unable to face such risks and therefore need support and safety by the society. Workers may need social help in times of employment injury, occupational disease, invalidity or disablement, ill health or sickness, maternity or child birth, old age, burial, unemployment etc.

In India, besides some voluntary efforts, many social security programmes are ensured through legislature. The different laws enacted for the purpose are Workmen's Compensation Act, the Maternity Benefit Act, the Employees State Insurance Act and the Employees Provident Fund Act. These laws provide security against employment injury by accident and occupational disease, maternity, sickness, old age, involuntary unemployment, retirement etc.

Help through the social security programmes is given in various forms like in cash or in kind among which mostly it takes the form of medical aid for different periods. In certain schemes like the provident fund, the workers also contribute in certain ration along with the employers.

At present, the government is pursuing measures to amend labor laws to give flexibility to the employers in employing labor and even their retrenchment. This is considered essential for improving efficiency of the Indian industry, although there are likely to be several hurdles which can come in the way of enacting such labor laws. It is essential that a comprehensive plan must be prepared which allows scope to the voluntary efforts, in addition to the compulsory state measures. This will help in extending the coverage of such schemes. Positive efforts must also be made to encourage voluntary social schemes through the mutual aid organizations. Such an attempt has a large chance of success in a country where joint family still gets importance and where the people's psyche is still dominated by the togetherness of village life. Efforts should be made to cover an increasing number of workers in the unorganized sectors on priority basis and therefore related schemes need to be devised.

Q:12 Write a short note on the various trends in Foreign Trade?

A:12 Foreign trade represents a sum total of the imports and exports made to the foreign countries.

Trends in Foreign Trade:

1. **Big Increase in Turnover:** The total turnover covering imports and exports have gone up in the recent years with slight variations every year. Imports have contributed a much larger value as compared to the exports.
2. **Very Large Increase in Imports:** There has been a large increase in the value of imports and the most important factor contributing to this has been the heavy import of development goods and maintenance goods .due to heavy Industry based industrialization. In case of capital goods, the import of non-electrical machinery, apparatus and appliances has increased tremendously. With the increased industrialization, import of transport equipments also rose sharply. Other items like metals, petroleum oil and lubricants, iron and steel, non-ferrous metals and non-metallic mineral manufactures have also shown an increasing trend. These increasing imports stressed the need for import substitution. India started producing domestic items in many areas instead of importing it from other countries. These items include sugar mill machinery, bicycles, sewing machines, aluminum, cast iron, stainless steel, brass and bronze electrical wiring, sodium nitrate, textile machinery etc.

3. Modest rise in Exports: There has been a rise in the value of exports although the rise has been modest. Several factors are responsible for the relatively small growth of exports. Most of these factors originated in the foreign countries, in particular, the developed capitalist countries. These factors are recessions abroad, protectionist barriers erected by these countries etc. restricted India's exports. In spite of all this, there has been a considerable increase in the export of manufactured items like textiles, chemicals, machinery, transport equipment etc. Also the increase in exports has been quite broad based. Apart from the manufactured items, there was also growth of in the export of other items like cotton fabrics, leather and leather manufactures, cashew kernels, tobacco and oil cakes, coffee, fish and fish preparations etc.

Q:13 Explain the composition and direction of Indian Foreign Trade?

A:13 Composition of trade of a country indicates the different aspects of imports and exports. Through imports, it indicates what type of goods a country lacks and how much of these it needs or is able to get. Exports bring out the fact about the goods that a country has and how much of these it can and is willing to sell. Thus, composition of trade helps one to know the level of development of a country and its economic infrastructure.

Main Trends in Imports:

The most important changes in the composition of imports highlight the fact that it has been closely related to the efforts at the industrialization of the country.

- Industrial Imports: There has been predominance of industrial imports i.e. goods which are related to the promotion of industrialization of the country. Capital goods like machines, transport equipments etc and inputs for industrial development like fibres, petroleum, chemical products etc. are imported in large quantities. Therefore, imports have been largely of the nature of industry-based products.
- Import Substitution: Another significant fact that has brought changes in the composition of imports is the decline in the import of certain items which are now substituted by domestic production. For example, we became self sufficient in case of sugar mill machinery for which we were once entirely dependent upon imports. Similarly, we have become self sufficient in items like bicycles, sewing machines, aluminium, cast iron, steel and stainless steel, wire meshing, brass and bronze electrical wiring, textile machinery etc.

