

Indian Economy on The Eve of Independence

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Colonial Rule:

It refers to a system between two countries under which one country being the ruler and another being the colony and the ruling country determines the economic policies of the colony.

In India, the colonial rule stays for around 200 years (1757 – 1947) under which the Britishers exploited the Indian country and form the economic policies in India.

Stagnant economy:

Stagnant economy refers to the economy which is stuck or very low at its path of development.

Features of Indian economy before colonial rule:

- Agriculture was the main source of employment and livelihood for the people of our country. Around 85% economy derived their livelihood directly or indirectly from agriculture.
- The farmer raised only those crops which he needed for his own use and shared the same with the village artisan who supplied him with simple manufacture that he needed for his domestic consumption. India was famous for its handicraft industries all over the globe.
- Indian was an independent, self-reliant and prosperous economy.

It was a reference to the wealth and economic prosperity of India.

Agricultural sector at the eve of independence:

The characteristics of agricultural sector at the eve of independence was as follows:

Zamindari system (land tenure system): Under this system, ownership right of the land was transferred from farmers to zamindars i.e. Zamindars were the nominal head of the land who collects the revenue from the farmers (in the form of lagaan) and deposit it to the colonial government. The zamindars collect lagaan from the farmers regardless to the economic condition of the cultivators. The zamindar and the colonial government took no initiative to improve or to strengthen the condition of agriculture.

Commercialization of Agriculture: It refers to the production of crops for sale rather than for self-consumption. Farmers were given higher prices for production of cash crops (like cotton, jute, indigo) so that they can use them as raw material for British industries. High level of prices forced farmers to produce cash crops rather than food crops.

Low level of productivity: Productivity refers to the output per hectare of land. During colonial period the productivity of Indian agriculture was very low.

Reasons of which are as follows:

- Lack of irrigation facility.
- Low level of technology.
- Negligible use of fertilizers.



High degree of uncertainty: During colonial period, the main source of irrigation was rainfall which results in high level of uncertainty. i.e., good rainfall implied good output whereas poor rainfall will result in low level of output.

Industrial sector on the eve of independence:

Decline of handicraft industries: During colonial rule, the Britishers systematically destroyed the Indian handicraft industries and forced the people to indulge into agriculture sector.

The basic motive of British rule behind the de-industrialization was 2-fold:

- To convert India into a supplier of raw material for the industries of Britain.
- To develop India as a market of British manufactured goods.

Discriminatory tariff policy: The British Indian Government followed:

- Free trade or unrestricted entry of british goods
- Tariff free export of raw material from India to Britain.
- Heavy duty was placed on the export of Indian handicraft products, due to which the Indian handicraft industry start losing its pride and place.

Competition from machine made products: The pride of Indian handicraft industries started to decline when it faced the competition from machine made products as they are of low cost and easily available. Indian craftsmen are far behind the speed of machines and hence the only alternative available for them is to shut down their enterprises.

Lack of capital goods industries: Capital goods industry refers to those industries which are capable of producing machine tools.

During colonial period there was no capital goods industry worth the name, moreover Britishers don't pay any attention in promoting or supporting these industries as they want India to be a supplier of raw materials only.

Change in pattern of demand: The impact of British culture started to arise in the public, as a result a new class emerged in India which was keen to adopt the western lifestyle. This changed the pattern of demand against the Indian products.

Negative effects of Railways: Although introduction of Railways was one of the positive impacts of colonial period but at that time, Railways proved to be a terror for Indian industries. Britishers use railways for their benefits only as a result, Size of market of low-cost British product started to expand whereas high-cost handmade products began to shrink.

Foreign trade:

Since ancient period, India has been an important trading nation. India was well-known exporter of finished goods like silk, fine cotton, textiles, ivory work, handicrafts, precious stones etc. But the discriminatory trade and tariff policies of Britishers brought it to an end.

The condition of Foreign trade is explained below:

Exporter of primary products and importer of finished,

Goods: During colonial rule, India became the exporter of raw materials (such as raw silk, cotton, indigo, jute etc.) which are of low cost and became the importer of finished goods (such as capital goods, woollen clothes, silk clothes and other machine-made products) which are of high cost. Due to this the economic condition of our economy started to decline.

Monopoly control on trade by britishers: During colonial period the british government maintained a monopoly control over Indian trade policies.

- Majority of trade was restricted to Britain (more than 1/2) while the rest was allowed with some other countries only (such as China, Sri Lanka (Ceylon) and Iran (Persia))
- Opening of Suez Canal in 1869 provides a direct trade route for ships operating between Britain and India.



Suez Canal:

It is an artificial waterway running from north to south across the Isthmus of Suez in north-eastern Egypt.

The opening of canal reduced the transportation cost as now there is no need to sail around Africa.

Tariff free import and export between India and Britain whereas heavy duty was placed on the export of Indian handicraft products (which increase their price in the market).

Economic exploitation: Due to the exporter of raw material, India has a huge export surplus. But the amount of export surplus does not give any push to Indian economy as the amount of surplus is used by the government in non-developing activities, such as:

- To meet expenses of war fought by the British government.
- To make payment of office setup of colonial government.
- To make trade of invisible items (services).

Demographic conditions: Demographic refers to the study of various aspects of population, such as age, sex, education level, income level, marital status, birth rate, death rate etc.

- **High birth rate and death rate:** Birth rate refers to the number of children born per thousand in a year.

Death rate refers to the number of people dying per thousand persons in a year. During colonial period both birth rate and death rate are very high (nearly 48 and 40) which means India was at the First stage of demographic transition (before 1921). Year 1921, is regarded as the year of Great Divide as thereon India has started its entry into the second

Stage of demographic transition:

1. **First stage:** High birth rate and high death rate (stagnant economy).
 2. **Second stage:** High birth rate and low death rate (initial stage of development).
 3. **Third stage:** Low birth rate and low death rate (developing or developed economy).
- **Low literacy rate:** Literacy rate refers to the number of persons who is 7 or above, who has the ability to read, write and understand one language. During colonial period the overall literacy rate of the economy was less than 16 per cent. Moreover, the female literacy rate was about 7 per cent.
 - **High infant mortality rate:** Infant mortality rate refers to the number of infant dying before the age of 1 year per thousand live births annually. The IMR during colonial period was about 218 per thousand (before 1921).
 - **Poor health facilities:** Public health facilities were either unavailable or when available, were higher inadequate. Due to which water and air-borne disease were widespread and took a huge toll on life.
 - **Low life expectancy:** It refers the average number of years for which a person is expected to live. Due to poor health facilities, the life expectancy during colonial rule was as low as 32 years, whereas as per the latest WHO data published in 2018, the current overall life expectancy of India is 68.8 years.
 - **High level of poverty:** During colonial period, India faced the condition of extensive poverty, per capita consumption was very low. The overall standard of living of common people of India was very low.

Occupational structure:

It refers to the distribution of working persons across different industries and sectors.

- **Predominance of agriculture:** As colonial government aims at making India as exporter of raw material, as a result about 72.7% of working population was engaged in agriculture. As the income generation rate of agriculture sector is very low, this predominance reflects backwardness of the economy.
- **Unbalanced growth:** Growth of an economy is said to be balanced when all the 3 sectors are equally developed. But in case of Indian economy only primary sector is the main source of employment, whereas secondary and tertiary sector were in their infant stage of growth.



