

TWO MARKS LESSON – 1**1. Why did the physiocrats give importance to agriculture?**

- ✚ Physiocrats believed that agriculture was a productive occupation.
- ✚ It alone produced net product.
- ✚ And they considered other occupation as sterile.

2. What are the forms of population pressures?

- ✚ Population pressures take many forms.
- ✚ First, for example, they have rural under – employment .
- ✚ This is sometimes referred to as disguised unemployment.
- ✚ That is, there will be more number of people working on the farm that what is really necessary.
- ✚ The marginal productivity of the extra hands will be almost zero.
- ✚ Second, high birth rates create a large number of dependent children.
- ✚ Lastly falling death rates with high birth rates will bring about a large increase in population.

3. Explain the Concept Economic development?

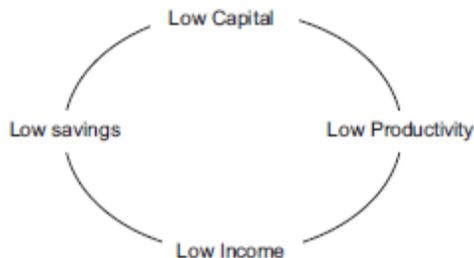
- ✚ Development means, people must have higher incomes, better education, better health care and nutrition, less poverty and more equality of opportunity.
- ✚ According to Michael p. Todaro and Stephen C. Smith, “ development must be conceived of as Multidimensional process involving major changes in social structure, popular attitudes and National as well as the acceleration of economic growth, the reductions of inequality and the Eradication of poverty.

4. Write a note on take – off stage.

- ✚ The take – off stage refers to a situation where an economy transforms itself from a predominantly agriculture to a predominantly industrial society.
- ✚ For an economy to attain the take –off stage, it must make an annual investment equal to 20 – 25 % of GDP mobilized from its own savings.

5. What is vicious circle of Poverty?

- ✚ According to Ragnar Nurkse, Low capital formation is one of the basic causes of poverty in under developed countries.
- ✚ Low Capital formation leads to low productivity.
- ✚ Low productivity results in low income and Low income result in low saving. Thus, it forms a vicious circle of poverty.

**LESSON – 2****1. Define birth rate.**

- ✚ Birth rate refers to the number of births occurring per 1000 in a year.
- ✚ Birth rate has a positive influence on growth of population.
- ✚ Higher the birth rate, higher will be the growth of population.

2. Define Optimum Population.

- ✚ The modern theory of optimum population brings out the relationship between changes in Population and per capita income.
- ✚ Optimum population means the ideal population relative to the natural resources stock of Capital equipment and state of technology.
- ✚ There will be an ideal size of population at which per capita output will be the highest.

3. Define Census.

- ✚ The term Census can be defined as the process of collecting, compiling evaluating, analysing and publishing the demographic economic and social data relating to all persons in a country or a well – delimited part of a country at specified time. The census is taken once in 10 year.

4. Write a note on National Population Policy 2000.

- ✚ The National Population Policy (NNP) 2000 has the immediate objective of addressing the unmet needs of contraception, health infrastructure, health personal and integrating service delivery for basic reproductive and child health care .
- ✚ It also lays emphasis on the medium objective of bringing total fertility rates to replacement Level by 2010.
- ✚ The policy’s long term objective is to stabilize population by 2045.

5. What are the factors determining population growth?

- ✚ Birth rate
- ✚ Death rate
- ✚ Migration
- ✚ Out migration (Emigration)
- ✚ In migration (Immigration)

LESSON – 3**1. Why unemployment among educated people is increasing?**

- ✚ During the last decade, educated unemployment has increased due to rapid turnout of graduates by the Indian universities.
- ✚ Moreover, in the Indian educational system, more emphasis is placed on engineering and other Technical subjects.
- ✚ Due to lack of proper vocational education in the country.
- ✚ There is unemployment amongst technical graduates.

2. Name the 5 states in India where 58 % of the poor people live?

- ✚ Uttar Pradesh Bihar
- ✚ Maharashtra
- ✚ West Bengal
- ✚ Madhya Pradesh

3. Define Poverty.

- ✚ The World Bank (1990) has defined Poverty as “the inability to attain a minimal standard of living.

4. Define Poverty line.

- ✚ Poverty Line refers to the minimum income, consumption or more generally access to goods and services below which individuals are considered to be poor. (or)
- ✚ The Poverty Line is the expenditure level at which a minimum calorie intake and indispensable Non – food purchases are assured.

5. Define Unemployment.

- ✚ Unemployment refers to a situation in which the workers who are capable of working and willing to work do not get employment.

LESSON – 4

1. Define National Income.

- ✚ National Income Committee of India: National Income estimate measures the volume of commodities and services turned out during a given period counted without duplication.

2. What is the indicator of a country’s economic development?

- ✚ A country’s economic performance has been measured by indicators of national income Such as GDP or GNP.

3. What does national income at Constant price mean?

- ✚ National income at Constant price a base year should be selected.
- ✚ Constant price is that price which prevails in the base year.
- ✚ National Income at constant price measures the national income after making necessary Adjustment to eliminate the effect of inflation.
- ✚ It is based on unchanged price of output.
- ✚ As it is computed based on the real worth of the purchasing power of income.

4. Mention the names of national income series in India.

- ✚ The Conventional Series.
- ✚ The Revised Series
- ✚ The New Series
- ✚ C.S.O ‘s Latest Series.

5. Write a note on double counting.

- ✚ Double counting in accounting is an error where by a transaction is counted more than once, for a whatever reason.
- ✚ The output of many business is the inputs of some other business.
- ✚ For example. The output of the tyre industry is the input of racing bike industry .
- ✚ Counting the final output of both industries will result in double counting of the value of tyre.

LESSON – 5

1. Define Planning:

- ✚ According to Lionel Robbins, “Strictly speaking , all economic life involves planning. To plan is to act with a purpose, to choose and choice is the essence of economic activity”.

2. What is the main problem of planning in underdeveloped countries?

- ✚ Over population and low capital formation are some other important problems of planning in underdeveloped nations

3. What is a rolling plan?

- ✚ Unlike the five year plan with fixed targets, in the case of the rolling plan, at the end of each year, targets will be fixed by adding one more year to the plan.
- ✚ That is, without fixed targets for all the five years, depending upon the performance of the plan in the current year.
- ✚ Targets will be fixed for one more year and this will go on continuous basis.

4. Explain the concept of Indicative planning.

- ✚ In this type of planning, the governments invites representatives of industry and business and discuss with them in advance what it proposes to do in the plan under question and indicates to them its priorities and goals.
- ✚ The plan is formulated after detailed discussions with varied interests.
- ✚ Net Planning in France is a good example of indicative planning.

5. What is Mahalanobis Strategy?

- ✚ The strategy adopted in Indian planning is often referred to as ‘ Mahalanobis strategy. In this strategy, emphasis was laid on rapid industrialization with priority for basic and heavy industries.

LESSON – 6

1. What is the contribution of agriculture to economic growth?

- ✚ Simon Kuznets identifies four possible types of contribution. They are:
- ✚ Product contribution i.e, making available food and raw materials.
- ✚ Market contribution i.e, providing the market for producer goods and consumer goods produced in the non- agricultural sector.
- ✚ Factor contribution i.e, making available labour and capital to the non – agricultural sector
- ✚ Foreign Exchange contribution.

2. What are the components of agricultural growth?

- ✚ An increase in agricultural production can result from an increase in area under cultivation (horizontal expansion) and or from an increase in the productivity (Vertical expansion) Productivity has two aspects to it , viz, land productivity and labour productivity.

3. List out the factors responsible for the backwardness of agriculture.

- ✚ Demographic factors
- ✚ General factors
- ✚ Institutional factors
- ✚ Technologies factors

4. Define Cropping Pattern.

- ✚ Cropping pattern means the proportion of area under different crops at a point of time.
- ✚ Cropping pattern means a ratio of different crops cultivated at a particular time.

5. Define Agricultural holding.

- ✚ Agricultural holding means the size of land owned and cultivated by a farmer.
- ✚ Agricultural holding means the size of land cultivated by a farmer at a particular time.

LESSON - 7**1. Define Industrialization.**

- ✚ Industrialization means widespread development of manufacturing vast quantities of goods, employing a large number of people, promoting international market, characterization of specialized skill, science, technology, increasing application of electrical, electronic, computer technologies to enhance productivity.

2. Define mixed economy?

- ✚ India is a good example for mixed economy.
- ✚ The mixed economy consists of both public and private sector.
- ✚ What, how and whom to be produced is decided by the state

3. Define Privatization.

- ✚ Privatization is defined as transfer of ownership from public sector to private sector.

4. What is the use based classification of industry?

- ✚ Basic goods such as cements, chemicals, fertilizers, etc.
- ✚ Capital goods such as machineries, machine tools and engineering goods
- ✚ Consumer goods such as cycle, television, refrigerators, bikes, cars, food articles, soft drinks, etc.

5. Define Liberalization.

- ✚ Liberalization means movement towards a free market system.
- ✚ Liberalization otherwise known as withdrawal of regulation and restrictions for private sectors.

LESSON - 8**1. What do you mean by a bank?**

- ✚ The modern banks have now become the life blood of our commercial and Industrial activities.
- ✚ A bank is an institution which accepts deposits from the public and in turn advances loan by creating credit.

2. Write a note on commercial banks.

- ✚ A commercial bank is an institution that operates for profit the traditional functions of a commercial bank related to the acceptance of deposits from the public and provision of credit to different sectors of the economy.
- ✚ The evolution of modern banking and growth of banking system as an integral part of the national economy.
- ✚ The commercial banks are organized as a joint stock company to earn profit.

3. What is Central Bank? Give example?

- ✚ The banking system of a country can work systematically in coordinated manner, only if there is an apex institution to direct the activities of the banks. Such apex institution is popularly known as Central Bank.
- ✚ It controls the monetary and banking system of the country.

- ✚ The Central Bank of our country is known as Reserve Bank of India (RBI)

4. What is open market operations?

- ✚ Direct buying and selling of securities, bills, bonds of government as well as private financial institution by the central bank, on its own initiative is called as open market operations.

5. What is moral suasion?

- ✚ Moral suasion implies persuasion and request made by the central bank to the commercial banks to follow the general monetary policy in the context of the current economic situation.

LESSON -9**1. What are the two classification of NEP?**

- ✚ Choice of Product: The number of product in which foreign investment is freely permitted has been significantly increased.
- ✚ Choice of Market: The foreign investors are free now to compete with the domestic producer in the Indian Market.

2. Name the three methods of technology transfer.

- ✚ Training or Employment of Technical Export.
- ✚ Contracts for supply of machinery and equipment Licensing agreements.

3. What are the functions of money?

- ✚ Medium of exchange
- ✚ Measure of value
- ✚ Store of value
- ✚ Standard of deferred payment.

4. What is balance of payments?

- ✚ Balance of payments means of systematic record of all the economic transaction of a country with the rest of the world during a given period, say one year
- ✚ It throws light on the international economic position of a country;
- ✚ the international economic performance of a country is reflected in its balance of payments.

5. What are the components of foreign trade?

- ✚ Volume of trade
- ✚ Composition of trade
- ✚ Direction of trade

LESSON - 10**1. Define Human Resource Development.**

- ✚ According to F.H. Harbison, human resources are “the energies, skills, talent and knowledge of people which are, or which potentially can or should be applied to the production of goods or the rendering of useful services.

2. What do you mean by Human Capital

- ✚ Human capital, we mean is that an individual by investing in the following categories can improve his capabilities.
- ✚ They are Health facilities and services
- ✚ On the job training
- ✚ Formal education
- ✚ Study programmes for adults and extension programmes in agriculture
- ✚ Migration of individuals and families in search of jobs.