Main Trends in Exports: The greatest change in the composition of exports is the lessening of dependence on traditional items and increase in non-traditional items depicting diversification and the growth of various industries.

- **Increase in Manufactured Items:** There has been a considerable increase in the export of manufactured items which include traditional as well as non-traditional items like textiles, chemicals, machinery, transport equipments etc.
- **Broad Based Expansion:** Another significant feature is that the increase in exports has been broad based which depicts the greater diversification of the Indian economy. Apart from the export of engineering goods, iron and steel, iron ore, chemicals, sugar etc, other items have also expanded equally like cotton fabrics, leather and leather manufactures cashew kernels, tobacco and oil cakes, coffee, fish and fish preparations etc.

Direction of Trade:

Direction of trade depicts the countries from which our imports come and the countries to which our exports go. There had been significant changes in the direction of trade in the recent years. UK's status as a principle trading partner has declined in these years and there has been a large increase in the number of countries selling to and buying from India.

Trends in Imports:

- **Large Sources of Imports:** Since independence, the number of countries from which we import have gone up sharply. Formerly, UK was the most prominent supplier but with the emergence of new suppliers, UK has ceased to be the most important. Quite a number of countries which were not supplying before have now become a significant source of a number of imports.
- **Large Imports from Few Countries:** A major part of our imports come from developed market economies belonging to the Organization for Economic Cooperation and Development (OECD) group. Countries like USA, Japan, Germany etc. comes within this group. Our imports also come from Organization of Petroleum Exporting Countries (OPEC) countries which involve Kuwait, Iraq, Iran, Saudi Arabia etc. We also have a large share of imports from Asia.
- **Varied Sources for Varied Goods:** Certain countries, in particular the OECD and the East European countries have supplied equipment for industrial development. Items like food articles have been imported from USA. Petroleum products are largely imported from the OPEC countries.

Trends in Exports:

- Large outlets for Exports: The number of countries buying from India has considerably increased since independence. Formerly, most of our exports went to UK but now countries like USA, Russia, Japan, Eastern and Western Europe, Asia and Africa have also become our buyers.
- Large Exports to Few Countries: A major proportion of our exports go to the OECD countries. Next in importance are the countries belonging to the Less Developed Countries (LDC's) group. After this comes the OPEC countries and the least share is of Eastern Europe.
- Various Outlets for Varied Goods: Most of the traditional items like tea, coffee, cashew kernels etc. and non-traditional items like engineering goods, garments, pearls, precious stones etc. go to the OECD countries. Goods like cotton piece goods, jute goods like gunny bags, gunny cloth, marine products are also exported. Goods such as tea, oil cakes, leather and leather manufactures etc. are exported to the East European countries.

Q:14 Give a detailed evaluation of the New Trade Policy?

A:14 The New Trade Policy which came into existence in the July-August 1991 brought in sweeping changes in the existing trade scenario of the country. The far reaching changes incorporated in the New Trade Policy aims at strengthening the export profile of the country.

Features of the new Trade Policy:

1. Priority for Exports:
 - Great Urgency: The increasing need for exports have forced the New Trade Policy to give greater priority to exports. Exports are being recognized as one of the key factors in the reorganization of the economy affected by changes in the Industrial Policy, Fiscal Policy, Exchange Policy, Financial Policy etc.
 - Increasing Export Items: Besides providing for the expansion of existing exports, the government has identified large many new items of exports. Great emphasis has been laid on agro-based products and also those allied to agriculture like aquaculture, animal husbandry, floriculture, pisciculture, poultry and sericulture. Special attention has also been given to the services sector like consultancy services, architecture, education, medical services etc.
 - Incentives and Facilities: The policy has provided for several measures for the strengthening of incentives for exports and for raising the profitability

of export business. The existing exemption from income tax has been extended to more lines of exports. Opportunities are also provided to the exporters to earn more by allowing them to sell the foreign exchange earned by them at higher market rate. The exporters under the scheme advances licenses get duty free inputs which they use to produce competitively for world markets. Through the policy of liberalization, government has provided a favorable framework for the enterprise to flourish in the export sector. Even the foreigners have been permitted to set up trading houses for export purposes.