Infrastructure:

It refers to the basis physical and organizational structure and facilities (buildings, roads, power supplies etc.) needed for the operation of an economy. The state of infrastructure was very poor during colonial period, although some efforts were taken by the British government to improve the condition of infrastructure in the economy (railways, port, post and telegrams, roads etc.) so that it can serve economics benefits to them.

The conditions of infrastructure was explained here:

- **Railways:** One of the biggest contributions of colonial rule was the introduction of railways in India in 1850. It helps to remove geographical and cultural barriers in the economy. Although the benefits of railways was mostly restricted to Britishers during colonial period but it also helps in developing the Indian economy post colonial period.
- **Roads:** The construction of roads during colonial rule was very limited (due to scarcity of funds). The roads that were built, primarily served the interestsof mobilizing the army and shifting of raw materials so that they can be transported to Britain via posts.
- **Air and water transport:** The colonial government took various measures for developing the ports and air transport. But the development was far from satisfactory measure of development.
- **Communication:** During colonial period, posts and telegraphs were the most popular means of communication. The system of electric was introduced at a high cost to serve the purpose of maintaining law and order. Despite serving a useful public purpose, the postal service remained al through inadequate.

Positive contribution of British rule:

As every coin has 2 sides, similarly the colonial rule had some leads some positive impacts on our economy which are as follows:

- **Introduction of railways:** The first and the most efficient contribution was the introduction of railways in India. Britishers introduced railways so that they can transport their products and the raw materials easily from one place to another but in post-colonial period railways turned out to be the key factor for the economy.
- **Commercialization of agriculture:** Under pre-colonial period, farmers grow crops just to sustain themselves and other people of the village. But forced commercialization of agriculture under colonial rule brings new opportunities for farmers in the market
- **Monetary system of exchange:** Barter system of exchange was no longer effective in the economy. Britishers brings a new system of exchange popularly known as monetary system of exchange (Introduction of money).
- **Effective system of administration:** The colonial government ion India left a legacy of an efficient system of administration, which serve to be a readymade for our economic and political planners.

Summary:

- Colonial rule
- Stagnant economy
- Features of Indian economy before colonial rule
- Agricultural sector at the eve of independence
- Zamindari system
- Commercialization of agriculture
- Low level of productivity
- High degree of uncertainty.
- Industrial sector on the eve of independence



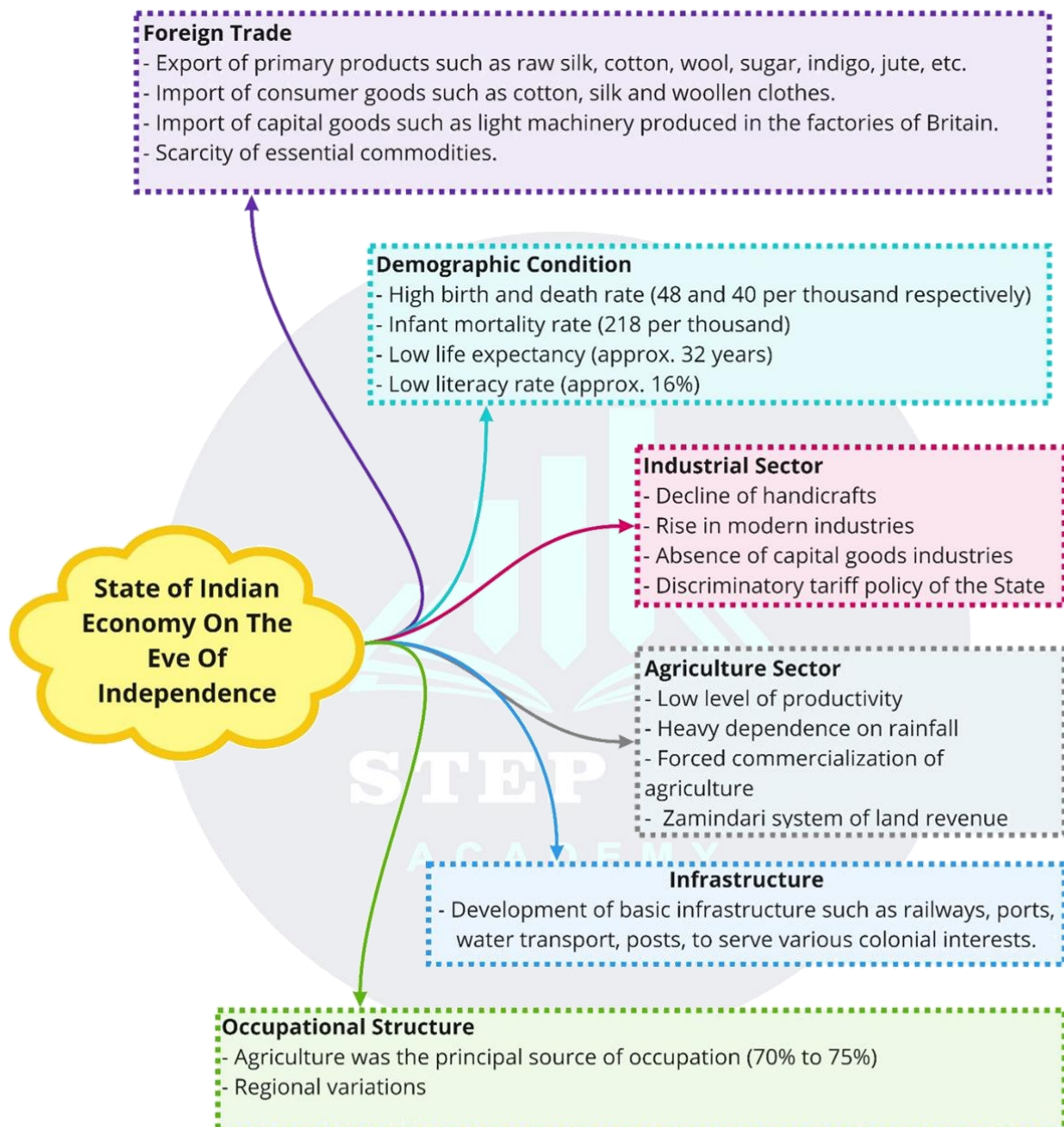


- Decline of handicraft industries
- Discriminatory tariff policy
- Lack of capital goods industries
- Change in pattern of demand
- Negative effects of railways
- Foreign trade
- Exporter of primary products and importer of finished goods.
- Monopoly control on trade by Britishers.
- Economic exploitation.
- Demographic Conditions
- High birth rate and death rate
- Low literacy rate
- High infant mortality rate
- Poor health facilities
- Low life expectancy
- High level of poverty
- Occupational structure
- Infrastructure
- Positive contributions of British rule.