3. How is composite index of HRD constructed?

- ✚ A simple composite index of HRD is constructed by taking the arithmetic total of
- ✚ 1. enrolment at second level of education as a percentage of the age group 15 to 19, adjusted for Length of schooling.
- ✚ 2. enrolment at third level of education as a percentage of the age group, multiplied by a weight of 5

4. What is Human Development?

- ✚ Human development means “ the process of widening people’s choices and the level of well – being they achieve at the core of the notion of human development .
- ✚ But regardless of the level of development ,
- ✚ the three essential choices for people to lead a long and healthy life,
- ✚ to acquire knowledge and to have access to the resources needed for a decent standard of living.

5. How is gender related development index constructed?

- ✚ GDI adjusts the HDI to reflect the inequalities between men and women.
- ✚ The three measures used to relate are
- ✚ Female life expectancy Female adult literacy and gross enrolment ratio
- ✚ Female per capita income

LESSON – 11**1. Define Statistics**

- ✚ According to Croxton and Cowden, “ statistics may be defined as a science of collection, presentation analysis and interpretation of numerical data.

2. What are the types of data?

- ✚ The data may be broadly categorized into two as Qualitative and Quantitative data.

3. Write a note on graphs and diagrams.

- ✚ One of the most attractive ways in which statistical results may be presented is through diagrams and graphs.
- ✚ Significance of Diagrams and Graphs
- ✚ Diagrams and graphs are extremely useful because of the following reasons:
- ✚ They give a bird’s eye view of the entire data.
- ✚ Therefore the information presented is easily understood.
- ✚ They are attractive to the eye
- ✚ They have a great memorising effect.
- ✚ They facilitate comparison of data.

4. What are the types of classification?

- ✚ Geographical Classification
- ✚ Chronological Classification
- ✚ Qualitative Classification
- ✚ Quantitative Classification

5. Write a note on pie diagram.

- ✚ Pie diagram is used to represent the components of a variable.
- ✚ For example pie chart can show the household expenditure ,
- ✚ which is divided under different heads like food, clothing, electricity , education and recreation .
- ✚ The pie chart is called so, because the entire graph looks like pie and the components resemble slice cut from pie.

LESSON – 12**1. What are the methods of measuring variability?**

- ✚ Range Inter – quartile Range or
- ✚ Quartile Deviation
- ✚ Mean Deviation
- ✚ Variance
- ✚ Standard Deviation

2. What is mean deviation?

- ✚ The mean deviation is defined as the average distance between the mean and each point in the distribution.
- ✚ It is the arithmetic mean of the deviation of each point to the mean.
- ✚ Points smaller than the mean will have negative signs and those which are larger than the mean will have positive signs.

$$\text{Mean deviation} = \frac{\sum |x - \bar{x}|}{n}$$

3. What is variance?

- ✚ The variance and standard deviation are the most widely used measures of variation.
- ✚ Variance is the most stable measure of variability and its derivative is standard deviation.
- ✚ Variance also resembles mean deviation where the negative signs are removed by taking modules.

$$\text{Standard Deviation (S. D)} = \sqrt{\sum (X - \bar{X})^2 / N}$$

4. Name the three major types of Index Numbers.

- ✚ Price Index Number
- ✚ Quantity Index Numbers
- ✚ Value Index Number

5. What are the three main methods to calculate weighted index numbers?

- ✚ Paasche Index
- ✚ Laspeyre’s Index
- ✚ Fisher’s Index

3 – MARKS**LESSON – 1****1. Write a note on Hebrew economic thought.****Interest:**

- ✚ The Hebrew thought was against lending of money on interest to fellow Hebrews.
- ✚ But they could lend money to strangers and get interest.

Businessmen:

- ✚ Hebrews wanted businessmen to charge a just price and they imposed ceiling on the profit margin.
- ✚ Money was used during the Hebrews period.

Dignity of Labour:

- ✚ The Hebrews realized the dignity of labour.
- ✚ One of their proverb is He that tilleth the soil shall have plenty of bread.

Fertility of Soil:

- ✚ The Hebrews did not cultivate the land every seventh year due to conserve the fertility of soil.
- ✚ The Jubilee Year: The Jubilee year was the 50th Year.
- ✚ 1 According to Jubilee year, the land sold to someone was to revert to its owner in the 50th year.
- ✚ The Sabbath: The Sabbath was the weekly day of rest, relaxation and good living.

2. What is net product?

- ✚ Physiocrats believed that agriculture was a productive occupation. Agriculture alone produced “ net product”
- ✚ They considered other occupations as sterile.
- ✚ Quesnay, Chief representative of physiocratic school explained how circulation of wealth took Place in an economy in his “ Tableau Economique” Among different classes the productive class (farmers) the proprietary class, and the sterile class.
- ✚ (all those engaged in non agricultural occupations)

3. Why is Keynes considered the father of New Economics ?

- ✚ J.M. Keynes (1883 – 1964) is considered the Father of New Economics.
- ✚ During the 1920s and 1930s, When the capitalist countries were affected by the Great Depression marked by bad trade and mass unemployment.
- ✚ Keynes suggested a greater role for government and a bold fiscal policy to tide over the crisis.
- ✚ The New Deal Policy of America was greatly influenced by Keynesian policy.

4. What are the main ideas of leading classical economics?

- ✚ Adam Smith (1723 -1790) Adam Smith is the father of classical school.
- ✚ He was interested in the nature and causes of the wealth of nations.
- ✚ We can call him the first development economist.
- ✚ Ricardo (1772 – 1823) Ricardo was interested in the problems of distribution.

- ✚ T.R. Malthus (1766 – 1834) Malthus gave the theory of population.
- ✚ Malthus was interested in studying the prosperity and poverty of nations.
- ✚ Malthus was also interested in studying the prosperity and poverty of nations.
- ✚ J.B. Say: J.B. Say is a classical economist propounded his “Law of Market” in his book “ Treatise on Political Economy (1803)

5. Why is India considered an underdeveloped economy?

- ✚ India , has most of the typical characteristics of an underdeveloped Country.
- ✚ Nearly 65- 70 % of its population depends upon agriculture.
- ✚ Agricultural productivity is low in these countries , hence there are population pressures.
- ✚ There is underdevelopment of nature resources and economic backwardness.
- ✚ Capital deficiency is an important characteristics of poor countries.
- ✚ So we had to borrow heavily from foreign countries and international institutions like I.M. F. and World Bank.
- ✚ We may describe India as a typical Underdeveloped Country.
- ✚ Now – a – days, underdeveloped economy is called as developing economy.

LESSON -2**1. Explain the causes of population explosion.**

- ✚ High Birth Rate: High Birth rate is major cause responsible for the rapid growth of population.
- ✚ Low Death Rate: The phenomenal fall in the death rate in recent years is another important factor that has Contributed to the rapid increase in population.
- ✚ Early Marriage: The practice of early marriage is another important reason for the rapid increase in population in India
- ✚ Social and Religious reasons: In India , every person has to marry because marriage is a compulsory institution as per Social norms.
- ✚ Poverty: Poverty is another cause which contributes to the increase in population.
- ✚ Standard of living: People whose standard of living is low tend to have more children.
- ✚ Illiteracy: A major part of the population in India is either illiterate.

3. Examine the steps to check rapid growth of population.

- ✚ Couple Protection Rate (CPR): CPR should be increased, which means the percentage of couples using birth control or family Planning methods should go up.
- ✚ Infant Mortality Rate (IMR): IMR must be reduced further because when infants die in lesser number, there is an incentive to provide employment to the maximum number of people.
- ✚ Industrialisation of the country: The industrialization leads to increase in standard of living which acts as a check on population Growth.
- ✚ Increase in Female Literacy Rate and Education: The educated people have a better and more responsible outlook towards the size of their Families.

- ✦ Late Marriages: Late marriage must be encouraged. At the same time, early marriage must be strictly checked.
- ✦ Legal Steps: Strict laws must be made and enforced to check early marriages and polygamy.
- ✦ Family Planning: Family planning means limiting the size of the family.

4. Explain Malthusian Theory of Population.

- ✦ Malthusian Theory of Population: The Malthusian theory of population is the most well – known theory of population in economics.
- ✦ Malthus pointed out that an accelerated increase in population would outweigh the increase in food Production.
- ✦ This would have an adverse impact on the development of an economy.

Propositions of Malthusian Theory:

- ✦ The rate of growth of population is limited by the availability of the means of subsistence i.e.food.
- ✦ Population increases at a faster rate than food production .
- ✦ What are the measures to achieve stable population?
- ✦ Reduction of infant mortality rate (IMR) below 30 per 1,00,000 live births.
- ✦ Reduction of maternal mortality rate (MMR) to below 100 per 1, 00, 000 live births.
- ✦ Universal immunization To achieve 80 percent deliveries in regular dispensaries, hospitals and medical institutions with trained staff.
- ✦ Access to information , containing AIDS , prevention and control of communicable diseases.
- ✦ Incentive to adopt two – child small family norm.
- ✦ Strict enforcement of Child Marriage Restraint Act and Pre – Natal Diagnostic Techniques Act.
- ✦ Raising the age of marriage of girls from 18 to 20.
- ✦ A special reward for women who marry after 21.

5. Explain Optimum theory of population:

- ✦ Optimum population means the ideal population relative to the natural resources, stock of capital Equipment and state of technology.
- ✦ There will be an ideal size of population at which per capita output will be the highest.
- ✦ A country is said to be under populated if the population is less then the optimum and overpopulated If the population is more than the optimum.

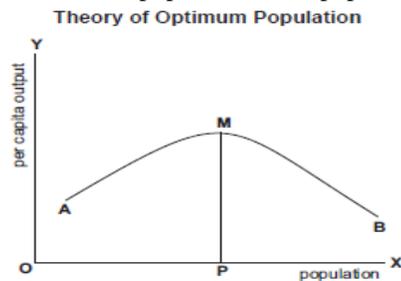


Diagram :

- ✦ Diagram Explanation: Population is measured on the X –axis.
- ✦ Per capita output on the Y – axis.

- ✦ It is clear that as population increases, output per capita also increases till OM.
- ✦ OP level of population.
- ✦ Output per capita is the highest and is equal to MP.
- ✦ If population increases beyond the level OP, then per capita output will fall.
- ✦ Therefore OP is the optimum population.
- ✦ If the actual population is less than OP, a country is said to be under populated and if it is more then OP, it is over populated
- ✦ Formula: $M=A-O/O$

LESSON – 3

1. Distinguish between Rural and Urban Poverty.

Rural Poverty: A majority of the people in rural areas are poor.

- ✦ They do not own assets like land.
- ✦ They work as agricultural labourers.
- ✦ Their wages are low and they get work only for a few months in a year.

Urban Poverty: The urban poverty is due to getting low wages but working for long hours.They are employed mostly in the unorganized or informal sector.

- ✦ They are sub- employed Sub employed are those Who work part time but want full time work.
- ✦ Family heads working full time to overcome their poverty line.
- ✦ Discouraged workers who no longer seek work.

2. What are the estimates of unemployment?

Unemployment Estimates:

- ✦ A person working 8 hours a day for 73 days of the year is regarded as employed on a standard person Year basis.
- ✦ The following are the three estimates of unemployment.

They are Usual principal Status Unemployment:

- ✦ It is measured as number of persons who remained unemployed for a major part of the year.
- ✦ This is also referred to as open unemployment.
- ✦ For e.g. , educated and skilled persons who may not accept casual work.
- ✦ Weekly Status Unemployment: It refers to the number of persons who did not find even an hour of work during the survey week.
- ✦ Daily Status Unemployment: It refers to the number of persons who did not find work on a day.

3. What are the causes of poverty in India?

- ✦ Unemployment and Underemployment Even during the year in which there are good rains, agricultural labourers do not get work throughout the year.
- ✦ Population Pressures: There are many dependents per every earning member.
- ✦ So there is the problem of disguised unemployment.
- ✦ On a farm , there may be work for only four persons.
- ✦ The marginal productivity of the extra persons is almost zero.
- ✦ Majority of Indians those engaged in agriculture are poor hence it is marked by low productivity.

- A majority of people in rural areas do not have enough assets, especially land.
- The main reason for this is the concentration of land in the hands of a few families.