- **Limiting Imports:** In respect of imports, the New Trade Policy aims at limiting them to the availability of foreign exchange, earned largely through exports. Provision has also been made to ensure that the inventories or stocks of imported inputs are kept to the minimum necessary for domestic production. In respect of industries which seek foreign collaboration or foreign investment, it is provided that the import needs of such industries be met by the industries themselves.
- **Efficient Import Substitution:** While the quantum of imports is to be limited to the availability of foreign exchange, the new trade policy aims at the production of those import substitutes which can stand the test of market efficiency. If a country can produce import goods cheaply at home using the domestic resources, it would be more economical and this is what is called efficient import substitution. Therefore, the aim so far had been to attain self-sufficiency in a number of import products.

Market Orientation of Trade: Another crucial feature of the New Trade Policy is the conduction of trade in terms of market prices and profitability determined by the market related gains and losses. Following points can be considered in this:

- **Reduction in Import Licensing:** This involves reduction in the extent of licensing and in the number of types of licenses to a degree that is virtually doing away with the system itself. Almost all items, except a few categories such as advance licensing system can now be imported without seeking permission from the government. All other licenses, except for small scale industries and for the manufacture of life saving drugs and equipment, have been abolished.
- **Simplification of Procedures:** Another aspect of the marketisation of the trading activities is the easing of the rules and reduction in the paper work required for dealing with the government. With the delicensing and decanalising of many

import items, much of the government interference has been done away with. The policy also aims at reducing the number of documents needed for seeking government permission in areas where licenses remain.

Self Balancing Mechanism: The New Trade Policy also provides for an equilibrating system whereby the payments for imports and the receipts from exports get equated. In this the following points can be considered:

- **Eximscrip and Partially Convertible Rupee:** It is the self balancing mechanism whereby imports and exports get balanced automatically. The underlying principle is that imports should be allowed to the extent, foreign exchange earned through exports is available at the market rate of exchange. Under this, the exporters could sell 30 or 40% of the foreign exchange earned by them in the free market. The importers could buy this foreign exchange at the market rate to finance those imports which were permitted by the government.
- **Partially convertible Rupee:** It was introduced in early 1992 and abolished in March 1993 and it replaced the eximscrip scheme. Under this, all receipts from the current transactions continued to be surrendered to the authorized dealers. 60% of these were paid in rupees at the market rate and 40% at the official rate. The government could use 40% of the foreign exchange thus received for meeting the specific import needs of its departments, for import of essential commodities and for meeting partly the needs of licensed imports. As regards all other import transactions, they were to be met out of the foreign exchange available in the market.
- **Fully Convertible Rupee:** The scope of self balancing mechanism was further extended from March 1994, when rupee was made fully convertible on current account. The entire foreign exchange earned by the exporters in respect of current account is now converted into rupees at the market rate. All the imports at present are required to be financed by the purchase of foreign currency at market rate.

Multiple Choice Questions **(Option “a” is the Answer)**

1. Industry can be defined as a place where
 - a. Production of economic good or service takes place.
 - b. Goods and services are brought together.
 - c. Goods and services are sold.
 - d. None of the above.
2. In India, import is especially very high in case of
 - a. Capital Goods
 - b. Basic Goods
 - c. Food Grains
 - d. None of the above
3. The process of industrialization has faced several challenges due to a large decline in the growth of
 - a. Basic and Capital Goods
 - b. Luxury Goods
 - c. Agricultural Goods
 - d. None of the above
4. Wage goods is the term used generally for
 - a. Goods of mass consumption.
 - b. Goods consumed by the elite class.
 - c. Capital goods
 - d. None of the above.
5. An important feature of Cottage and Small Scale Industries is their
 - a. Extensive use of domestic resources.
 - b. Extensive use of imported resources.
 - c. Calculated use of resources.
 - d. None of the above.
6. Railways, Post and Telegraph etc can be categorized into which type of undertakings?
 - a. Public Sector Undertakings

- b. Private Sector Undertakings
 - c. Corporate undertakings
 - d. None of the above
7. Industrial finance can be defined as a financial system which
- a. Provides financial resources for industrial activities.
 - b. Provides financial resources to the Government.
 - c. Provides financial resources to agriculture.
 - d. None of the above.
8. Internal self finance is one of the sources of finance that can be done by
- a. Households, business or government
 - b. Only businesses.
 - c. Only Households
 - d. Only Government
9. In India, the Trade Unions are confined mainly to the workers working in
- a. Organized sectors
 - b. Unorganized sectors
 - c. Agricultural sector
 - d. None of the above.
10. Foreign Trade can be defined as
- a. The sum total of imports and exports.
 - b. The total of all imports.
 - c. The total of all exports.
 - d. None of the above.