Class : 12th Economics (Indian Economic Development)
Chapter-1 : Indian Economy On The Eve Of Independence



Important Questions

Multiple Choice Questions

1. In the history of demographic transition, which year is regarded as the year of the great divide?
 - (a) 1901
 - (b) 1902
 - (c) 1921
 - (d) 1923
2. When were the railways Introduced in India?
 - (a) 1769
 - (b) 1825
 - (c) 1850
 - (d) 1875
3. The first census data was collected during British rule.
 - (a) 1891
 - (b) 1881
 - (c) 1950
 - (d) 1850
4. At the time of independence, most of the land was owned by _____.
 - (a) farmers
 - (b) zamindars
 - (c) labour
 - (d) all of these
5. What was the life expectancy in India during the British rule?
 - (a) 65
 - (b) 38
 - (c) 32
 - (d) 44
6. During colonial period India's demographic profile showed _____.
 - (a) high birth rate
 - (b) low death rate
 - (c) low infant mortality rate
 - (d) high literacy rate
7. Indian economy on the eve of Independence was _____.
 - (a) underdeveloped
 - (b) developing
 - (c) stagnant
 - (d) semi-feudal
8. Suez Canal was opened for transport in _____.
 - (a) 1850
 - (b) 1853
 - (c) 1869
 - (d) 1901
9. Who made significant estimates about calculating national income in India during the British period?
 - (a) V.K.R.V. Rao
 - (b) Dadabhai Naoroji
 - (c) Findlay Shirras
 - (d) William Digby
10. At the time of independence, most of the land was owned by _____.
 - (a) Farmers
 - (b) Zamindars
 - (c) Labour
 - (d) All of these

Very Short:

1. Name the popular fields of Indian handicrafts industry.
2. Where was the muslin type of cotton textile found in India?
3. What was the state of country's real output during the first half of the twentieth century?
4. What was the major occupation in India on the eve of independence?
5. Name any two commercial crops.
6. What do you mean by stagnant agriculture?
7. Define subsistence agriculture.
8. Name the industries which were in operation in our economy at the time of independence.
9. When and where was the first iron and steel company established?
10. What was the impact of decline of the indigenous handicraft industries?

Short Questions:

1. Discuss the economic features of Indian economy prior to the advent of the British rule?
2. What was the aim of the policies pursued by the British during colonial rule?



3. Write a short note on commercialisation of agriculture during British rule?
 4. Where was the zamindari system implemented by British in India? Discuss its features.
 5. Discuss the condition of Indian agricultural sector on the eve of independence.
 6. Discuss the state of industrial sector on the eve of independence.
 7. Describe the role of public sector during British Rule.
 8. India experienced export surplus during colonial rule, then why was there drain of wealth from India during the same period.
2. Reason for low productivity in agriculture sector
 - (a) HYV seeds
 - (b) Low level of technology
 - (c) Improved irrigation system
 - (d) All of these
 3. Which of the following statements are correct with reference to the Zamindari system.
 - (i) The profit accruing out of the agriculture sector was proposed to go to the cultivators.
 - (ii) The main interest of the zamindar's was only to Collect rent regardless of the economic condition of the cultivators.

Long Questions:

1. State the features of indian economy at the time of independence.
 2. How did the british exploit indian agriculture sector?
 3. What was the condition of industrial sector on the eve of independence?
 4. Write a short note on the volume and composition of indian trade during british rule.
 5. Give a brief account of state of various social development indicators on the eve of independence.
2. Read the following hypothetical text and answer the given questions: -

The various social development indicators were also not quite encouraging. The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about seven per cent. Public health facilities were either unavailable to large chunks of population or, when available, were highly inadequate. Consequently, water and air-borne diseases were rampant and took a huge toll on life. No wonder, the overall mortality rate was very high and in that, particularly, the infant mortality rate was quite alarming—about 218 per thousand in contrast to the present infant mortality rate of 63 per thousand. Life expectancy was also very low—44 years in contrast to the present years. In the absence of reliable data, it is difficult to specify the extent of poverty at that time but there is no doubt that extensive poverty prevailed in India during the colonial period which contributed to the worsening profile of India's population.

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

Before 1947? More than 90% of the national income relied on the Indian agriculture sector. A significant portion of the country's population resided in rural areas where agriculture was the primary source of livelihood. The pre-colonised India produced primary two crops, wheat and rice. Even if it was only two types of crops, country's agriculture sector was sustainable and self-sufficient. The British invasion resulted in total commercialization of India's agriculture industry. On the eve of independence the once most prominent sector of this country was known to be suffering from stagnation and constant degradation.

Questions:

1. What is meant by commercialization of agriculture?
 - (a) Production of crop for sale in the market
 - (b) Production of crop for self consumption
 - (c) None
 - (d) Both

Questions:

1. Which year is described as a "year of Great Divide"?
 - (a) 1931
 - (b) 1921
 - (c) 1941
 - (d) 1911



2. What were the causes of higher infant motility rate during the British period?
 - (a) Poor health care
 - (b) Lack of education
 - (c) Traditional outlook of society
 - (d) All of above
3. During colonial period, India's demographic profile showed:
 - (a) High birth rate
 - (b) High death rate
 - (c) High infant mortality
 - (d) All of these

- d. Assertion (A) is false but Reason (R) is true.

Assertion: On the eve of independence Indian economy was Stagnant economy.

Reason: Between 1860-1925 it was as low as 0.5% per annum and between 1925-1950 it was 0.1% per annum.

2. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Assertion: Commercialisation of agriculture means production of crops for sale rather than for family consumption.

Reason: Cash crops are food crops like wheat, rice, etc.

Assertion Reason Type Question

1. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**
 - a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.

Answers Key

MCQ Answers:

1. (c) 1921
2. (c) 1850
3. (b) 1881
4. (b) zamindars
5. (d) 44
6. (a) high birth rate
7. (a) underdeveloped
8. (c) 1869
9. (a) V.K.R.V. Rao
10. (b) Zamindars

industry were cotton and silk textiles, metal and precious stone works, etc,

2. **Answer:** The muslin type of cotton textile had its origin in Bengal, particularly, places in and around Dhaka (known as Dacca before partition), now the capital city of Bangladesh.
3. **Answer:** The country's growth of aggregate real output was less than two percent during the first half of the twentieth century.
4. **Answer:** Agriculture was the major occupation in India on the eve of independence.
5. **Answer:** Cotton, jute and sugarcane are commercial crops.
6. **Answer:** Stagnant agriculture implies incrementally low agricultural product.

Very Short Answers:

1. **Answer:** The popular fields of Indian handicrafts

7. **Answer:** Subsistence agriculture refers to growing food for self-consumption and not for sale in the market.
8. **Answer:** Handicrafts industries, metal and precious stone works, cotton and jute textile mills, iron and steel industries were in operation in our economy at the time of Independence.
9. **Answer:** The first iron and steel company was established in 1907 at Jamshedpur.
10. **Answer:** The impact of the decline of the indigenous handicraft industries was massive unemployment and shortage of locally made goods in India.

Short Answers:

1. **Answer:** India was a prosperous, wealthy and independent economy prior to the advent of the British rule. Agriculture was the main source of livelihood for the most people. However, the country's economy was also characterised by various kinds of manufacturing activities. India was mainly known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works, etc. These products enjoyed a worldwide market due to their fine quality and the high standards of craftsmanship.
2. **Answer:** The aims of the policies pursued by the British during colonial rule were:
 - (i) To exploit India for raw material to expand British modern industrial base
 - (ii) To protect and promote the economic interests of their home country
3. **Answer:** Generally, commercialisation of agriculture implies production of crops for sale in the market rather than for self-consumption. However, during British rule, it acquired a different meaning. Commercialisation of agriculture took place only in a few productive areas and it basically became commercialisation of crops.

The British used to offer higher prices to farmers for producing cash crops rather than for food crops. British government used these cash crops as raw materials for industries in Britain. In other words, British government exploited Indian agriculture to serve the base of their modern industries.
4. **Answer:** The zamindari system was implemented in the then Bengal Presidency.

comprising parts of India's present-day eastern states.