4. What are the causes of unemployment?

- High Population growth
- Insufficient Rate of Economic progress
- Absence of employment opportunities in activities other than agriculture.
- Seasonal Employment, Joint Family System, Increasing turnout of students from Indian Universities, Slow Developing of Industries

5. Examine the extent of poverty in India.

- Dandekar and Rath estimated the minimum of consumption with 2,250 calories.
- The planning Commission accepted Rs.20 – per capita month (i.e. Rs. 240 Per annum) The planning Commission estimated the poverty line by taking Rs. 49.1 and Rs. 56.6 per capita Monthly expenditure for rural and urban areas respectively.
- At present as per Government of India, poverty line for the urban areas is Rs 296 per month.
- That is people who earn less than Rs. 10 per day is considered to be below the poverty line.
- The greater developmental tragedy in India is that about 260 million people are still living without even Rs. 10 per day.

LESSON -4

1. Explain the basic concepts of national income.

- National Income:** National Income is a measure of the total value of the goods and services produced by an economy over a period of time.
- Gross National Product (GNP):** GNP is the total value of output produced and income received in a year by domestic residents of the country.
- Gross Domestic Product (GDP):** GDP is the total value of goods and services produced by the factors of production located within the country in a year.
- Net National Product (NNP);** Net National Product is arrived at by making some adjustment, with regard to depreciation, in GNP.
- $NNP = GNP - \text{Depreciation}$
- Net Domestic Product (NDP):** Net Domestic Product is also arrived from GDP by making adjustment with regard to depreciation. $GDP - \text{Depreciation} = NDP$
- Per Capita Income:** Per Capita Income per person is an indicator to show the living standards of people in a country. $\text{Per Capita Income} = \frac{\text{National income}}{\text{Total Population}}$

2. Distinguish between national income at current price and constant prices.

Current Price:

- A current price is that price uses the ongoing market prices to compute the value of output.
- The Current Price may always be higher than real value.

- It is due to many factors like taxes and inflation.

Constant Price:

- National Income at constant price is computed based on the real worth of the purchasing power of income.
- Constant price is that price which prevails in the base year.
- It measures the national income after making necessary adjustment to eliminate the effect of inflation.
- It is based on unchanged price of output.
- It is also called as ‘real national income ‘or national income in real terms.

3. Why do we study national income?

- To measure the size of the economy and economic performance.
- To trace the trend or speed of the economic growth in relation to previous year as well as to other countries.
- To know the structure and composition of the national income in terms of various sectors and the periodical variations in them.
- To make projection about the future development trend of the economy.
- To help government formulate suitable development plans and policies to increase growth rates.
- To fix various development targets for different sectors of the economy.
- To help business firm in forecasting future demand.
- To make international comparison of people’s living standards.

4. Explain the trend in national income from 1950 to 2005.

Table

Sector	1950-1980	1980-2005
GDP Total	3.5	5.6
GDP Per capita	1.4	3.6

Explanation:

- Table provides the trend of GDP growth from the year 1950 to 2005.
- The size of the national income at constant prices has increased by about 15 % during this period.
- The growth rate of national income has increased from 3.5 % during 1950 – 80 to 5.6 % during 1980 -2005.

5. Explain the sectoral composition of national income

Explanation:

Year	Primary	Secondary	Tertiary	Total GDP
1950-51	59	13	28	100
1980-81	42	22	36	100
2002-03	24	24	52	100

Source: Central Statistical Organisation.

Explanation:

- ✚ During the initial stage of development, share of primary sector will be high.
- ✚ This will decline during the course of development and share of industry will be greater.
- ✚ At very high level of development, the share of service sector will be more.
- ✚ The share of primary sector has declined from 59 % to 24 %.
- ✚ The Industrial sector has not grown to the expected level.
- ✚ The service sector has almost reached more than half (52 %) of our national income.

LESSON - 5

1. What are the problems of planning in underdeveloped countries?

(OR)

What are the problems of planning in Backward Countries.

- ✚ Planning is much more necessary and difficult to execute in backward than in advanced countries.
- ✚ First of all, "Planning requires a strong, competent and incorrupt administration" (Arthur Lewis) In most of the economically backward nations have weak, incompetent and corrupt administration.
- ✚ They have democratic planning.
- ✚ So, they cannot do things in a quick manner as it was done in Former Soviet Russia.
- ✚ Agriculture is the main stay of their economics.
- ✚ Since agriculture depends upon natural factors which are uncertain, there is a lot of uncertainty about their agricultural programmes.
- ✚ Over – Population and low capital formation are some other important problems of planning in underdeveloped nations.

2. What are the major objectives of planning in India?

- ✚ To raise the national income.
- ✚ This is known as Growth objective.
- ✚ To increase investment to a certain level within a given time.
- ✚ To reduce inequalities in the distribution of income and wealth and to reduce concentration of economic power over resources.
- ✚ To expand employment opportunities.
- ✚ To remove bottlenecks in agriculture, manufacturing industry and the balance of payments.
- ✚ In agricultural sector, the main objective was increasing agricultural productivity and attaining self –sufficiency in food grains.
- ✚ In the industrial sector, the emphasis was on basic and heavy industries.
- ✚ In the foreign trade sector, the emphasis was on having a viable balance of payments position.
- ✚ In Mahalanobis Strategy the emphasis was laid on rapid industrialization with priority for basic and heavy industries.

3. What are the key objectives of the Tenth Plan?

- ✚ Reduction of poverty by 5 % in 2007 and 15 % points by 2012.
- ✚ Gainful employment is addition to the labour force during the plan period.
- ✚ Universal access to primary education by 2007.

- ✚ Reduction in the decadal rate of population growth between 2001 to 2011 to 16.2 percent.
- ✚ Increase in literacy to 75 percent by 2007.
- ✚ Reduction in Infant Mortality Ratio (MMR) to 2 per 1000 live births by 2007 and to 1 by 2012.
- ✚ Increase in forest and tree cover to 25 percent by 2007 and to 33 percent by 2012.
- ✚ All villages to have access to potable water by 2012 Cleaning of all major polluted rivers by 2007.

4. Discuss the case against Laissez Faire.

- ✚ Under Laissez faire, income is not fairly distributed.
- ✚ As a consequence, less important and urgent goods are produced for the wealthy people
- ✚ while the poor lack basic goods like education , health , housing , good food and ordinary comforts.
- ✚ Under such a situation, the State can control economic activity by means of planning and
- ✚ reduce Inequalities of income and wealth.
- ✚ The market economy is a victim of trade cycles.
- ✚ And there will be alternating periods of prosperity and depression.
- ✚ And during depression, there will be bad trade, falling prices and mass unemployment.
- ✚ So there is need for state intervention.
- ✚ By means of proper planning, the State can control trade cycles as they did in the case of Former Soviet Russia.

5. Explain the need for economic planning.

- ✚ The 20th century was an era of planning.
- ✚ Almost every country had some sort of planning.
- ✚ In socialist countries, planning is almost a religion.
- ✚ Even in countries like the U.S.A. and the U.K. with a capitalistic system, they have partial planning.
- ✚ The 19th century state was a Laissez Faire state which means non – intervention in economic affairs.
- ✚ Modern state is a Welfare State.
- ✚ The two world wars, the Great Depression of 1930s and the success of planning in Former Soviet Russia have underlined the need for planning.
- ✚ Planning is a gift of Former Soviet Russia to the world
- ✚ Planning involves the economizing of scarce resources.
- ✚ Most of the underdeveloped countries were independent only fifty or sixty years back and most of them were poor at that time.
- ✚ So the newly, emergent nations to provide food, clothing and shelter for their people.
- ✚ For that the government had to increase their national income.
- ✚ Since most of them were agricultural countries, they had to evolve some programmes for agricultural development.

- ✚ All these things, the poor countries attempted to do by means of economic planning.

LESSON – 6

1. Explain the relationship between the agricultural and non – agricultural sectors.

- ✚ Production Linkages: Production linkages arise from the interdependence of agriculture and industry for productive inputs.
- ✚ Demand Linkages: There are strong demand linkages between the two sectors.
- ✚ Saving and Investment Linkages: Equally significant is the impact of rural income on industrial consumption goods.
- ✚ A recent study concludes, Rural bazaar out buys urban market.

2. Examine the remedial measures to solve the various problems of Indian agriculture.

- ✚ Co – operative joint farming should be launched on a national scale.
- ✚ Check on the population growth.
- ✚ Arrangements for better manures.
- ✚ Use of better seeds. Alternative arrangements for irrigation facilities.
- ✚ Improvements in agricultural credit.
- ✚ Reclamation of waste lands.
- ✚ Consolidation of holdings.
- ✚ Use of new implements.
- ✚ Soil conservation and intensive cultivation. Improvement in marketing system.
- ✚ Encouragement to agricultural research and plant protection.

3. Describe the factors affecting cropping pattern.

- ✚ Natural Factors
- ✚ Size of Holding
- ✚ Price of Agricultural Products
- ✚ Availability of Agricultural Inputs
- ✚ Social Factors
- ✚ Government Policy
- ✚ Knowledge about Cropping Pattern
- ✚ Crop Insurance Scheme
- ✚ Government Efforts

4. Explain the objective of land reforms in India

- ✚ Restructuring of agrarian relation to achieve egalitarian social structure.
- ✚ Elimination of Exploitation in land relations.
- ✚ Actualization of the goal of land to the tiller.
- ✚ Improvement of socio – economic conditions of the rural poor by widening their land base.
- ✚ Increasing agricultural production and productivity.
- ✚ Facilitating land based development of rural poor.
- ✚ Infusion of a greater measure of equality in local institutions.

5. Explain the measures of land reforms in India.

- ✚ Voluntary adoption facilitated by incentives provided by the state through measures like cooperative Farming and consolidation of holdings.
- ✚ Voluntary adoption supplemented by statutory compulsion made possible by the enactment of legislation as in the case of consolidation of holdings.
- ✚ Compulsion exercised through different legislative measures, as with the abolition of intermediaries, tenancy reforms and ceiling on holdings etc.

6. Discuss the importance of agricultural marketing.

- ✚ Provides raw materials for industries.
- ✚ Provides food grains for the entire population and fodder for cattle.
- ✚ Provides a base for expansion of internal market of a country.
- ✚ Helps in the expansion of international market also when marketable surplus found in excess of the demand of a country, fetches a considerable amount of foreign exchange.

LESSON – 7

1. Explain the significance of public sector.

- ✚ The public sector is playing a significant role in terms of its contribution to GDP in many developed as well as developing countries.
- ✚ The developing world in the early 1950s adopted an inward oriented strategy of industrialization guided by the objective of self – reliance and a philosophy of economic nationalism.
- ✚ The promotion of public sector through development planning is basically used to direct the resources optimum utilization and equitable distribution.
- ✚ India too adopted similar development strategy of expanding public sector.
- ✚ The material resources of the community are so distributed as best to sub serve the common goods.
- ✚ Since Independence, public sector played an important role to be the principal driving force behind steady growth of the fifties , sixties, seventies and eighties.
- ✚ The contribution of the public sector to national income has increased from 7.5% in 1950 -51 to 24 % in 1982 -83.
- ✚ The contribution of the public sector through its basic , heavy and strategic industries to the economy and its growth are very significant.
- ✚ The rapid growth of public sector investment in industries has obviously created a strong diversified industrial base.
- ✚ Explain the position of industrialization under pre and post independence period.
- ✚ The pre independent India , mostly characterized by backwardness, did not have an organized industrial sector.
- ✚ There had been a market shift in the advancement of the industries after the implementation of five year plans in the independent India.
- ✚ The significant role of industrialization is major channel of rapid economic growth and all round development has been recognized by the planners of modern India.
- ✚ The New Economic Policy environment focused on a mixed economy framework where the public sector will play a major role in building the industrial base of the economy.