UNIT- C

Planning in India and Position of Rajasthan in Indian Economy

Q:1 Explain the role of globalization in the development of the economy as a whole?

A:1 Globalization means integration of the economies of the world with one another. Integration takes place when product and factors move about freely among different countries. There are no restrictions like quotas, licenses, high tariffs and administrative barriers on the movement of products and factors. Products include all tradeable goods, commodities and services and factors include all factors that can move like capital, technology, finance, labor etc. Such an integrated economy helps in meeting the demands of the people everywhere. Thus globalization leads to the creation of one single market or economy.

Importance:

1. Improves Efficiency: Globalization leads to specialization in production as per the resources of the countries. Effective integration among the economies helps in producing more goods at cheaper costs, thereby, bringing in more efficiency.
2. Improves Factor Incomes: Globalization helps in improving factor incomes of different countries. The factor incomes among the trading countries will get equalized and for a poor country, the wages of labor will rise. Different countries specialize in terms of their t countries specialize in terms of their different factor endowments. Labor abundant countries like India will adopt labor intensive techniques and capital abundant countries like USA will adopt capital intensive techniques.
3. Improves Finances: The globalization of financial markets increases the supply of finances needed for growth and growth and industrialization of a country. Besides providing capital, the financial flows and the foreign institutions like banks, mutual funds, insurance agencies etc. and financial instruments like credit cards etc. help in improving the financial system of the recipient country.

4. Gains from migrations: Cross border movements of people as a result of globalization proves beneficial to the concerned countries. It is a gain for the developed countries as the needs of the labor are fulfilled where a significant proportion of the population is ageing fast. Developing countries also benefit from such migrations as the population pressure is reduced and the issue of unemployment is also solved to a great extent.

Q:2 Explain the main causes of poverty in the Indian economy? Also state the remedial measures to overcome them?

A:2 The problem of poverty in India has grave dimensions as on one hand quantitatively, it is a big problem and on the other there is very low productivity among the poor. These people are resource poor in terms of assets, skills, credit availability etc. which makes their earnings dimly small. Most of these people belong to the socially deprived or weaker sections of the society who have no political or social means to uplift themselves on their own.

Causes of Poverty

1. Little Trickle down Effect: One of the main causes of growing poverty in India is that the beneficial effects of growth did not reach down to the large masses of people. Therefore, although the plans for the development involved large resources and resulted in large production, the effects could trickle down only to a small extent. The emphasis all along since the second plan and till recently has been on building of the capacity for capital goods. Another significant factor which prevented the poor from getting benefitted from growth has been the widening of the inequalities of incomes.
2. Little Strengthening of the Poor: The development strategy aimed at strengthening the economy as a whole and paid very less attention towards the strengthening of the poor. Very less efforts were made for raising the capabilities of the poor and to uplift them from the below poverty line. For e.g. In respect of land transfers under the policy of ceiling on land i.e. ownership and distribution of land among the poor farmers, very little has been achieved. The institutional credit and technology transfers too have remained much less than needed for expansion and modernization of their activities.
3. Inadequacies of Anti-poverty Programs: Another major cause of massive poverty in India is the inadequacy of the anti-poverty programs. The Integrated Rural Development Programme (IRDP) aimed at providing assets and work to the specified poor has not yet benefitted those who are to be benefitted. Modest success has been found in the National Rural Employment Programme(NREP)

which aimed at providing work and creation of assets like drainage, rural roads etc. Besides these, many other programs were made for alleviating poverty but failed to bring significant changes as required.

4. **Fast Population Rise among the Poor:** The population growth is comparatively large among the poor. Due to poor nutrition, inadequate medical facilities, unhealthy living etc, the survival rate tends to be very low and therefore, the family size is kept large. Again, poor people are steeped in illiteracy and much attached to the old unscientific attitudes. As such, they abhor birth control or are ignorant of birth control devices or do not want to use them or are unable to use them.