Following were the features of zamindari system implemented by British in India:

- (i) The zamindars were the permanent owners of the land.
- (ii) The profit accruing out of the agriculture sector went to the zamindars instead of the cultivators.
- (iii) The main interest of the zamindars was only to collect rent and they did nothing to improve the condition of agriculture or cultivators.

5. **Answer:** The condition of Indian agricultural sector on the eve of independence is discussed below:
- (i) **Low Level of Productivity:** Level of productivity was so low that agriculture could easily be characterised as backward on the eve of independence. Low productivity implied low level of output, despite large area under cultivation.
 - (ii) **High Degree of vulnerability:** Agriculture showed a high degree of vulnerability. Due to lack of technology and irrigation facilities, it was extremely dependent on rainfall.
 - (iii) **Uneconomic and Fragmented Landholdings:** Indian farmlands were fragmented and scattered in pieces. As a result, most landholdings were uneconomic and hence, yielded low surplus.
6. **Answer:** The state of industrial sector on the eve of independence is discussed below:
- (i) **Decay of Handicraft Industry:** The traditional handicraft industry in India was an important industry of pre-British period. British misrule in India led to the decline of Indian handicrafts.
 - (ii) **Lack of Basic and Heavy Industries:** During the British rule, priority was seldom given to the basic and heavy industries. At the time of independence, Tata Iron and Steel Company (TISCO) was the only basic industry in India.
7. **Answer:** During the British Rule, the role and operation of the public sector remained very

limited. It was only confined to areas that provided large market for British products. Railways, power generation, communications, ports and some other departmental undertakings were the main areas under operation of public sector.

8. **Answer:** Throughout the colonial period, india's foreign trade experienced the generation of a large export surplus. However, the surplus came at huge cost to the india's economy. There was shortage of essential commodities such as food grains, clothes, kerosene, etc. In the domestic market.

The export surplus did not result in any flow of gold or silver into india. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in britain, expenses on war, and the import of invisible items. All these led to the drain of indian wealth during the colonial period.

Long Answers:

1. **Answer:** Following were the main features of indian economy at the time of independence:

- (i) inconsistent commercialisation of agriculture: commercialisation of agriculture took place only in a few productive areas. This resulted in unequal level of productivity across india. While some states became rich, others remain poor due to factors such as low level of technology, lack of irrigation facilities and the use of negligible amount of fertilisers.
- (ii) stagnant and backward economy: indian economy at the time of independence was stagnant and backward. The pace of development was extremely low. The growth rate of per capita income was only 0.5 percent per year.
- (iii) little growth of the consumer goods industries: at the time of independence, source of consumer goods industries like jute, textile, sugar, -match box, etc. Were established in india. Which were aided by british capital. The profit of these industries went to britain. As a result, these industries remained backward at that time.
- (iv) less development of infrastructure: at the time of independence, the growth of

economic as well as social infrastructure was very low. These services were in their infant stages.

- (v) downfall of cottage and small scale industries: prior to the british rule, india was well known for its handicraft industries in the field of cotton, silk textiles, metal and precious stone works, etc., which enjoyed a worldwide market. But the policy of british colonial rule led to their downfall. ; at the time of independence, these industries were almost ruined.
- (vi) lack of basic industries: at the time of independence, there was a lack of basic industries. Tata iron and steel company was the only importance basic industry.
- (vii) limited foreign trade: india's foreign trade was very limited. The british policies reduced india to the exporter of raw materials and importer of finished goods.
- (viii) other challenges: at the time of independence, indian economy was facing many challenges like poverty, malnutrition, poor health facilities and rapidly increasing population.

2. **Answer:** Indian economy, under the british colonial rule, remained fundamentally agrarian. 85 per cent of the indian population was engaged directly or indirectly on agriculture. However, despite of being the occupation of such a large population, this sector continued to experience stagnation and unusual deterioration.

Although agricultural sector was the main source of national income and employment, it remained backward and deficient. It was burdened with defective institutions like 'zamindari' and jagirdari'.

The british government had paid little attention to land reforms or to increasing agricultural productivity. India, once an important exporter of foodgrains, started suffering from ever worsening food shortage. Agricultural productivity was low because there was low level of technology, lack of irrigational facilities and negligible use of fertilisers. Cash crops of the farmers were to be ultimately used by the british industries at home. Furthermore, country's



partition at the time of independence gave a setback to india's agricultural production.

A sizeable portion of the undivided country's highly irrigated and fertile land went to pakistan, which impacted india's agricultural production adversely. India's jute goods industry suffered heavily due to lack of raw material. Thus, the indian agricultural sector was stagnated at the time of independence.

3. **Answer:** The scenario of industrial sector under the british colonial rule was under-developed. British policies transformed the indian economy into a mere supplier of raw materials and consumer of the finished f industrial products from britain. There was a lack of heavy, basic and capital goods industries and country was almost totally dependent upon foreign nations for supply of machines, engines, spare parts, etc. Manufacturing capacity was also very limited.

Modern industry began to take root in india during the second half of the 19th century. The first iron and steel company. Tisco (tata iron and steel company) was established in jamshedpur, this plant began production in 1912. Industries like sugar, cement and paper also came up after the second world war.

However, there was an absence of capital goods industries at the time of independence. As a result, contribution of industrial sector to the national gdp remained very low.

4. **Answer:** India has always been an important trading nation. However, the restrictive policies of commodity production, trade and tariff pursued by the colonial government had a negative impact on the structure, composition and volume of india's foreign trade.

Consequently, india became an exporter of primary products such as raw silk, cotton, wool, indigo, jute, etc. And an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machinery produced in the industries based in britain.

Britain maintained a monopoly control over india's exports and imports. More than 50 percent of india's trade was confined to britain.

Other countries with which india used to trade were china, ceylon (sri lanka) and persia (iran). The opening of the sues canal further intensified british control over india's foreign trade.

5. **Answer:** The state of various social development indicators was also not quite encouraging:

- (i) the overall literacy level was less than 16 percent. Out of this, the female literacy level was as low as 7 percent.
- (ii) public health facilities were either unavailable to large, section of population or, when available, were highly inadequate. As a result, water and air-borne diseases were widespread and took a huge toll on life.
- (iii) the overall mortality rate was inevitably very high. The infant mortality rate, particularly, was quite alarming at about 218 per thousand.
- (iv) life expectancy was also very low, that is, only 44 years.
- (v) extensive poverty prevailed in india during the colonial period. It contributed to the worsening demographic profile of india's population.

Case Study Answer-

1. **Answer:**

1. b) 1921
2. d) All of above
3. d) All of these

2. **Answer:**

1. a) Production of crop for sale in the market
2. b) Low level of technology
3. d) (ii) correct (i) incorrect

Assertion Reason Answer-

1. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
1. c) Assertion (A) is true but Reason (R) is false.



Indian Economy 1950-1990 | 2

Indian Economy (1950-1990):

- Before independence, Indian economy was stagnant in nature
- India was an under-developed country
- Hence to eliminate the existing problems and to promote economic development the first and foremost task of the government was to decide the most feasible 'Economic system' for the economy
- In order to remove the problems and to grow the economy, the government adopted the technique of Progressive economic planning.
- Indian government with the prime minister as a chairman formed the planning commission (which is now known as Niti Aayog) on march 1950 and adopted five year plans for the development of the country.

Economic problem/ Central Problem of the economy:

It is a problem which every economy has to face in the path of its development.

Basic Reasons: The reasons due to which a country faces economic problems are as follows:

- Unlimited Wants (unlimited ends).
- Limited resources (scarce resources).
- Alternative use.