3. List out the organizations which provide industrial finance.

- ✚ At National Level: Industrial Finance Corporation of India (IFCI)
- ✚ Industrial Development Bank of India(IDBI)
- ✚ Industrial Credit and Investment Corporation of India (ICICI).
- ✚ Industrial Investment Bank of India (IIBI)
- ✚ National Small Industries Corporation (NSIC)

At State Level;

- ✚ Tamil Nadu Industrial Investment Corporation (TIIC) (First of its nature to be set up in India in 1949).
- ✚ State Financial Corporation's (SFC)
- ✚ State Industrial Development Corporations (SIDC)

At Intermediate Level:

- ✚ Unit Trust of India (UTI)
- ✚ Life Insurance Corporation of India (LIC)
- ✚ General Insurance Corporation of India (GIC)

4. Write about the disinvestment of public enterprises.

- ✚ The Government announced in 1998 to sell more than 51 % in strategic sales and the new capital was fixed at 74 % to 100% .
- ✚ The objective of disinvestment is to mobilize enough resources by way of withdrawing from some sector in order to invest in priority areas like particularly social service.
- ✚ The other objectives include the promotion of private sectors enhancement of efficiency and competition.

5. Explain the integrated strategies devised by the Eighth plan for public sector restructuring.

- ✚ Restructuring involving modernization , rationalization, product -mix changes selective exit and privatization.
- ✚ Increase in autonomy and performance accountability through the system of Memorandum of Understanding (MOU) between the administrative ministries and central public enterprises launched in the Seventh plan.
- ✚ Changes in management practices at specific enterprises level to promote efficiency, dynamic leadership , resourcefulness and innovation.
- ✚ A major effort by state government to promote reforms in public sector.
- ✚ Technology up gradation through an integrated R& D effort and import of technology.
- ✚ Re - orientation of approach in ministries and other government agencies regarding liberalization and Dismantling of regulations.

LESSON -8

1. Explain the role of banks in economic development.

- ✚ Removing the deficiency of capital formation.
- ✚ The banks stimulate saving and investment to remove the deficiency of capital formation.
- ✚ Provision of finance and credit: Banks are very important sources of finance and credit for industry and trade.

Extension of the size of the market:

- ✚ Commercial bankers help commerce and industry in yet another way.

- ✚ With the sound banking system , it is possible for commerce and industry for extending their field of operation.

Act as an engine of balanced regional development:

- ✚ Commercial banks help in proper allocation of funds among different regions of the economy.
- ✚ Introduction of branch banking makes it possible to choose between different regions.

Financing agriculture and allied activities:

- ✚ The commercial bank helps the farmers in extending credit for agricultural development.

For improving the standard of living of the people:

- ✚ The banks advance loans to consumers for the purchase of consumer durables and other immovable property , which will raise the standard of living of the people.

2. Distinguish between central bank and commercial bank.

Central Bank:

- ✚ The central bank is the apex institution of the monetary and banking system of the country.
- ✚ The central bank possesses the monopoly of note - issue
- ✚ The central bank is not a profit making institution its aim is to promote the general economic policy of the government.
- ✚ The central bank maintains the foreign exchange reserves of the country.
- ✚ The central bank is an organ of the government and acts as its bankers and the financial advisor.

Commercial Bank

- ✚ A commercial bank is only a constituent unit of the banking system and a subordinate to the central bank.
- ✚ Commercial banks do not have this right.
- ✚ The primary objective of commercial bank is to earn profit for their shareholders.
- ✚ The commercial banks only deal in foreign exchange under the directions of the central bank.
- ✚ Commercial banks act as advisors and bankers to the general public only.

3. Give definitions of central bank by various monetary theories.

- ✚ According to Smith " the primary definition of central banking is a banking system in which a single bank has either complete control or a residuary monopoly of note issue.
- ✚ H. A. Shaw defines a central bank, " as a bank which controls credit".
- ✚ Hawtrey " a central bank is that which is the lender of the last resort".

4. Explain various quantitative credit control methods of RBI.

Bank Rate (or) Discount Rate Policy:

- ✚ The rate of interest of every central bank is known as 'Bank Rate' .
- ✚ It is otherwise known as 'discount rate'.

- ✚ At this rate the central bank rediscounts bills of exchange and government securities held by the commercial banks.

Open Market Operations:

- ✚ Direct buying and selling of securities, bills, bonds of government as well as private financial institution by the central bank, on its own initiative is called as open market operations.

Variable Reserve Ratio:

- ✚ Every commercial bank is required by law to maintain a minimum percentage of its time and demand Deposits with the central Bank.
- ✚ The excess money remains with the commercial bank over and above these minimum reserves is known as the excess reserves.

5. Explain the different types of loans and advances made by the commercial banks.

Advancing of Loans:

- ✚ Banks adopt several ways for granting loans and advances. These operations take different forms.

Cash Credit:

- ✚ The bank sanctions loans to individuals or firms against some collateral security.
- ✚ The loan money is credited in the account of the borrower and he can withdraw the amount as and when it is required.
- ✚ The borrower can withdraw the cash within or upto the credit limit.
- ✚ The bank charges interest for the amount withdrawn only.

Provision of overdraft facilities:

- ✚ The respectable and reliable customers enjoy these facilities.
- ✚ The customer can issue cheques and overdraw the money in times of need, even if there is no adequate balance in his account.
- ✚ The customer will pay the interest to the bank for the amount overdraft.

Discounting bills of exchange:

- ✚ This operation is done through discounting of commercial papers, promissory notes and bills of exchange, usually for three months.
- ✚ The banks after deducting interest charges and collection charges from the face value of the bills, give the balance amount to the customer.
- ✚ When the exchange bill matures, the banks collect the payment from the party

LESSON – 9

1. What are the parameters of Globalization?

- ✚ Spread of international trade
- ✚ Increasing migration of people.
- ✚ Increasing flow of money or means of payment.
- ✚ More capital flows.
- ✚ Increased flow of finance capital.
- ✚ Emergence of more and transnational companies and multinational companies.

- ✚ Increasing trade of technology between different countries.
- ✚ Rapid spread of print, electronic and communication media.
- ✚ Growth in trade and production of services of all kinds – including education.

2. What are the functions of IMF?

- ✚ Functions as a short term credit institution.
- ✚ Provides machinery for the orderly adjustments of exchange rates.
- ✚ Acts as a reservoir of the currencies of all the member countries from which a borrower nation can borrow the currency of other nations.
- ✚ Functions as a sort of lending institution in foreign exchange.
- ✚ It grants loans for financing current Transactions only and not capital transactions.
- ✚ It also provides machinery for international consultations.
- ✚ Provides technical experts to member countries having BOP difficulties and other problems.
- ✚ Conducts research studies and publishes them in IMF staff papers, finance and development etc.

3. Differentiate the balance of trade from balance of payments.

Balance of payments:

- ✚ Balance of payments is statement or an account , which records all the foreign receipts and payments of a country.
- ✚ It records all the visible and invisible items. Visible items mean the imports and exports of commodities.
- ✚ Invisible items mean the imports and exports of services and other foreign transfers and transactions.
- ✚ The BOPs is classified as balance of payments on current account and capital account.
- ✚ The BOPs on current account records the current position of the country.
- ✚ Balance of payments on capital account shows the country's financial position in the international scenario,
- ✚ the extent of accumulated foreign exchange reserves etc.
- ✚ The impact of current transactions on international financial positions.

Balance of Trade:

- ✚ Balance of trade confines to trade invisible items only.
- ✚ Visible items are those, which are physically exported and imported like merchandise, gold ,silver and other commodities.
- ✚ The invisible items are the services mutually rendered by shipping , insurance and banking companies, payment of interest and dividend, tourist spending and so on.
- ✚ The balance of trade refers to the difference between physical imports and exports of visible items only for a given period, say a year.
- ✚ During a given period, exports and imports may be exactly equal.
- ✚ The balance of trade is said to be balanced. If the value of exports greater than imports the balance of trade is favourable.
- ✚ If the value of imports greater than exports the balance of trade is unfavourable.

4. What are the objectives of GATT and What are its methods of achieving them?

a. What are the objectives of GATT ?

Objectives of GATT:

- + Expansion of international trade.
- + Increase of world production by ensuring full employment in the participating nations.
- + Development and full utilization of world resources,
- + Revising standard of living of the world community as a whole.

b. What are its methods of achieving them?

Methods of achieving the objectives:

- + Most favoured nation clause
- + Quantitative restrictions on imports
- + Tariff negotiations and Reduction of Tariff.

Most favoured nation clause:

- + The clause is also known as elimination of discrimination clause.
- + This clause is to be adopted to avoid discrimination in international trade.
- + The clause implies that each country shall be treated as the most favoured nation.
- + Trade concession offered by a member country to her trading partner should also be available to all the members of the GATT at the same time.

Quantitative Restrictions on Imports:

- + The GATT rules prohibited the use of import quota fixation.
- + But three important exceptions were allowed to this rule.
- + Countries, which are facing balance of payments difficulties, may use the device of input quota fixation.
- + Developing countries may resort to quota fixation but only under procedure accepted by the GATT.
- + Quotas may be applied to agricultural and fishery products if domestic production is subject to equally restrictive controls

Tariff negotiations and Reduction of Tariff:

- + The GATT recognized that tariffs are often an important obstacle to international trade.
- + The GATT would encourage negotiations for tariff, reduction to be conducted on a reciprocal mutually advantageous basis taking into consideration the varying needs of individual contracting parties.
- + The Uruguay Round of talks 1993 was most ambitious and complex.
- + The traditional tariff and non – tariff measures, new areas such as Trade related Intellectual property Rights (TRIPS),
- + Trade Related Investment Measures (TRIMS) and Trade in services were taken up for discussion.
- + The Uruguay Agenda wanted to remove all trade barriers.

LESSON -10

1. What according to Harbison and Myers are human resource indicators?

- + Number of teachers per 10,000 population.
- + Engineers and scientists per 10,000 population.

- + Physicians and dentists per 10,000 population.
- + Pupils enrolled at first – level (primary) education as a percentage of the estimated population aged five to fourteen inclusive.
- + The adjusted school enrolment ratios for first and second levels combined.

2. Write a note on early Child Health Care Programme and Arivoli Thittam.

- + Early Childhood care and education programme in India: It is an integrated approach to reduce malnutrition, and other related diseases among disadvantaged children, expectant and nursing mothers.
- + The ICDS schemes focus on provision of services to improve nutrition and health requirement of children from the date of conception till the age of 6 years.
- + These services rendered through child welfare centres known as anganwadis.
- + Arivoli Thittam (Light of Knowledge Movement): In this movement, an adult is defined as one in the group 15 -35
- + The measures come under this Arivoli Thittam are:
 - + Total Literacy Campaign (TLC) Post – Literacy Campaign
 - + Continuing Education

3. Explain the concept of Human Poverty Index (HPI)

- + It measures deprivation in longevity, knowledge and decent living standard.
- + If adult illiteracy rate is high, health services are poor, safe water is low, malnourished children under five high,
- + then human poverty index will be high.
- + Based on the lines of HDI, HDI for various states of India was constructed.
- + The planning Commission of India brought out national Human Development Report in 2001.
- + It provides state wise as well as All – India Human Development indices.
- + Some states like Tamil Nadu have also brought out Human Development Report.

4. What are the basic choices to be made by Government while evolving HRD strategies?

- + It has to decide in formal education whether the emphasis should be on quantity or quality.
- + The secondary and higher education priority should be given to science and technology or low, arts and humanities.
- + It has to decide in skill development,
- + reliance should be placed on pre – employment formal training or in – service training.
- + It has to decide whether incentives should be provided by manipulation of wages and salaries.
- + It has to consider the needs and desires of the individual and needs of the state.
- + The choice between quantity and quality in educational development can take many forms.

LESSON - 11**1. Distinguish between classification and Tabulation****Classification Tabulation**

1. Classification is the process of grouping the data on the basis of some common characteristics.

2. Classification is the first step in tabulation

3. Classification is done for the purpose of tabulation

Tabulation

1. Tabulation is the process of placing the classified data in columns and

rows.