Remedial Measures:

1. **Raising Incomes and Consumption:** Efforts must be made for increasing the income and consumption of the poor people in order to beat poverty. The provision of social consumption for the poor must be raised which will help in providing elementary education, health, housing, water supply, electricity etc. to a large number of poor people. Likewise, more attention needs to be given to the use of efficient labor intensive techniques in various fields for generating large employment for the poor and thereby increase their consumption rate.
2. **Special policies and programs:** The steps taken above sometimes prove to be a failure in addressing the problems of all the groups of poor people living in our country. Therefore, there is a need to draft certain special policies and programs that can prove beneficial to the different sections of the poor people. The specific areas needs to be looked after with supplementary policies and programs for landless laborers, artisans, hill area people, tribal population etc. These people lack assets and skills to earn and to increase their share in the rising national output. Hence special measures need to be undertaken to put these people on their feet.

Q:3 What are the main causes of inequalities in the Indian economy?

A:3 Indian economy is beset with gross economic inequalities in income and other assets like land which is heavily tilted in favor of some wealthy people. The distribution of income in the country is highly inequitable.

Causes:

1. **Growth factor:** One of the reasons for the rising inequality in the country is the growth itself. As development proceeds, the earnings of different groups rise differently and the incomes of the middle and upper groups rise more rapidly than

- the poor people. Again, there is the capital intensive nature of the development of the modern sector. Since this absorbs less labor, wages form a smaller proportion of the total income. Another factor for such inequalities is the urbanization. Since modern industries are generally located in the urban areas, they give rise to the demands of the urban population.
2. **Highly unequal Asset Distribution:** Incomes are derived from two different sources namely assets like land, cattle, shares etc. And labor. And such large chunk of income earning assets are owned by only a few in India and those who does not have generally manage their finances through banks, cooperatives etc. In villages some have large operational holdings and others have only little assets for earning. Such inequalities exist both in urban and rural areas and the spread of asset formation in different regions had been uneven.
 3. **Inadequate Employment Generation:** Inadequate generation of employment is also a major cause of inequality in our country. People at the top could raise their economic status and reduce the distance only if they get work. For long the increase in employment opportunities remained less than the rise in the labor force. Since large many remain unemployed or underemployed, their earnings continue to be little or nil for the most of their lives. The result is that these people remain in the lowest rung of income scale.
 4. **Differential Regional Growth:** Of the large many at the bottom rung of incomes, a very great proportion lives in the backward areas and other in high income states or regions. Within states, there are inequalities and it shows the geographical facet of the income equalities in the country.

Q:4 Explain the various Rural Development Programs undertaken by the government for the overall development?

A:4 Rural people have for long lagged much behind the overall progress of the economy. They have faced problems of great magnitude like utter backwardness of the rural economy, widespread unemployment and massive poverty. Keeping in view these rural problems, several programmes have been undertaken from time to time in order to solve them. They are as follows:

1. **Employment Programmes:** These programmes are further classified into different categories. They are:
 - a. **Self Employment:** These programmes have been in operation since 1980 and have now been merged into a single scheme called “The Swarna Jayanti Gram Swarozgar Yojana”. They aim at the creation of opportunities for self

- employment. In its present form, the programme aims at promoting micro enterprises and helping the poor into self groups. It also provides financial assistance and technical advice for the selection of viable projects.
- b. Wage Employment: These programmes aim at the creation of wage employment opportunities. The various programmes started under this scheme are the Employment Assurance Scheme (EAS), Jawahar Gram Samridhi Yojana (JGSY), Pradhan Mantri Gramodaya Yojana (PMGY) etc.
 - c. States' Programmes: Apart from the centrally sponsored programmes, there are also states' programmes of employment for the rural poor. The different programmes started under this category are Maharashtra's Employment Guarantee Scheme, programmes started by the Gujarat government etc.
 - d. National Rural Employment Guarantee Act, 2005: The act was launched in February 2006 and the main objective was to enhance livelihood and security of the people in rural areas by generating wage employment through works that develop the infrastructure base of that area.
2. Area Development Programmes: These are area specific programmes which aim at reducing or eliminating poverty caused by unfavourable agro climatic conditions like those associated with droughts, deserts etc. The different programmes under this category are Drought Prone Area Programme (DPAP), Desert Development Programme (DDP), Hill Area Development Programme (HADP) and Integrated Tribal Development Programme (ITDP).
 3. Minimum Needs Programme: This programme was launched in the year 1974 and it aims at providing access to people to certain basic services and facilities of social consumption in all areas up to nationally accepted norms. Much of the benefits from this programme will accrue to the rural people. Hence its relevance is mainly for the welfare of the rural population.
 4. Programme of Land Reforms: This programme envisages changes in the agrarian relations between the land and the tiller of the soil on one hand and the tiller and the owner of the land on the other. It aims at elimination of exploitation in land relations, actualization of the goal of "land to the tiller", improvement of the socio-economic conditions of the rural poor by widening their land base, increasing agricultural productivity and production, facilitating land based development of the rural poor and infusion of a greater measure of equality in local institutions.