Unlimited Wants: Human wants are unlimited regardless to the nature of available resources, if one of his want gets satisfied than another want crops up.

Example: if a teenager wants a mobile phone for convenience and if his parents provided him so. Then his wants doesn't restricts after that, One of his new wants comes upon, such as regular recharges new bike new laptop etc.

Limited Resources:

- In order to fulfil unlimited wants of human, the resources are limited.
- That is the resources are scarce in relation to our wants, so we should get best out of what we have.

Alternative use: The scarce resources are used alternatively. And hence it becomes important to decide the allocation/distribution of resources effectively and efficiently.

General example: the salary of an individual is to be used in different sectors such as home expenses, medicine, installment of house, child fee and son on. Hence it should be carefully decided how much resource should be devoted for each purpose in order to get maximum possible benefit.

Standard example: Coal, petroleum etc.

The above 3 reasons creates different economic problem in an economy which are as follows:

- What to produce
- How to produce
- Whom to produce



What to produce: The first and foremost problem that is faced by an economy is 'What to produce', that is what type of goods is to be produced more than the other. Due to scarce resources, the economy can't produce unlimited goods and hence the quantity and priority of goods must be decided. Wants for those goods which society decided not to produce will remain unsatisfied. Generally, the economy has 2 types of goods. i.e., consumer goods or producer goods.

If the country starts producing more quantity of producer goods with less quantity of consumer goods, then the demand for consumer goods will increase and vice versa.

How to produce: It is related to choice of technique of production.

The goods must be produced in such a way that it gives most efficient output to the economy. Basically there exist 2 types of techniques of production which are as follows:

- Labour Intensive Technique {LIT} (Use of labour more than machines in the process of production)
- Capital Intensive Technique {CIT} (Machines are used to maximize the output)

If a country selects LIT then the units of labour employed will be greater than the units of goods produced as a result, the employment opportunities will increase but the total production of the economy will go down. And if CIT is selected then the production goes up lacking behind the employment opportunities which results in the introduction of problem of unemployment and poverty.

Whom to produce: It is related to the distribution of national product in the economy.

- **Personal distribution:** Under this the distribution of output depends upon the ownership of the property. The one who owns more gets more share of output in the economy than the one who has less amount of property.
- **Functional distribution:** In personal distribution the total output of the country will be distributed among all the individuals in the country according to their share of ownership. Whereas in functional distribution the total output is distributed between the factors of production.

Such as:

- Land will be paid by rent.
- Labour will be paid wages.
- Capital interest.
- Organizer will be paid profit

Market economy:

It is a type of economy in which the total allocation of resources is made by private capitalist or businessman for producing goods and services. As they are basically guided for making profit hence the central problem of the economy will not be solved by the market economy. Under such economy, the prices of the product are determined by the demand and supply of goods and services, government does not play any role to control market economy.

Mixed economy: It is a type of economy in which both private and public sector are participating in production activities. The allocation of resources is made by the government for removing the central problem of economy with the help of private sector. Since, Private sector is guided for maximizing their profit.

Central planned economy: It is a type of economy in which the total allocation of resources is made by central government of the country. The government is basically guided for solving the central problem of the economy. Hence it promotes social welfare with minimum cost.

Economic Planning: According to planning commission of India, "Economic planning refers to the utilization of country's resources in different development activities in accordance to the national priorities."

Goals of Planning of India:

The planning commission of India has adopted Five year plans strategy for the development of the economy.

India launched its first five year plan on 1st April 1951 for the period 1951- 1956. Since then we have completed 12 five year plans (recent 5 year plan was in operation from 1st April 2012 for the period of 2012-2017) The planning commission decided 2 type of goals

Long term goals (objective of planning): It refers to the goals which are to be achieved over a period of 20 years. They are common to all the five year plan and hence they are studies as common goals of five year plans.

Short term goals (objective of plan): It refers to the goals that are to be achieved in a specific plan (plan-specific goals).

It differ according to the need and requirement of the economy

Main Objectives of Five year plans are as follows:

- **Economic Growth:** During colonial period Indian economy was stagnate in nature so the first and foremost objective of economic planning is economic growth. Economic growth refers to the increase in productive capacity of the economy The basic criteria of measuring economic growth is the change in level of GDP (Gross domestic product)
- **Modernization:** It refers to both adoption of modern technology in the process of growth and also to put forth changes in social outlook and ancient meaningless rituals For examples- girls are not allowed to take education, child marriage etc.
- **Full employment:** It doesn't refer to zero unemployment, but it refers to a situation when all those who are able and willing to work at the market wage rate get work. the objective of full employment is to make people participate in the process of growth of the economy.
- **Equity:** The concept of economic growth means nothing if the benefits of growth restricted to handful of people in the society. It is important to ensure that the benefits of economic growth should reach the poor sections of society also, as that it will reduce the unequal distribution on income and wealth.
- **Self-reliance:** It refers to more and more dependence on domestic goods rather than importing from rest of the world. The concept of self-reliance emphasis on avoiding imports of such goods and services which can be produced domestically. Promoting domestic production and industries will give rise to economic growth and prosperity in the economy.

Short term goals

They are those objectives which vary from plan to plan according to the need and requirement of the economy.

Example are following:

- **1st plan (1951-1956):** Increase in agricultural production Equitable distribution of production, income and wealth.
- **2nd plan (1956-1961):** Increase in industrial production Development of heavy industries.
- **7th plan (1985-1990):** Generation of employment opportunity Increase in agriculture productivity.
- **11th plan (2007-2012):** Growth and poverty reduction Generation of high quality of job Protection of environment Improving quality of education and public health services

Importance of Agriculture in Indian economy:

India is an agriculturally based economy; nearly 72% of working population is engaged in agriculture (at the eve of employment).

The importance of agriculture sector in Indian economy is as follows:

- **Contribution to GDP:** Agriculture sector contributes a significant share in the GDP of the economy. However, at the time passes the contribution of agriculture in GDP declines, in spite that agriculture plays a dominant role in economy GDP (15% in 2014 – 2015)

- This policy brought 200 lakh tenants into direct contact with the government.
- Also, this ownership right gives them the incentive to increase output (there is no zamindar in between who takes their share of profit) and this contributes to growth in agriculture.

Ceiling on land holding (land ceiling): It refers to fixing the maximum amount of land, which could be owned by the individual. In order to promote equity in the agriculture sector, the government specified the maximum limit of land that any individual can hold. Any excess land beyond that limit would be taken over by the government and will be allotted to the landless cultivators and small farmers.

Consolidation of holdings: It refers to a practice to allot land to the farmer at one place as a replacement for his scattered holdings here and there. Moreover, small and scattered land is now converted into a big piece of land so that modern and innovative technology can be applied which will increase the productivity.

Cooperative farming: Joint farming by small cultivators by pooling their land and other resources to enjoy the benefits of large-scale farming is known as cooperative farming. Together farmers can buy inputs at a lower price and sell their products at a higher cost.

General reforms:

Expansion of irrigation facility: In order to increase the productivity of agriculture, the government of India specially focused on providing proper and permanent irrigation facility. In 1951, approx. 17% of land was under permanent means of irrigation. According to World Bank, about 35% of total agricultural land in India reliably irrigated in 2012.

Institutional credit: Regional rural banks have been set up by the government of India to fulfill the requirements of agricultural credit. A national bank for agriculture and rural development (NABARD) has been set-up as an apex institution in the field of rural credit in 1982.