2. Tabulation process starts only after the classification is completed.

3. Tabulation is done for the purpose of analysis of data.

2. Explain Rules of Tabulation:

Number: Table must be arranged with number in order to identify the table.

Title: Table must have a title.

Stubs and Captions: Stubs are the row heading, Captions are column headings.

Body of the table: The body of the table contains the numerical information.

Spacing: Proper space should be provided in between various data presented in the table.

Total: Total must be given for each column and row

Head note: It is a brief explanation of the information given in the table.

Footnotes: If any item presented in the table needs further explanation.

Source: Source is an important requirement for the table.

3. Distinguish between the graphs and diagrams.**Diagram**

1. Diagrams are prepared in a plain paper.

2. Diagrams do not represent mathematical relationship

3. Diagrams are more attractive to the eye. Graphs are very much useful for research analysis.

Graphs

1. Graphs should be prepared in graph paper.

2. A graph represents mathematical relation.

3. They are not useful for research analysis.

4. Examine the characteristics of a good average.

- ✚ It should be rigidly defined. It should be easy to understand.
- ✚ It should be simple to compute.
- ✚ Its definition must be in the form of a mathematical formula.
- ✚ It should be based on all the items of a series.
- ✚ It should not be influenced by a single item or a group of items.
- ✚ It should be capable of further algebraic treatment.
- ✚ It should have sampling stability

LESSON -12**1. Explain the Mean Deviation.**

✚ The mean deviation is defined as the average distance between the mean and each point in the distribution.

✚ It is the arithmetic mean of the deviations of each point to the mean.

✚ Points smaller than the mean will have negative signs and those which are larger than the mean will have positive signs.

✚ To measure the variation about the sample mean (\bar{X}),

✚ the distance from each data value i.e.) has been computed and then divided by the total number of points (n).

✚ Thus Mean Deviation (M.D.) = $\frac{\sum X - \bar{X}N}{n}$

2. What is meant by standard Deviation? Explain.

✚ The Variance and standard deviation are the most widely used measures of variation.

✚ Variance is the most stable measure of variability and its derivative is standard deviation.

✚ Variance also resembles mean deviation where the negative signs are removed by taking modules.

✚ Another way of removing negative sign is to square each of the deviations.

✚ For example we can use Example 3 to calculate variance and standard

$$\text{Variance } (\sigma^2) = \frac{\sum (X - \bar{X})^2}{n}$$

deviation.

3. What is Quartile Deviation? Explain.

✚ Quartile deviation is the most commonly used measure of position.

✚ It is also known as semi - inter - quartile range.

✚ As the name indicates, it is the mid - point of the difference between the third quartile (Q_3) and the first quartile (Q_1).

✚ Median discussed in the earlier chapter is second quartile that divides the distribution into two equal halves.

✚ Quartile divides the distribution into four quarters.

✚ Hence, the procedure to calculate the quartile deviation is same as that of median.

$$\text{Quartile Deviation (Q.D.)} = \frac{Q_3 - Q_1}{2}$$

4. What is Index Number ? Explain the types.

✚ An index number is a statistical tool used to measure changes over time and to interpret economic figures.

✚ Index numbers are values expressed as a percentage of single base figures.

✚ Index number summaries changes in a group of related variable.

✚ The consumer price index is one of the popular indexes.

✚ It measures the relative changes in retail prices paid by consumers over time.

✚ Types of Index Numbers:

- Price Index Numbers.
- Quantity Index Numbers.

Value Index Numbers.

5 – MARKS**LESSON – 1****1. Discuss the mercantilist thought.**

- ✚ Mercantilism: After feudalism came to an end, strong nation states emerged in England, France, Germany and Spain.
- ✚ Each country considered the other country as its potential rival
- ✚ So the mercantilists regulated the economic activity of the state in order to create a strong and powerful state.
- ✚ Mercantilism was only economic means for the creation of a strong state.
- ✚ Trade: According to mercantilists, trade was the most important occupation.
- ✚ Industry and manufacture were ranked second and agriculture was considered the least important occupation.
- ✚ If a country has mines, it can get gold and silver.
- ✚ Otherwise, it can get gold and silver only by means of trade.
- ✚ Export: Mercantilists wanted favourable balance of trade.
- ✚ The mercantilists believed in maximum exports and minimum imports
- ✚ As Alexander Gray put it, “ it was thus a primary principle of the typical mercantilist to maximize exports while minimizing imports”.
- ✚ It encouraged exports and discouraged imports by a number of policies.

2. What are the essential ideas of the physiocrats?

- ✚ The Physiocrats: The term Physiocracy means” Rule of Nature”.
- ✚ Physiocracy was essentially a revolt by the French against mercantilism.
- ✚ They developed the concept of natural order.
- ✚ According to them, the natural order is an ideal order given by God.
- ✚ They believed that infidel interests were identical with the interest of the society.
- ✚ Laissez Faire: Physiocrats advocated Laissez Faire.
- ✚ It means “let thing alone, let them take their own course”.
- ✚ According to this policy , the state will have minimum role to play.
- ✚ The main function of government is to protect life, liberty and property.
- ✚ Net Product: Physiocrats believed that agriculture was a productive occupation.
- ✚ It alone produced “ net product”.
- ✚ They considered other occupations as sterile.
- ✚ Among different classes the productive class (Farmers); the proprietary class, and the sterile class all those engaged in non – agricultural occupations.

3. Explain the role of the state in economic development.

Role of the state in Economic Development:

- ✚ The state has to play the role of an entrepreneur in the Underdeveloped Countries.
- ✚ Nowadays, it is agreed that the Governments in these countries have to play a dominant role in implementing plans for economic development.
- ✚ For underdeveloped countries, Laissez – Faire policy is a luxury.
- ✚ India is a mixed economy with a public sector and private sector.
- ✚ Until recently, the public sector played a major role in economic planning.
- ✚ Planning: Through five year plans, the state has been making attempts to achieve the goals of increasing economic growth, rapid industrialization,

expansion of employment opportunities and reduction of inequalities of income and wealth.

- ✚ Social Service: The government plays a very big role in the field of social services like education and health.
- ✚ Investment in education and health promote human capital formation, which is as important as physical capital formation.
- ✚ Education and health increase productivity of labour.
- ✚ Foreign Investment: These are the days of globalization, liberalization and privatization.
- ✚ We invite foreign investment on a large scale.
- ✚ They want good physical infrastructure like good transportation , postal and telecommunications, power facilities and water supply.
- ✚ All these things are called as social overhead capital.
- ✚ The government has to make huge investment in these things.
- ✚ So the government has to encourage foreign investment.
- ✚ There is shortage of foreign exchange in UDCs; hence the government has to take steps such as promotion of exports, making investment attractive for foreigners through fiscal measures.
- ✚ The government formulates policies and programmes in such a way that there is a balanced regional development.
- ✚ The state has to regulate and control monopolies.
- ✚ Thus, the state has to play a dominant role in economic development.

4. What are the basic characteristics of underdeveloped countries?

Primary Production: T

- ✚ he UDCs produce mostly raw materials and food – stuffs.
- ✚ A majority of the population will be engaged in agriculture.
- ✚ Some poor countries depend upon non – agricultural production.
- ✚ (eg) Minerals like tin, copper, aluminium and petroleum.
- ✚ Agricultural productivity is low in these countries.
- ✚ There is pressure of population on land

Population Pressures:

- ✚ Generally, there is over – population in many poor countries.
- ✚ Population pressures take many forms.
- ✚ First, for example, they have rural underemployment.
- ✚ This is sometimes referred to as disguised unemployment.
- ✚ The marginal productivity of the extra hands will be almost zero.
- ✚ Second, high birth rates create a large number of dependent children.
- ✚ Lastly, falling death rates with high birth rates will bring about a large increase in population.⊕

Underemployment:

- ✚ Natural resources in poor countries are underdeveloped.
- ✚ They are unutilized, underutilized or misutilized.

Economic Backwardness:

- ✚ The economic backwardness of the population in the poor countries is reflected in low labour efficiency, factor immobility, lack of entrepreneurship, economic ignorance and so on.
- ✚ The population is ruled by customs and traditions.

- ✚ People are not “economically motivated”.
- ✚ The Government in these countries are generally “weak, incompetent and corrupt.

Capital Deficiency:

- ✚ Capital deficiency is an important characteristic of poor countries.
- ✚ According to Ragnar Nurkse, Low capital formation is one of the basic causes of poverty in these countries.
- ✚ Low capital formation leads to low productivity, Low productivity result in low income and Low incomes result in low savings and low savings lead to low capital formation.

Foreign Trade Orientation:

- ✚ Some of the poor countries depend heavily upon foreign trade.
- ✚ For example, in 1952, cotton contributed about 90 % of foreign exchange earnings of Egypt.
- ✚ A risk involved there is some serious economic problem in the importing nation.
- ✚ The country which depends on export of one or two commodities will be affected badly.

5. Describe Rostow’s stages of economic growth.

The Traditional society

The Transitional society

The take – off stage

The mature state

The age of high mass consumption.

The Traditional Society.

- ✚ The traditional society will be custom – bound and tradition – oriented.
- ✚ There will be economic backwardness.
- ✚ The poor countries of today are good examples of traditional society.
- ✚ In short, the factors which are essential for economic growth will be missing from such a society.

Transitional society:

- ✚ In this stage the conditions for take – off will be established.
- ✚ During this stage, the force of customs and traditions will become less.
- ✚ There will be economic motivation, improvements in physical and social infrastructure.

The take – off stage:

- ✚ If the economy attains the take – off stage, there will be self – sustaining growth.
- ✚ It refers to a situation where an economy transforms itself from a predominantly agriculture to industrial society.
- ✚ An Economy to attain the take – off stage, it must make an annual investment equal to 20 – 25% of GDP mobilized from its own savings.
- ✚ This stage was made possible in some countries by leading sectors like railways and defense.

The Mature stage:

- ✚ The economy attains self sustaining growth when it enters the mature stage.
- ✚ During this stage, the government has to make some basic decisions.

- ✚ There will be abundant resources and good,
- ✚ it has to use them for strengthening the nation into strong and powerful state military or
- ✚ to use the resources for improving the welfare of the people.

The age of high mass consumption:

- ✚ The final stage is the age of high mass consumption.
- ✚ During this stage, people will consume all kinds of goods especially durable goods like cars on a mass scale.

LESSON - 2

1. Describe in brief the ways that affect economic development by rapidly increasing population. (or) Population Explosion as an obstacle to Economic Development:

Food Shortage:

- ✚ The population of India goes on rising and there is no proportionate increase in agricultural production.
- ✚ This leads to serious food problem.

Burden of Unproductive Consumers:

- ✚ The greater the increase in population, the greater is the number of children and old Children and old persons consume without their contribution.
- ✚ The increasing number of children and old people increase the burden in terms of medical care, public health and education etc.

Reduction in National and Per Capita Income:

- ✚ The fast growing population retards the average growth rate of national income and per capita income.

Low Savings and Investment:

- ✚ The most serious consequences of a rapid increase in population is that it reduces the capacity to save and invest.

Reduction in Capital Formation:

- ✚ Capital formation depends upon saving and investment.
- ✚ Capital formation is not possible when there is a rapid growth of population.
- ✚ Thus, the fast growing population affects the capital formation in the country adversely.

Unemployment and Underemployment:

- ✚ Rising population aggravates the problem of unemployment.
- ✚ Increased labour force is not fully absorbed due to lack of employment opportunities.
- ✚ Therefore, there are more unemployment and underemployment.

Loss of women’s Labour:

- ✚ Rapid and frequent child births make a large number of women unable to take part in productive activity for longer periods.

Low Labour Efficiency:

- ✚ The increasing population adversely affects the national income and the per capita income.
- ✚ Due to this, the people have a low standard of living, which makes them less efficient

More Expenditure on Social Welfare Programmes:

- ✚ A rise in population increases the number of children.
- ✚ This would demand more social expenditure on medical care, public health, education and housing, etc.
- ✚ Agricultural Backwardness: The increase in population has led to uneconomic holdings through subdivision and fragmentation of land holding in India.
- ✚ The size of holding is so small that mechanized farming is not possible.