5. People's Participation: Provisions have also been made to secure people's involvement in various programmes of rural development. The Panchayati Raj institutions and the Non Governmental Organizations (NGO's) are the two important agencies through which people have been empowered to make decisions regarding rural development.

Q:5 Explain the position of Rajasthan in Indian Economy?

A:5 Earlier Rajasthan was considered as a backward region in a backward economy of India as India was also considered as an underdeveloped country. But with the passage of time India started developing and achieved the stage of a developing economy. Many developments were made in the economy of Rajasthan as well and now it is considered as a developing region in the developing economy of India. Rajasthan has also been included in the category of Bimaru states along with Bihar, U.P and M.P due to factors like high population growth, high infant mortality rates, low literacy rates etc. The state is trying hard to come out of this category and several improvements have taken place in this direction in order to achieve the desired goal.

Rajasthan state came into existence as a conglomeration of 19 princely states and three chiefships which varied in size, administrative efficiency and socio economic development at the time of the formation. At present Rajasthan is considered as the largest state in the country divided into 32 districts, 241 tehsils, 183 municipalities, 237 panchayat samities, 9189 village panchayats and 41353 revenue villages.

Position of Rajasthan in relation to different sectors is as follows:

1. Position in relation to population: Population has increased at a faster rate in Rajasthan as compared to India which is a cause of real worry. Uttar Pradesh occupies the first place with the largest share in the total population of the country and Rajasthan stands at the eighth place for its share in the total population of the country.
 - a. Sex Ratio: Sex ratio indicates the number of females per thousand males. There has been an increase in the sex ration in Rajasthan in the recent years but still it is lower than that of kerala.
 - b. Density of Population: The number of people per square kilometer is called population density. The density of population is about half in Rajasthan as compared to India.
 - c. Literacy Rate: Literates are those who can read or write an ordinary letter and it is calculated for persons with an age of 7 or more years. In female literacy rate Rajasthan occupies a lower place and has also been found lower in the

overall literacy rate. For example, in the Banswara district, the female literacy rate is considered to be the lowest.

2. **Position of Rajasthan in relation to Area:** Rajasthan is the largest state in India from the point of view of area. The area of Rajasthan was about 3.42 lakh square kilometers, which was about 10.4% of the total area of all states as per the earlier estimates. Around 61% of the area of the state is spread over 11 districts of the state due to which it has to face the vagaries of nature in terms of droughts and famines. Relief works have to be organized over larger areas under such conditions and expenditure on infrastructural facilities are also more.
3. **Position of Rajasthan in relation to Agriculture:**

There is a lot of difference in the pattern of land utilization in Rajasthan and in the country as a whole. The position of Rajasthan has been considered as satisfactory from the point of view of gross cropped area in the country. The average size of operational holdings was also highest among the 17 states of India. There is scarcity of irrigation facilities in the state and the per hectare consumption of fertilizers is also very low in Rajasthan. But the state has become a leading producer of rapeseed and mustard seed in the country and its high production had a major share in the national output.
4. **Position of Rajasthan in relation to Industry:**

The share of Rajasthan in the net domestic product and labor force in industries like manufacturing, construction, electricity, gas and water supply etc is comparatively low and there is an urgent need to raise its share in these sectors. Therefore as far as the factory sector is concerned, the state is lagging far behind other states. But the state occupies a leading position in case of handicrafts, handlooms and other cottage and household industries. The export of gems and jewellery, cars, carpets and handicrafts help the state in earning considerable foreign exchange.
5. **Position of Rajasthan in relation to the Social and Economic infrastructure:**

Among 17 states, Rajasthan occupied 11th rank in terms of per capita consumption of electricity. Although the state has not reached 100% level in the electrification of villages, it has at least reached a level of 98% till the end of the year March 2004. Rajasthan has to go a long way in the development of roads and railways which are still in the state of backwardness. The state is trying hard in this respect like it has prepared a new road policy in the year 1994 and lot of progress has been made in the conversion of railway track from meter gauge to broad gauge.