Support price policy: According to this policy, the government assured a Minimum support price (MSP) to the farmers for their excess output. The farmers are free to sell their products in the market at prevailing rate, but in case the market rate is lower than the MSP, then the government will purchase their output.

Regulated markets and co-operative marketing societies:

A regulated market or controlled market is a system where the government controls the forces of demand and supply, such as who is allowed to enter and what prices may be charged.

They are set-up by the government with the objective of offering a standardized price to the farmers and protect them against the exploitation of middlemen. Cooperative marketing societies are also established to increase the bargaining power of farmers in the market. They ensure that farmers' output is graded and sold only when acceptable price is available.

Storage and warehousing facilities have been expanded to build up adequate buffer stocks.

Green Revolution or Technical Reforms:

Green Revolution refers to sudden and spectacular increase in agriculture productivity due to the use of high yielding variety of seeds. After independence, although around 72% of population was engaged in agriculture sector, but the level of productivity was very low.

The government initiated many technological measures, this continuous and intensive efforts break the stagnancy in agriculture sector which was regarded as green revolution.

It includes:

- Use of High yielding variety of seeds.
- Use of chemical fertilizers.
- Use of pesticides for crop protection.
- Scientific crop Rotation.
- Modernized means of cultivation.



Achievements of Green Revolution:

- **Increase in production 1 ton=1000kg:** The basic and the fundamental achievement of green revolution is a massive increase in production and productivity of food grains in the economy. It increases from 82 million tons in 1960-1961 to 176 million tons in 1990-91
- **Increase in national income:** The economic condition automatically increased with the increase in production and level of productivity of food grains in the economy.
- **Increase in Marketable surplus:** It refers to the portion of agriculture production which is sold in the market by the farmers after self-consumption. Due to increase in the level of productivity, higher amount of food grains can be produced on the same amount of land, due to which farmers can now sell their food grains in the market even after self-consumption.
- **Benefit to low-income groups:** Due to availability of large amount of food grains in the market, their price declines a comparison to other items of consumption. The low income group who spend large proportion of their income on food, benefited from this decline in relative price.
- **Change in farmers outlook:** Due to increase in production and productivity the outlook of farmers towards agriculture is now changed. Farming is no longer viewed as a source of subsistence; it is considered as commercial venture as well.
- **Buffer stock of food grains:** The green revolution enabled the government to produce sufficient amount of food grains to build a stock which could be used in times of food shortage in the market.

Failure of Green Revolution:

- **Limited crops only:** Sudden rise in output due to green revolution mainly restricted to the production of food grains only (wheat and rice). There is no such increment in the production other crops like pulses, jute, cotton etc.
- **Uneven benefits:** The concept of using H.V. seeds and modern technology comes with huge investment, whereas the majority of farmers in India are small and marginal. The gains of green revolution mainly attracted towards big farmers only. It ultimately leads to increase in income inequality between small and big farmers.
- **Soil degradation:** Intensive use of Pesticides and chemical fertilizers has negative effect on land. Production of wheat and rice requires huge amount of water, fertilizers and pesticides which results in alarming rate of groundwater depletion and soil degradation.
- **Uneven spread:** The concept of green revolution is not spread over the whole country, only few states like Punjab, Haryana, Tamil Nadu, Maharashtra had made a great impact. While the impact on other states was relatively significance.

Industrial reforms:

In the context of growth and development of a country, industrial sector always plays a dominant role. In the economy like India, the growth of industrial sector is necessary for the economic and monetary prosperity of country.

Industrial sector provides:

- More stable source of employment
- Promotes modernization
- Increases national income
- Boost the growth potential of an economy
- Increase the amount of exports
- Helps to modernize agriculture



At the time of independence, the industrial sector was in the immature stage, only few industries represent the whole sector. So, the government of India decides to put attention on the development of this sector.

Role of public/government sector in industrial development:

The development of industrial sector or the process of industrialization cannot be left over solely in the hands of private entrepreneurs.

Direct involvement of public sector is also necessary for its development as

- **Lack of capital:** Handful of private industries won't be able to arrange and invest capital up to the limit which is required for the development of whole economy. Hence the involvement of government sector becomes mandatory for the process of industrialization.
- **Lack of incentive:** At the time of independence, the market of India was not much big enough to encourage private businessmen to undertake huge investment. Moreover due to limited size of market, the demand for industrial goods was at very low which restricts the industrialist to earn more.
- **Social justice:** A private industrialist always aims at maximizing wealth, whereas in order to grow the industrial sector along the growth of economy the main objective is to provide more and more employment opportunities rather than concentration of wealth in few hands.
- **Development of infrastructure:** Due to huge investment and low profitability, private sector does not undertake many infrastructural projects. So, it became mandatory for the public sector to involve in the process of industrial development.

Industrial Policy Revolution (1956):

According to the Industrial policy 1956, government of India increases the role of public sector in the industrial development of the economy. The main objective of this revolution is to accelerate the growth of industrial sector and prevent the concentration of wealth and income in the hands of few individuals only.

Features of IPR 1956

Three-tier classification of industries: According to this, the industrial policy 1956 divides total industries into 3 categories i.e.,

1. **Schedule A-17** industries Complete control by public sector
2. **Schedule B-12** industries Those which could be established both as a private and public sector enterprises. However, the role of public sector is more dominant than of private sector.
3. **Schedule C** Remaining industries, which are to be left open for private sector.

Introduction of Industrial licensing: It refers to a written permission from the government for opening or for expansion an industrial unit. According to this policy, no new industry was allowed to survive unless and until license is obtained from government. Moreover, license was also needed if an existing industry wants to expand or diversify production.

Industrial concession: Incentives like tax rebate and subsidized rate of power supply were offered to private entrepreneurs for establishing industries in backward and rural areas of the country. The basic motive behind this policy is to encourage equality in income.

Small Scale Industries (SSI):

A small-scale industries is presently defined as the one whose investment does not exceed rupees 2 crore. (Earlier it was rupees 5 lakhs in 1951).

The government also focuses on developing and strengthening small industries as it plays an important role in the development and equitable distribution of income in the economy.

Role of Small-Scale Industries or Characteristics of SSI



Labour intensive: Small scale industries provide huge amount of employment in the economy as the amount of labour in such industries are proportionately high as comparison to big industries. i.e., SSI are labour intensive, whereas big industries are capital (machines incentive)

Promotes balanced regional growth: These industries are locational friendly, unlike big industries which are required to be set up near the raw material hub in reduce the cost of transportation these industries can be easily set up at the door step of the owner. (Due to small requirements).

Promotes equity: SSI requires less amount of investment as compared to big industries, which does not concentrate the power of economy in few hands. Moreover any one start a small scale industry (low investment) which will bring equal distribution of income and wealth in the economy.

Source of raw materials: SSI are the source of raw materials for big industries. Majority of big industries get raw materials from them only. It builds the eco-system of flow of income in the economy.

Foreign trade policy:

During the colonial period India was the prime exporter of raw materials and the importer of finished goods. But after independence, India's foreign trade undergo with a massive change. In order to be self-sufficient, India has followed a policy of imports substitution which is also known as inward looking trade strategy.

Import Substitution: Import Substitution refers to a policy of replacement of imports by domestic production. According to this policy, instead of importing foods from foreign country, domestic industries are encouraged by giving different incentives to produce them in India.