Underdeveloped Industries:

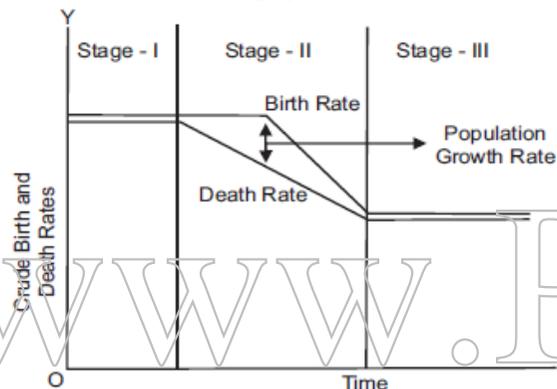
- ✚ The rapid growth of population adversely affects industrial development.
- ✚ This is the reason neither the cottage and small scale industries nor large scale industries could develop adequately in the country.

Financial Burden on Government:

- ✚ The resources have to be spent on launching poverty alleviation programmes and social welfare schemes.

2. Explain the Theory of Demographic Transition.

The Demographic Transition



Stage I – High Birth Rate and Death Rate:

- ✚ In the first stage, the country is backward and less developed.
- ✚ Agriculture is the main occupation of the people and primitive mode of cultivation will be used.
- ✚ The standard of living of the people will be low.
- ✚ This stage is characterized by high birth and death rate.
- ✚ The high death rate is due to poor diets, improper sanitation and lack of proper medical facilities.
- ✚ Birth rate is high on account of widespread illiteracy, ignorance of family planning techniques and social beliefs etc.
- ✚ Due to high birth and death rate the population growth stagnates.

Stage II – High Birth Rate and Low Death Rate:

- ✚ As a country advances, it might result in increase in industrial activity.
- ✚ Industrial activity creating more employment opportunities.
- ✚ This will raise the national and per capita income which leads to increasing their standard of living.
- ✚ The advancement in science and technology will result in the availability of better medical facilities.

- ✚ The eradication of many epidemics and dangerous diseases reduce the incidence of disease and death.
- ✚ The birth rate still remains high due to established customs and beliefs.
- ✚ Thus there is an imbalance between high birth and low death rate resulting in high population growth.
- ✚ The country witnesses population explosion.

Stage III – Low Birth Rate and Death Rate:

- ✚ Economic development leads to change in the structure of the economy.
- ✚ The increase in industrialization, people migrate from rural to urban areas.
- ✚ There is a change in the attitude of the people.
- ✚ The spread of education, people prefer small families in order to increase the standard of living.
- ✚ Thus the birth rate is reduced.
- ✚ Implementation of better medical facilities, control of disease and public sanitation result in low death rate.
- ✚ During this third stage of low birth and death rates, the growth of population tends to be stable.

LESSON – 3

1. Describe the various measures taken to solve unemployment problem in India.

Measures to solve Unemployment problem in India :

- ✚ A Change in the pattern of Investment The planning process in the initial stages gave importance to an investment allocation pattern with a high capital – labour ratio.
- ✚ A shift in the emphasis to mass consumer goods industries would generate more employment to absorb the unemployed labour force.
- ✚ This is the wage – goods model of development suggested by Vakil and Brahmaiah.
- ✚ **Encouragement to small enterprises as against big enterprises:**
- ✚ The employment objective and the output objective can be achieved , if greater investment is directed to small enterprises rather than to large enterprise.
- ✚ Problem of Choice of Technique: It would be better to switch over to intermediate technologies till the process of industrialization.
- ✚ During the period of rapid growth in the labour force, it would be advisable to adjust the choice of techniques consistent with the employment objective.

Encouragement of New Growth Centres in Small Towns and Rural Areas:

- ✚ Experience of planning has revealed that the overcrowded metropolitan centres have received a large share of investment.
- ✚ The establishment of small industrial complexes can increase employment opportunities and provide flexibility to the economy.

Subsidies on the Basis of Employment:

- ✚ All schemes of subsidies and incentives to large and small industries have helped output maximization and greater use of capital resources.
- ✚ Creation of more employment should be treated as the basis for the grant of subsidies and incentives.

Reorientation of Educational policy:

- ✚ One great defect of our educational system is that it leads one to take up the professional degree only

- ✚ The high degree of unemployment among the educated signifies the urgent need to reorient our educational system to greater employment opportunities.
- ✚ It should have more short term vocational courses that will cater to the local employment needs.

Underemployment in Rural Areas:

- ✚ N.S.S. data have revealed the existence of a high degree of underemployment in India.
- ✚ The total number of underemployed persons available and willing to take up additional work is estimated to be more than two crores.
- ✚ Urgent action is needed in this direction so that work opportunities grow in the rural areas.
- ✚ This will raise the level of income and employment in rural areas and reduction in poverty levels.

2. Briefly explain the programmes implemented to alleviate poverty.

Land Reforms:

- ✚ Land reforms legislation has been passed by the state government, which aim at improving the economic conditions of agricultural landless labourers.
- ✚ The abolition of the Zamindari system, the exploitation associated with the system has been removed.
- ✚ Tenancy laws have been passed in most of the states for protecting the interests of the tenants.
- ✚ Every state has passed the necessary legislation fixing ceiling on agricultural holdings.
- ✚ The maximum amount of land which a person can hold has been fixed by law.
- ✚ The surplus lands thus acquired were to be distributed to the landless labourers and small peasants.
- ✚ Jawahar Gram Samridhi Yojana (JGSY) :
- ✚ It was introduced in April 1999.
- ✚ A successor to Jawahar Rozgar Yojana on a cost sharing basis of 75: 25 between the Union and States.

National Social Assistance programme (NSAP):

- ✚ It was launched on August 15, 1995 It provide social assistance benefits to poor households affected by old age, death of primary bread winner or need for maternity care.

Employment Assuracne Scheme (EAS):

- ✚ It was started on October 2, 1993 in 1778 backward blocks in drought prone, desert , tribal and hill areas.
- ✚ It was expanded to cover all the 5,488 rural blocks of the country.
- ✚ It gave wage employment to the rural poor.

Pradhan Mantri Gramodaya Yojana (PMGY):

- ✚ It was introduced in the Budget for 2000 – 2001 with an allocation of Rs. 5000 crore.
- ✚ It is focus is on health, primary education, drinking water, housing and rural roads.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY):

- ✚ Urban self – employment and urban wage – employment are the two special schemes under it.

- ✚ It substituted in December 1997 various programmes operated earlier for urban poverty alleviation.

Integrated Rural Development Programme (IRDP):

- ✚ IRDP programme was first proposed in the central budget for 1976 -77.
- ✚ This programme was intended to assist rural population to derive economic benefits from the development of assets of each area.

LESSON – 4

1. Examine the methods of calculating national income.

Explain the Product Method (or) Output Method.

- ✚ the measures of GDP are calculated by adding the total value of the output produced by all activities during any time period.
- ✚ The major challenge of this method is the problem of double counting.
- ✚ The output of many businesses is the inputs of some other business.
- ✚ For eg, the output of the tyre industry is the input of racing bike industry .
- ✚ Counting the final output of both industries will result in double counting of the value of tyre.
- ✚ This problem can be avoided by including only the value added at each stage of production.

Explain the Income Method.

- ✚ In the income method, the measures of GDP are calculated by adding all the income earned by various factors of production.
- ✚ The various incomes included to compute the gross national income are.
- ✚ Wages and Salaries,
- ✚ Income of self employe,
- ✚ Profits and dividends of business corporations.
- ✚ Interest, Rent, Surplus of government enterprises.
- ✚ Net flow of income from abroad
- ✚ The sum of all these incomes provides us the measure of national income.

Explain the Expenditure Method.

- ✚ In this method, the measures of GDP are calculated by adding all the expenditures made in the economy.
- ✚ The essential components of expenditure method are.
- ✚ C = Consumption expenditure
- ✚ I = Domestic Investment
- ✚ G= Government Expenditure
- ✚ X = Exports of goods and services
- ✚ M = Imports of goods and services
- ✚ NR = Net income receipts from assets abroad
- ✚ The sum of all these aggregate expenditure provides us the measures of national income.
- ✚ $GDP = E+C+ I+G+ (X-M)$ Where E is aggregate expenditure All the above three methods must yield the same results.
- ✚ The total expenditures on output must be equal to the value of the output produced.

- ✚ This must be equal to the total income paid to the factors of goods and services.
- ✚ There will be minor differences between these results due to changes in inventory levels and timing Discrepancies.
- ✚ The following are some of the national income identities.
- ✚ $NNP = GNP - \text{Depreciation}$ → $NNI = NNP - \text{Indirect taxes}$
- ✚ $PI = NNI - \text{Retained earnings, corporate taxes and interest on public debt}$ →
- ✚ $PDI = PI - \text{Personal taxes}$.

2. Describe the problems in calculating the national income.

Black Money:

- ✚ In countries where level of illegal activities, illegal business the level of corruption and circulation of black money is so high, it has created a parallel economy.
- ✚ It means unreported economy which is equivalent to the size of officially estimated size of the economy.

Non – Monetization:

- ✚ In most of the rural economy, considerable portion of transactions occurs informally and they are called as non – monetized economy.
- ✚ The presence of such non –monetary economy in developing countries keeps the GDP estimates at lower level than the actual.

Growing Service Sector:

- ✚ In recent years, the service sector is growing faster than that of the agricultural and industrial sectors.
- ✚ Many new services like business process outsourcing (BPO) have come up.
- ✚ The value addition in legal consultancy, health services, financial and business services.
- ✚ It is not based on accurate reporting and hence under estimated in national income measures.

Household Services:

- ✚ The national income analysis ignores domestic work, housekeeping and social services.
- ✚ Most of such valuable work rendered by our women at home does not enter our national accounting.

Social Services:

- ✚ It ignores volunteer and unpaid social services.

Environmental Cost:

- ✚ National income estimation does not distinguish between environmental-friendly and environmental hazardous industries.
- ✚ The cost of polluting industries is not included in the estimate.

LESSON - 5

1. Discuss the problems of planning in backward countries.

- ✚ Planning is much more necessary and difficult to execute in backward than in advanced countries.

- ✚ First of all, “ planning requires a strong , competent and incorrupt administration” (Arthur Lewis).
- ✚ In most of the economically backward nations have weak, incompetent and corrupt administration.
- ✚ So they cannot do things in quick manner which was done in Former Soviet Russia.
- ✚ Agriculture is the main stay of their economics.
- ✚ Since agriculture depends upon natural factors which are uncertain.
- ✚ There is a lot of uncertainty about their agricultural programmes.
- ✚ Over – population and low capital formation are some other important problems of planning in underdeveloped nations.

2. Describe the characteristics of economic planning.

Characteristics of Economic Planning:

- ✚ The Government will have the powers of implementation.
- ✚ The plan is drawn up, a detailed survey of all available physical , financial and human resources has to be made.
- ✚ There was New Economic Policy (NEP) from 1921 – 1924.
- ✚ In the year 1924, the Government made a detailed survey of all available resources and only in 1928, it implemented its First Five Year Plan.
- ✚ After the survey of resources, the objectives of planning will be determined.
- ✚ The long term objectives of soviet planning was that Soviet Russia should catch up with production levels of the leading capitalist nation of the world, namely U.S.A. in steel, coal and electricity.
- ✚ The nature of planning is determined by the type of economic system – capitalism, socialism, mixed economy – in which it is practiced.
- ✚ In a mixed economy like India, both public Sector and Private Sector play important roles in economic planning.
- ✚ Usually, the period of a plan is five years. It is done by the planning commission in India.
- ✚ The plan has to be drawn in advance.
- ✚ The first step in drawing up a plan is to determine a growth target for an economy over the plan period.
- ✚ The economy into a number of sectors such as agriculture, industry and services sector.