The education level in the state needs lot of attention and the literacy rate is very poor. Although, the position with regard to the enrollment of boys is much better in Rajasthan as compared to the national level. The problem of dropouts is serious at the primary level and needs to be tackled in the near future. In relation to health indicators and health care facilities, Rajasthan needs lot of improvement. The infant mortality rate in Rajasthan was very high as compared to the other states.

The immunization level for children was low and the child malnutrition ratio was also high amongst other states. Even banks are advancing credit facilities to a greater extent in the state.

Multiple Choice Questions **(Option “a” is the Answer)**

1. Globalization refers to the
 - a. Integration of world economies with one another.
 - b. Free movement of factors among different countries.
 - c. Removal of various restrictions.
 - d. None of the above.
2. Globalization leads to the creation of a
 - a. Single market
 - b. Double market
 - c. Joint market
 - d. None of the above
3. One of the major causes of growing poverty in India is that
 - a. The effect of growth failed to reach the common mass.
 - b. Very less strengthening of the poor.
 - c. Political reasons
 - d. None of the above.
4. Cross border movements of people as a result of globalization is termed as
 - a. Migration
 - b. Travelling
 - c. Expatriation
 - d. None of the above

5. IRDP stands for
 - a. Integrated Rural Development Programme
 - b. Indian Rural Development Programme
 - c. Integrated Regional Development Programme
 - d. None of the above.
6. NREP stands for
 - a. National Rural Employment Programme
 - b. National Regional Employment Programme
 - c. National Rural Endowment Programme
 - d. None of the above
7. Which one is the major factor responsible for the growing inequality in the country?
 - a. Growth factor
 - b. Unequal asset distribution
 - c. Unemployment
 - d. None of the above.
8. A type of Rural Development Programme which aims at promoting micro enterprises and helping the poor into self groups is called
 - a. Self Employment
 - b. Wage Employment
 - c. Minimum Needs Programme
 - d. None of the above.
9. Area specific programmes aiming at reducing or eliminating poverty caused by unfavorable agro climatic conditions are termed as
 - a. Area Development Programmes
 - b. Minimum Needs Programme
 - c. States' Programme
 - d. None of the above.
10. Rajasthan is considered to be the largest state in India from the point of view of
 - a. Area
 - b. Density of population
 - c. Infrastructural Facilities
 - d. None of the above

KEYTERMS

1. **Per Capita Income:**

Per capita income is the income per person and the mean income within an economic aggregate such as a country or a city. It is generally used as a measure of the wealth of the population of a nation.

2. **National Income:**

National income refers to the total value of a country final output in terms of goods and services produced within one year.

3. **Irrigation:**

Irrigation is the process of creating artificial provision of water to the land or soil. It has proved to be a boon to agriculture by assisting in the growth of agricultural crops, maintenance of landscapes and revegetation of disturbed soils.

4. **Human Capital:**

It is an aggregate economic view of a human being acting within economies and represents the stock of knowledge, competencies, personality and social attributes including creativity so as to generate economic value.

5. **Liberalization:**

Liberalization refers to the easing or relaxation of governmental restrictions related to the social, political and economic policy. It brings about freedom in the economy from physical and direct controls imposed by the government.

6. **Globalization:**

Globalization refers to the process of international integration resulting from the exchange of world views, ideas, products and other aspects of culture.

7. **Deforestation:**

Deforestation refers to a process of removal or clearing of trees or forests so that the land can then be used for other purposes.

8. **Foreign Exchange:**

Foreign exchange can be considered as a form of exchange for the global trading of international currencies. The markets dealing in foreign exchange assist international investment and trade through currency conversion.

9. Animal Husbandry:

Animal husbandry is considered to be an allied agricultural activity which has been practiced for thousands of years and involves the agricultural practices of breeding and raising livestock.

10. Legislation:

Legislation can be termed as statutory law in other words and is regarded as one of the three main functions of the government. It is enacted by a legislature or a governing body and can serve various purposes like to regulate, to provide, to sanction, to authorize or to restrict.