Government of India uses 2 ways to protect domestic goods from imports:

Tariff It refers to the taxes levied on imported goods. The goods can be imported in India after paying heavy amount of taxes on such goods; imposition of tax increases the price of such goods which automatically reduces its demand in the market.

Quota It refers to the government imposed trade restriction that limits the number or monetary value.

Things to remember:

Impact of import substitution.

- Saves foreign exchange.
- Creates protected market for domestic producers.
- Build industrial sector.
- Increases demand of domestic products.

Bad impacts of import substitution

- Restricts growth.
- Reduces efficiency of domestic producers.
- Creates local monopoly (due to no other alternative).
- Low competition implies lack of development and modernization.

Summary:

- Planning commission
- Economic problem
- What to produce
- How to produce
- Whom to produce
- Market economy

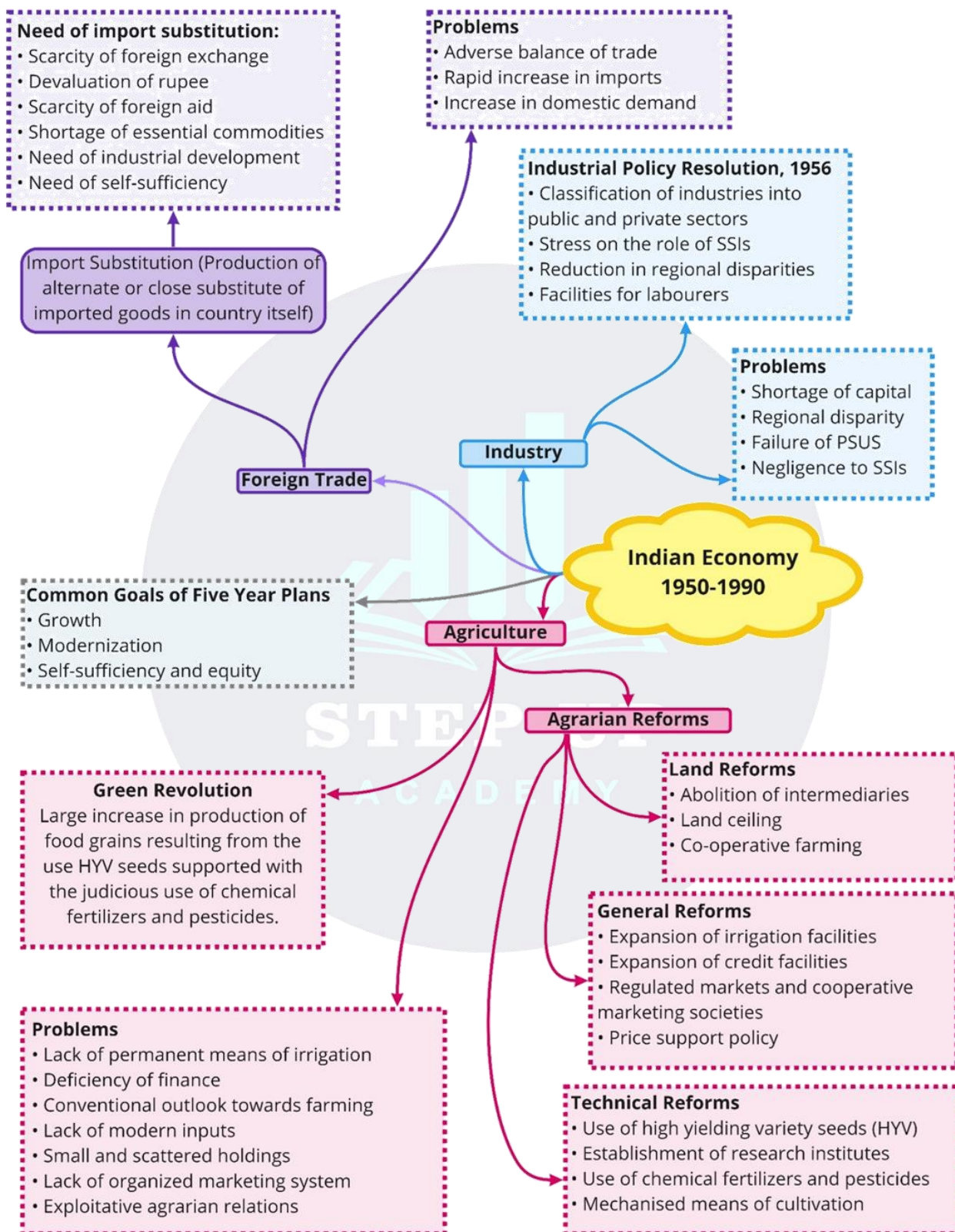


- Mixed economy
- Central planned economy
- Economic Planning
- Goals of Planning of India
- Long term goals
- Short term goals
- Objective of Five-year Plans
- Economic Growth
- Modernization
- Full employment
- Equity
- Self-reliance
- Importance of Agriculture in Indian economy
- Contribution to GDP
- Source of employment
- Supply of raw materials
- Share of exports
- Source of revenue
- Market for industrial sector
- Problems of Indian agriculture
- Lack of irrigation facility
- Small and scattered holding
- Deficiency of institutional finance
- Conventional outlook
- Lack of organized marketing system
- Reforms in Indian agriculture
- Achievements of Green Revolution
- Failure of Green Revolution
- Small scale industries and Foreign trade policy





Class : 12th Economics (Indian Economic Development)
Chapter-2 : Indian Economy 1950-1990



Important Questions

Multiple Choice Questions

1. Which one of the following measures was not a part of tenancy reforms?
 - (a) fixation of land ceiling
 - (b) regulation of rent
 - (c) ownership rights for tenants
 - (d) security of tenure
2. Which of the following industry was not reserved for the government in industrial policy resolution, 1956?
 - (a) iron and steel
 - (b) transport
 - (c) atomic energy
 - (d) railway transport
3. The motive behind the introduction of land reforms in india was _____.
 - (a) self-sufficiency in food grains
 - (b) agricultural development
 - (c) equity in agriculture
 - (d) industrial development
4. When was niti aayog established?
 - (a) 1991
 - (b) 2001
 - (c) 2011
 - (d) 2015
5. Land ceiling refers to _____.
 - (a) fixing rural landholding at the existing level
 - (b) fixing the quantum of land held by an individual
 - (c) fixing urban landholdings at the existing level
 - (d) fixing land area for irrigation purposes
6. In which of the following types of economy are resources owned privately and the main objective behind economic activities is profit-making?
 - (a) capitalist
 - (b) socialist
 - (c) mixed
 - (d) global
7. Which of the following is the main objective of carrying out various economic activities?
 - (a) profit
 - (b) public welfare
 - (c) competition
 - (d) equality
8. When was the national development council (ndc) set up as an adjunct to the planning commission?
 - (a) 1950
 - (b) 1969
 - (c) 1952
 - (d) 1979
9. What is needed to provide protection against natural calamities like floods, drought, locusts, thunderstorms, etc.?
 - (a) multiple cropping
 - (b) green revolution
 - (c) crop insurance
 - (d) hyv
10. How many industries have been reserved for the public sector under industrial policy resolution, 1956?
 - (a) 17
 - (b) 21
 - (c) 15
 - (d) 2

Very Short:

1. What is capitalism?
2. What is mixed economy?
3. Define socialism.
4. What type of economic system does india have?
5. Name the plan formulating organisation in india.
6. When was the planning commission constituted?
7. Who is the chairman of planning commission?