3. Explain the various types of planning.

Centralized Planning:

- ✚ In a socialist economy there was centralized planning, it was planning by direction .
- ✚ In a socialist state, most of the means of production are owned by the state.
- ✚ All basic economic decisions such as whether priority is to be given for industrialization for development of agriculture.
- ✚ It gives importance to basic and heavy industries or consumer goods industries will be made by the central authority.

Planning by Inducement:

- In a democracy, planning is done by inducement.
- India has a mixed economy where there is a public sector and a private sector.
- The government has to persuade the industries in the private sector to fulfil the goals of the plan through inducements such as tax concessions and by providing incentives.

Indicative Planning:

- In this type of planning, the government invites representatives of industry and business.
- The plan under question and indicates to them its priorities and goals.
- The plan is formulated after detailed discussions with varied interests.
- Planning in France is a good example of indicative planning

Economic Planning:

- Economic plans can also be divided into short term plans, Mid term plans and perspective plans.
- Short term Planning: Short term plans are annual plans.

Midterm Planning:

- five year plans are intact, midterm plans.

Long term Planning:

- Perspective plans are Long term plans and the period ranges from 20 to 25 years.

Rolling Plans:

- In the case of Rolling plan, at the end of each year, targets will be fixed by adding one more year to the plan.

Democratic planning:

- Parliamentary democracy, there will be a lot of delay in the implementation of programmes and economic growth will be slow.

4. Discuss the objectives and achievements of planning of India.

1. What are the objectives of planning of India.

- To raise the national income.
- this is known as Growth Objective.
- To increase investment.
- To reduce inequalities in the distribution of income and wealth and to reduce concentration of economic power over resources.
- To expand employment opportunities.
- To remove bottlenecks in agriculture , manufacturing industry and the balance of payments.
- In the agricultural sector, the main objective was increasing agricultural productivity and attaining self – sufficiency in food grains.
- In the industrial sector, the emphasis was on basic and heavy industries.
- In the foreign trade sector ,
- the emphasis was on having a Viable balance of payments position.
- In Mahalanobis strategy emphasis was laid on rapid industrialization with priority for basic and heavy industry.

2. What are the Achievements of Planning in India:

- Though achieving regional balance is mentioned in our plans , we have not succeeded much in reducing regional imbalances.

- In agriculture, there are surplus states and deficit states, with reference to food grains.

- Our Five Year plans pay attention to the problems of poverty and unemployment .

- So, our plans want to remove poverty and improve the lot of the common man and the weaker sections like SC / STs, OBCs women and children.

- The standard of living depends upon per capita consumption and per capita consumption depends upon per capita income.

- And this in turn depends upon employment .

- So our plans have looked at employment as an integral part of the problem of the removal of poverty.

- In the rural sector , there is concentration of land in the hands of a few persons even today.

- The basic causes of poverty in India are low agricultural productivity and rapid growth of population resulting in low savings and disguised unemployment.

- The Government has not succeeded much in solving the problems of rural unemployment and underemployment by giving support to cottage and small scale industries.

- There is an urban bias in Indian planning .

- Agriculture did not receive enough funds in the past.

5. Explain the objectives and achievements of the Ninth Five Year Plan.

What are Main objectives of the Ninth Plan:

- Priority to agriculture and rural development so as to generate adequate productive employment and to eradicate poverty.
- Growth with stable prices.
- To ensure food security to all, especially vulnerable sections of the society.
- Providing the basic minimum services of safe drinking water, primary health care facilities, universal primary education , shelter and connectivity to all in a time bound manner.
- Containing the growth of population.
- Ensuring environmental sustainability of the development process through people’s participation.
- Empowerment of women and socially disadvantaged groups such as SC / STs and OBCs and minorities as agents of socio – economic change and development.
- Promotion and development of Panchayati Raj institution, co – operative and self – help groups where the participation of people is large.
- Strengthening efforts to build self – reliance.

What are the Achievements or Appraisal of the Ninth Plan:

- The growth rate of GDP during the Ninth Plan was 5.35 percent as against the target of 6.5 percent.
- The plan did not achieve the target of investment .
- It aimed at an investment of 28. 2 % of GDP but it achieved only 24.2 %.
- The size of the public sector plan got reduced by 18 percent.
- The fiscal deficit of the central and state government increased during the Ninth Plan period.

- ✚ The Plan failed on the external trade front.
- ✚ The export target was 11.8 percent but actual increase was 5.6 percent.
- ✚ Imports increased by 4.1 percent as against the target of 10.8 percent.
- ✚ The Ninth Plan failed to create 50 million jobs to reduce unemployment.

LESSON – 6

1. Express in detail the role of agriculture in economic development.

Contribution to National Income:

- ✚ Agriculture contributes even now a major share of the national income in India.
- ✚ The distribution of national income by industrial origin for the period 1950 – 1951 to 1978- 80 shows that the share of various agricultural commodities, animal husbandry and ancillary activities has always been more than 40 %.
- ✚ As a matter of fact, during fifties, it contributed around half of the national output.

Major source of Livelihood:

- ✚ Agriculture is the main source of livelihood.
- ✚ Six out every ten person in India depend upon agriculture.

Provider of Employment:

- ✚ Agriculture provides employment and work to an overwhelming majority of the Indian masses.
- ✚ In villages, about seventy percent of the people earn their livelihood from cultivation and allied agro – industries.
- ✚ In absolute terms, agriculture provided employment to 97 million persons in 1995.
- ✚ The number of people working on land increased to 235 million.

Industrial development:

- ✚ Agriculture provides raw materials to the industries.
- ✚ Cotton and Jute textile industries, sugar, vanaspathi and plantations – all these depend on agriculture.
- ✚ Many of our small scale and cottage industries like handloom weavings, rice husking, coir, khadi etc.
- ✚ These industries depend upon agriculture for their raw materials.
- ✚ There are many other industries ,
- ✚ which depend on agriculture in an indirect manner.

International Trade:

- ✚ Indian agriculture plays an important role in the country's international trade.
- ✚ Agriculture contributes to a sizeable part of exports.
- ✚ It is an important segment of imports of the economy.
- ✚ The agricultural sector is a net earner of foreign exchange.

Capital Formation and Investment:

- ✚ Since agriculture contributes about 25 % of the national income, this sector is the primary source of saving and hence capital formation for the economy.

Food and Fodder:

- ✚ In India, agriculture meets almost the entire food requirements of the people.
- ✚ Agriculture also provides fodder to sustain livestock whose number runs to several crores.

Economic Planning:

- ✚ Agriculture is the backbone of the Indian economy and prosperity of agriculture can also largely stand for the Indian economy.
- ✚ Importance of agriculture in the national economy is indicated by many facts
- ✚ At the global level, Indian agriculture has ranked in certain commodities.
- ✚ In the case of groundnuts, India stands first in the world.
- ✚ The Rice and production, India stands second rank in the world.
- ✚ the Tobacco production, India stands third rank in the world.

2. Discuss the factors responsible for the backwardness in agriculture.

Demographic factors

General factor

Institutional factors

Technological factors

Explain the Demographic factors Demographic factors:

- ✚ Demographic factor responsible for low yield in agriculture is the increasing pressure of population on land.
- ✚ Consequently, the increasing population has fallen back on land for its livelihood, with the result that the population pressure has created a number of problems like fragmentation and subdivision of holdings.
- ✚ So it has created conditions of unemployment and disguised unemployment.

Explain the General factors General factors:

Excess or surplus labour in Agriculture:

- ✚ The main cause for the low agriculture labour productivity is the overcrowding in agriculture.
- ✚ There are many people who depend on agriculture.

Discouraging Rural Climate:

- ✚ The farmers of India generally are poor, ignorant, superstitious, conservative and illiterate and
- ✚ bound by outmoded customs and institutions such as the caste system and the joint family system.
- ✚ Superstition and belief in fact are the curses, which keep the farmers fully satisfied with their primitive system of cultivation.

Inadequate non – farm services:

- ✚ Indian agriculture has suffered because of the inadequacy of non – farm services such as provision of finance ,
- ✚ Marketing etc are inadequate in India.

Explain the Institutional factors.

Size of holdings:

- ✚ The average size of holdings in India is very low.
- ✚ About 80 % of the land holdings are less than 2 acres.
- ✚ Plots of land have become so small that it is impossible to move even ordinary plough.

Defective land tenure structure:

- ✚ The land tenure system in India has been depressing and disincentive ridden.

Explain the Technological factors.

inputs and techniques:

- ✚ The method and techniques of cultivation have been old and inefficient.
- ✚ It results in high cost and low productivity.

Inadequate irrigation facilities:

- ✦ One of the basic causes for the weakness of Indian agriculture has been that most of the farmers throughout the country have to depend upon rainfall.

Indebtedness of the farmers:

- ✦ It is said that the farmers in India are born in debt, live in debt, die in debt and bequeath debt

Inadequate Research:

- ✦ Benefit of Research and development has not reached all the farmer.

3. Describe in detail the factors affecting the cropping pattern.

Natural Factors:

- ✦ Natural factors include the types of Land, Climate, Rainfall and average temperature etc.

Size of Holdings:

- ✦ If the size of holding is small, farmers will prefer food grains and if the size of holdings is sufficiently large, they may choose commercial crops.

Price of Agricultural Products:

- ✦ Farmers like to produce the crops, which may yield maximum profit to them.

Availability of Agricultural Inputs:

- ✦ They require agricultural implements, fertilizers, chemicals, high yielding seeds and irrigation facilities.

Social Factors:

- ✦ Social customs and attitude of farmers towards new technology and development also affect cropping pattern of a country.

Government Policy:

- ✦ Government may also affect cropping pattern of the country by giving incentives to some particular crops.

Knowledge about Cropping Pattern:

- ✦ If the farmers were aware of the improvements they can bring in their cropping pattern, they would like to change it.

Crop Insurance Scheme:

- ✦ Crop insurance scheme helps in diversifying cropping pattern of a country.
- ✦ This scheme helps farmers in adopting the crops, which involve risks.

Government Efforts:

- ✦ To distribute high yielding variety seeds through government agencies.
- ✦ To make chemical fertilizers available at concessional rates.

LESSON – 7

1. Explain various large scale industries and their performance.

Steel Industry: Steel Industry, being the key industry, forms the base for almost all other industries.

- ✦ The production of steel has increased more than about fifty seven times since independence.
- ✦ It has increased from 7 million tones per annum in 1951 to 40 million tones in 2004- 05.

Textiles Industry:

- ✦ Textile Industry is one of the oldest as well as the largest industries in India.
- ✦ In recent years, budgetary concessions, rationalization of duty structure and assistance under the Technology Upgradation Fund Scheme (TUFFS) started paying some marginal dividends in the textile sector.

Cement Industry:

- ✦ Cement is one of the emerging major industries with greater development potential.
- ✦ India, with all such advantage, produces only 6 percent of world cement production.
- ✦ It has recorded an annual growth rate of 8.4 % over the last two decades.

Sugar Industry:

- ✦ Sugar industry is an important agro – based industry.
- ✦ India has emerged as the largest sugar producing country in the world.
- ✦ It contributes 15 percent of the world sugar production. However, the share of India's sugar in the international trade is very meagre at 0.05 %.

2. Examine the needs of Industrial Sector:

- ✦ **Raising National Income:** Vigorous industrialization ensures a solid and sustained base to increase the national income of an economy.
- ✦ A larger share of national income of industrially advanced economies comes from industrial sector.
- ✦ **Employment Opportunities:** Industrialization uses the productive resources of the economy and expands employment opportunities.
- ✦ **Higher Living Standard:** The increasing national income through industrialization helps to meet the demands of the people for industrial products.
- ✦ **Promoting Exports:** Industrially advanced countries are able to export more and earn large foreign exchange.
- ✦ Hence, exports can be promoted to earn adequate foreign exchange.
- ✦ **Capital Formation:** Expanding employment opportunities, income generation through rapid industrialization will also lead to increased saving and capital formation in the economy.
- ✦ **Technological Progress:** Industrial sector will also promote technological progress through its course of development and expansion.