11. Migration:

Migration is a word generally used for human migration and involves the movement by human beings from one place to the other for different reasons.

12. Labor Intensive Techniques:

Labor intensive techniques refer to the excessive use of labor in the production process compared to capital investment and this is more likely to be seen in small scale enterprises.

13. Capital Intensive Techniques:

Capital intensive techniques require a high level of capital investment in comparison to the labor cost. These processes are highly automated and are generally used to produce on a large scale.

14. Import Substitution:

Imports substitution is a strategy framed by the government for economic development by reducing imports and thereby reducing excessive dependency. It encourages industrial growth within a country by substituting products to be imported with domestic products produced within the country.

15. Import Licensing:

Import licensing refers to the various administrative procedures where applications and other documents are submitted to the relevant administrative bodies before the importation of goods.

16. Fiscal Policy:

Fiscal policy is generally carried out by the executive branches of the government and legislative and its two major instruments are government expenditures and taxes.

17. Industrial Policy:

Industrial policy refers to the official strategic efforts made by the government to encourage the growth and development of the manufacturing sector of the economy. These policies unlike the broader macroeconomic policies are sector specific.

18. Tradeable Goods:

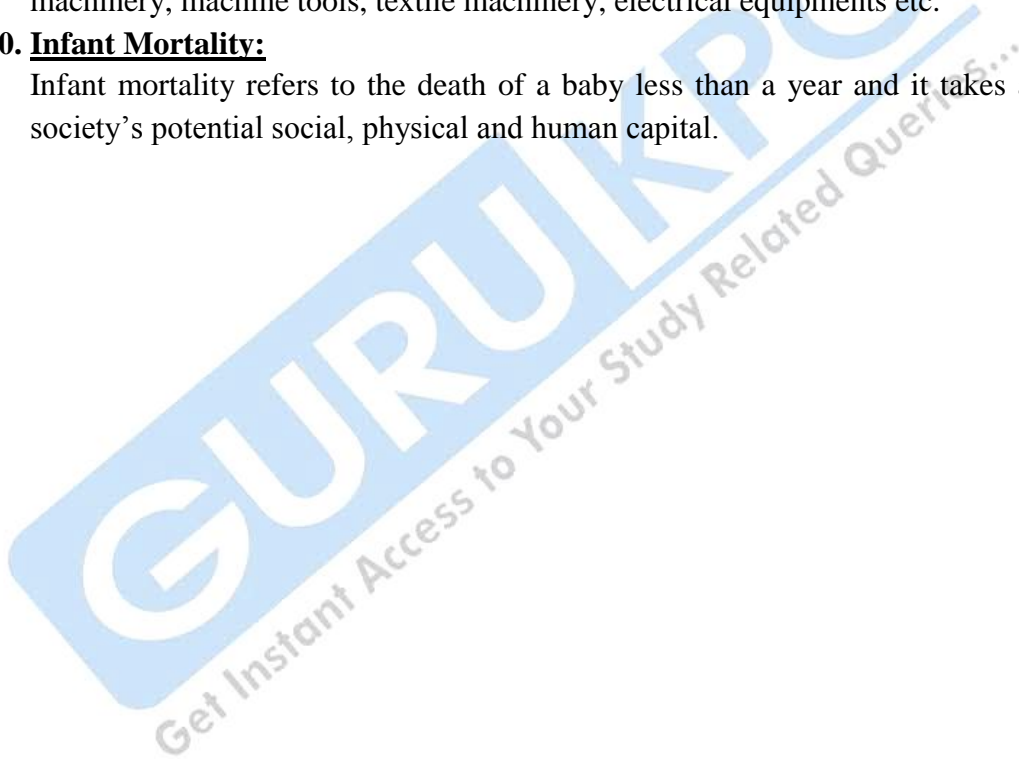
Tradeable goods refer to those goods that carry the potential to be imported or exported and their possibility of being traded abroad determines their price.

19. Capital Goods:

Capital goods refer to those goods which play an important role in the production process but are not incorporated into the new product like the industrial machinery, machine tools, textile machinery, electrical equipments etc.

20. Infant Mortality:

Infant mortality refers to the death of a baby less than a year and it takes away society's potential social, physical and human capital.



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