3. Explain the Role and Importance of Small Scale Industries?

the Role of Small Scale Industries

- ✦ The traditional village and cottage industries as distinguished from modern small scale industries are mostly unorganized and located in rural areas and semi – urban areas.
- ✦ They normally do not use power operated machines / appliances and use relatively lower levels of investment and technology.
- ✦ They provide part – time employment to a very large number of poorer sections of the society.
- ✦ They also supply some essential products for mass consumption and exports
- ✦ The modern small scale industry is mostly defined in terms of the size of investment and labour force.

- ✚ The Industries (Development and Regulation) Act 1951 defines SSI having less than 50 workers with the aid of power.
- ✚ During Ninth plan period, SSI was producing about 8000 items out of which 812 items (15%) were reserved for protection in the small scale sector.
- ✚ Emerging as outsourcing designations.
- ✚ The SSI sector has been able to achieve 1 to 2 % points higher growth than the growth achieved by the whole industries sector.
- ✚ About 35 % of total exports by the end of March 2002.

the Importance of Small Scale Industries:

- ✚ The contribution of SSIs to the manufacturing sector and GDP as a whole is significant in terms of its share in total value added.
- ✚ SSI performs a very significant role in generating employment opportunities in a sustainable manner.
- ✚ SSI can play a role in mitigating the problem of imbalance in the balance of payment accounts through its exports promotion.
- ✚ While the large scale industries are expected to increase the inequities of income and concentration of wealth, SSI is expected to help widespread equal distribution of income and wealth.
- ✚ SSI may provide opportunities to a large number of capable and potential entrepreneurs who are deprived of appropriate opportunities.
- ✚ It can help to release scarce capital towards productive use.
- ✚ SSI can reap the benefits of lean production and can find new cost- efficient techniques of lean production.
- ✚ As small units can use resources more efficiently to the full capacity without any wastage, they may have higher allocative efficiency.
- ✚ As the element of risk is minimum in small scale sectors, more resources will be employed by large number of labour force.

4. Explain Environmental hazards and its causes and the measures taken by the Government to Overcome them.

- ✚ **Meaning of Environmental Hazards:** Environmental hazards have become a matter of very serious concern of humanity.
- ✚ The western societies, having been driven by the culture of consumerism, increased their production rapidly to meet the accelerated consumption.
- ✚ This has resulted in mounting wastages and greater damages to the environment.
- ✚ **Causes of Environment:** Further, the pressing development needs of the less developed countries like India have resulted in a critical trade – off between growth and environment.
- ✚ The rich countries , after having done enough damage to the environment, now wants to impose many restrictions on the industrial development of less developed countries.
- ✚ After, Independence , India launched its heavy industry based development strategy which has resulted in the setting up many new industries, upgradation and modernization of existing industries.
- ✚ Industrialisation and the environmentally unfriendly Green Revolution technology have inflicted heavy damages to the environment.

- ✚ Deforestation and aquaculture have also caused severe damages to our environment.
- ✚ **Measure taken by the Government:** Many legislations and regulatory measures for the protection, conservation and development of the environment have been introduced both by the Union and State government.
- ✚ Pollution control boards have been set up at different levels of government to address the issues.

LESSON – 8

1. Describe the functions of commercial banks. 1. Explain the following functions of Commercial bank.

- a) Saving deposits ,b) Demand deposits ,c) Fixed deposits ,
- ✚ **Accepting or Attracting deposits:** Commercial banks accept deposits by mobilizing the saving of the people.
 - ✚ These deposits can be of three forms.
 - ✚ **Savings deposits:** It is a kind of safety vault for the people with idle cash.
 - ✚ These deposits are kept under savings account.
 - ✚ Deposits in this account earn interest at nominal rates .
 - ✚ The banks impose a limit on the number and amount of withdrawals during a period.
 - ✚ Cheque facilities are also given to the deposit holder.
 - ✚ **Demand Deposits:** Demand deposits are kept under current account.
 - ✚ The depositor can withdraw the money on demand.
 - ✚ Account holder should specify the amount and the number of withdrawals.
 - ✚ Banks do not pay any interest on these accounts.
 - ✚ Banks imposes service charges on maintaining these accounts.
 - ✚ **Fixed Deposits:** Fixed deposits are also known as time deposits.
 - ✚ The amount deposited cannot be withdrawn before the maturity period.
 - ✚ These deposits carry interest at higher rates varying with the length of the contract.

2. Explain the following functions of commercial bank. And Explain the Advancing of loans. a) Cash credit b) Provision of overdraft facilities c) Discounting bills of exchange

- ✚ **Advancing of loans;** Banks adopt several ways for granting loans and advances.
- ✚ These operations take different forms.
- ✚ **Cash Credit:** The bank sanctions loans to individuals or firms against some collateral security.
- ✚ The loan money is credited in the account of the borrower and he can withdraw the amount as and when it is required.
- ✚ The borrower can withdraw the cash within or upto the credit limit.
- ✚ The bank charges interest for the amount withdrawn only.
- ✚ **Provision of overdraft facilities:** The respectable and reliable customers enjoy these facilities.
- ✚ The customer can issue cheques and overdraw the money in times of need, even if there is no adequate balance in his account.
- ✚ The customer will pay the interest to the bank for the amount overdraft.

✚ **Discounting bills of Exchange:** This operation is done through discounting of commercial papers, promissory notes and bills of exchange, usually for three months.

✚ When the exchange bill matures, the banks collect the payment from the party.

3. Explain the Creation of money or credit.

✚ **Creation of money or credit:** Every loan sanctioned by the banker creates a deposit.

✚ A bank sanctions loan to a customer, an account is opened in his name and the loan amount is credited into his account.

✚ The borrower withdraws money whenever the amount is required.

4. What are the other functions of Commercial Bank?

Explain the following other function of commercial bank.

a) Transfer of funds

b) Agency functions

c) General utility services Other Functions:

✚ **Transfer of Funds:** Banks help in eliminating this Transfer of funds difficulty through the use of various credit instruments like cheques , bank drafts and pay orders,traveler cheques , etc.

✚ **Agency Functions:** The commercial banks make all sorts of payments on behalf of their clients like insurance premium, pension claims, dividend claims or capital demands etc.

✚ **General Utility Services:** Providing safety lockers for the safer custody of valuables of the customers.

✚ Issuing of letter of credit to the customers.

Examine the functions of central bank:

1. Explain the following function of central bank.

a) Regulator of currency

b) Banker, Agent and Adviser to the Government

c) Custodian of cash Reserves of commercial banks

d) Custodian and Management of Foreign Exchange Reserves.

✚ **Regulator of currency:** The issue of paper money is the most important function of a central bank.

✚ The central bank is the authority to issue currency for circulation , which is a legal tender money.

✚ The issue department of the central bank has the responsibility to issue notes.

✚ The central bank regulates the credit and currency according to the economic situation of the country.

✚ **Banker, Agent and Adviser to the Government:** The central bank of the country acts as the banker, fiscal agent and advisor to the government.

✚ It keeps the deposits of the central and state governments and makes payments on behalf of governments.

✚ It buys and sells foreign currencies on behalf of the government.

✚ It keeps the stock of gold of the country.

✚ The bank gives useful advice to the governments on important monetary and economic problems like devaluation, foreign exchange policy and budgetary policy.

✚ **Custodian of Cash Reserves of Commercial banks:** Commercial banks are required to keep a certain percentage of cash reserves with the central bank.

✚ It transfers funds from one bank to another to facilitate the clearing of cheques.

✚ **Custodian and Management of Foreign Exchange Reserves:** The central bank keeps and manages the foreign exchange reserves of the country.

✚ It fixes the exchange rate of the domestic currency in terms of foreign currencies.

✚ It may have to buy and sell foreign currencies in order to minimize the instability of exchange rates.

2. Explain the following functions of central bank.

a) Lender of the last Resort b) Clearing Function c) Controller of credit

✚ **Lender of the last Resort:** By giving accommodation in the form of re-discounts and collateral advances to commercial banks, bill brokers and their financial institutions , the central bank acts as the lender of the last resort.

✚ **Clearing Function:** The central bank acts as a clearing house for other banks and mutual obligations are settled through the clearing system.

✚ It holds cash reserves of commercial banks.

✚ The central bank acts as a clearing house.

✚ **Controller of Credit:** The central bank is to control the credit creation power of commercial banks in order to control inflationary and deflationary pressures within the economy.

✚ For this purpose it adopts Quantitative methods and Qualitative methods.

LESSON - 9

1. Explain the role of Foreign Trade in the Economic development.

✚ It explores means of procuring imports to capital goods, which initiates the development process.

✚ It provides for flow of technology, it allows an increase in factor productivity.

✚ It generates pressure for dynamic change through Competitive pressure from imports.

✚ pressure of competition for export markets a better allocation of resources.

✚ Exports allow fuller utilization of capacity, increased exploitation of economies of scale etc.

✚ These in turn , help increase the profitability of the domestic business without any corresponding increases in price.

✚ Foreign trade increases worker's welfare.

✚ It does so at least in four ways Larger exports translate into higher wages.

✚ Workers also a consumer, trade brings them immediate gains through cheaper imports.

✚ It enables most workers to become more productive as the goods they produce Increase in value.

✚ Trade increase technology transfer from industrial nations to UDCs.

✚ Increased openness to trade have been strongly associated with the reduction of poverty.

2. Explain the components of India's Foreign Trade.

✚ **Volume of Trade:** It refers to size of international transactions.

✚ Large numbers of commodities are involved in international transactions.

- ✚ Volume of trade can be measured by adding the money value of all commodities and hence it is also called value of trade.
- ✚ The ratio of exports to GDP means supply capability of the economy.
- ✚ It can be called an average propensity to export.
- ✚ The ratio of imports to GDP gives the average propensity of imports.
- ✚ **Composition of Trade:** Composition of trade means a study of the goods and services of imports and exports of a country .
- ✚ Developing countries export raw materials, agricultural products and intermediate goods.
- ✚ Developed countries export finished goods, machines, equipments and technique.

3. What is IMF? Explain its functions:

Meaning of International Monetary Fund (IMF)

- ✚ A landmark in the history of world economic co-operation is the creation of the International Monetary Fund (IMF)
- ✚ The decision to start IMF was taken at Bretton Woods conference and it commenced its operation in March 1947.
- ✚ **The major functions of the IMF are:** Functions as a short term credit institution.
- ✚ Provides machinery for the orderly adjustments of exchange rates.
- ✚ Acts as a reservoir of the currencies of all the member countries from which a borrower nation can borrow the currency of other nations.
- ✚ Functions as a sort of lending institution in foreign exchange.
- ✚ It grants loans for financing current transactions only and not capital transactions.
- ✚ It also provides machinery for altering sometimes the par value of the currency of a member country.
- ✚ It also provides machinery for international consultations.
- ✚ Provides technical experts to member countries having BOP difficulties and other problems.
- ✚ Conducts research studies and published them in IMF Staff papers, Finance and development etc.

4. What is IBRD? Explain its functioning. Meaning of IBRD:

- ✚ The International Bank for Reconstruction and Development (IBRD) better known as World Bank was set up in 1944.
- ✚ IMF was designed to provide temporary assistance in correcting balance of payments difficulties;
- ✚ an institution was needed to assist long – term investment purpose.
- ✚ IBRD was established for promoting long term investment loans on concessional terms.
- ✚ Functions of IBRD : To assist in the reconstruction and development in the member countries by providing capital support.
- ✚ To promote private foreign investment.
- ✚ To promote growth of international trade in the long run and improve Balance of payments of member countries.
- ✚ To arrange for loans through for small and large projects.

5.What are the parameters of Globalization?

- ✚ Spread of international trade.
- ✚ Increasing migration of people.
- ✚ Increasing flow of money or means of payments.
- ✚ More capital flows.
- ✚ Increased flow of finance capital.
- ✚ Emergence of more and more transnational companies and multi national companies.
- ✚ Increasing trade of technology between different countries.
- ✚ Rapid spread of print, electronic and communication media.
- ✚ Growth in tradand production of services of all kinds – including education.

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