8. Which institution has replaced the planning commission?
9. Define economic planning.
10. Who is regarded as the architect of indian planning?

Short Questions:

1. Define capitalistic economy. Why was pt. Jawaharlal nehru not in the favour of capitalism?
2. Define socialism. why did our leaders not follow the path of socialism at the time of independence?
3. Explain the concept of mixed economy.
4. Discuss the outcomes of india's five year plans over the years.
5. What is economic planning?
6. What were the objectives of land reforms in india?
7. Differentiate between tariff and quota.
8. Discuss the need for import substitution.

Long Questions:

1. Discuss the problems related to agriculture in India.
2. Suggest some measures to remove the problems of agriculture in india.
3. Explain the policies which were adopted to promote equity in the agricultural sector,
4. Discuss the impact of green revolution.
5. Why is it important to promote small scale industries? Explain.

Case Study Based Question-

1. Read the following case study paragraph carefully and answer the questions based on the same.

A plan spells out how the resources of a nation should be use. It should have some general goals as well as specific objectives which are to be achieved within a specified period. In India plans were of five years duration and were called five-year plans (we borrow this from the former Soviet Union, the pioneer in national planning). Our plan documents up to the year 2017 not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. This long-term

plan is called 'perspective plan'. The five-year plans were supposed to provide the basis for the perspective plan.

Questions:

1. When did India give its first five-year plan _____?
 a) 1950
 b) 1951
 c) 1947
 d) 1949
2. Planning commission, the erstwhile central planning authority in the country, has been replaced by _____.
 a) NITI Aayog
 b) UGC
3. 'Government decides what goods are to be produced in accordance with the needs of society'. Under what type of economic system does this take place _____.
 a) Capitalistic economy
 b) socialist economy
 c) Both (a) and (b) d) None of these.
4. When was Indian planning commission constituted?
 a) 6 th August 1952
 b) 15th March 1950
 c) 15th August 1947
 d) 1st April 1997
2. Read the following case study paragraph carefully and answer the questions based on the same.

The Green Revolution started in 1965 with the first introduction of HYV seeds in India agriculture. This was coupled with better and efficient irrigation and the correct use of fertilizers to boost the crop. The result of the Green Revolution was to make India selfsufficient when it came to food grains.

After 1997 India had to rebuild its economy. Over three-quarters of the population depended on agriculture in some way. But agriculture in India was faced with several problems. Firstly, the productivity of grains was very low, and India was still monsoon dependent because of lack of irrigation and other infrastructure.



There was also an absence of modern technology. And India had previously faced severe famines during the British Raj, who has only promoted cash crops instead of food crops. The idea was to never depend on any other country for food sufficiency.

So in 1965, the government with the help of Indian geneticists M.S. Swaminathan, known as the father of Green Revolution, launched the Green Revolution. The movement lasted from 1967 to 1978 and was a great success.

Questions:

1. Green revolution is related with _____.
 - a) Modern technology.
 - b) Better irrigation facilities
 - c) HYV seeds
 - d) All of the above.
2. Britishers encouraged Indian farmers to grow food crops.
 - a) true
 - b) false
3. What was the need of green revolution to make India _____.
 - a) Sufficient production
 - b) Modernisation
 - c) Self- sufficient
 - d) None of these.

Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of assertion (A)
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Assertion: Growth and social justice is the central objective of Indian plans.

Reason: India opted for planning to utilize available resources efficiently and to establish social justice.

2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true

Assertion: Subsidies were, needed to encourage farmers.

Reason: Any new technology is looked upon as being risky by farmers.



Answers Key

MCQ answers:

1. (A) fixation of land ceiling
2. (a) iron and steel
3. (c) equity in agriculture
4. (d) 2015
5. (b) fixing the quantum of land held by an individual
6. (a) capitalist
7. (b) public welfare
8. (c) 1952
9. (c) crop insurance
10. (a) 17

Very Short Answers:

1. **Answer:** Capitalism refers to the economic system in which resources are owned privately and the main objective behind economic activities is profit-making.
2. **Answer:** Mixed economy is an economic system in which production, distribution and consumption decisions are left to the free play of the market forces. However, a large part of economic activities are regulated by the government to maximise the social welfare along with individual welfare or self-interest.
3. **Answer:** Socialism is that economic system in which resources are owned by the government and the main objective behind economic activities is social welfare.
4. **Answer:** India has mixed type of economic system.
5. **Answer:** Planning Commission is the India's plan formulating organisation.
6. **Answer:** Planning Commission was constituted in 1950.
7. **Answer:** The Prime Minister of India is the Chairman of Planning Commission.
8. **Answer:** NITI Aayog, established in 2015, has replaced the Planning Commission.
9. **Answer:** Economic planning is the process through which economic decisions are made by the government for economic growth and development.

10. **Answer:** Prof. P.C. Mahalanobis is regarded as the architect of Indian planning.

Short Answers:

1. **Answer:** In a capitalistic economy, resources are owned privately and the main objective behind economic activities is profit-making. Problems of the economy are solved through free price mechanism, independent of government intervention. Under this type of economy, goods are produced and distributed among the people not on the basis of what they need but on the basis of what the people can afford or are willing to purchase.

The poor people are usually ignored under such a system as they do not have the purchasing power to back their demand. As a result, such goods are not produced. According to Pt. Jawaharlal Nehru, a vast majority of people would not get the chance to improve their quality of life under capitalism and hence, he was not in the favour of such a system.

2. **Answer:** Socialism is that economic system in which resources are owned by the government and the main objective behind economic activities is social welfare. In this economy, the government decides what goods are to be produced in accordance with the needs of the country and distribution is based on what the people need. With the collapse of the Soviet system in the last decade of the 20th century, our leaders preferred not to follow the clear path of socialism.
3. **Answer:** Mixed economy is an economic system in which production, distribution and consumption decisions are left to the free play of the market forces. However, a large part of economic activities are regulated by the government to maximise the social welfare along with individual welfare or self-interest. It is a combination of capitalism and socialism.
The government and the market together answer the three basic questions of, what to produce, how to produce and for whom to



produce in the mixed economy. In this type of economy, private sector or market will provide those goods and services, which it can produce well and the government sector will provide those goods and services, which are essential for the welfare of the society as a whole.

4. **Answer:** The first seven five-year plans, covering the period 1951 – 1990, attempted to attain the four main goals, i.e. Growth, equity, modernisation and self-sufficiency. Of these four main goals, these plans have succeeded mainly in achieving self-sufficiency. However, healthy growth rates, modernisation and equity have not been fully achieved.

Growth rates are still not sufficient to meet the development criteria for the country. Modern facilities and technology are available only to a limited section of the society. Despite various efforts, plans have failed to reduce the gap between the rich and the poor. The main reason for failure in achieving the planned targets is the rapidly increasing population and the existence of corruption in the whole system of the country.

5. **Answer:** Economic planning is the process through which economic decisions are made by the government for economic growth and development. In India, the duration of plans is five years. This form of plans was adopted from the former Soviet Union. In economic planning, a central authority defines a set of targets to be achieved related to growth and development of the nation, keeping in view.

Of the resources available to the country, within a specified period of time. According to planning commission, “economic planning means utilisation of country’s resources into different activities in accordance with national priorities.”

6. **Answer:** The following were the objectives of land reforms
- To achieve egalitarian social structure by restructuring agrarian relations
 - To eliminate the exploitation in land relations
 - To provide the ownership of land to the tiller

- To improve the socio-economic conditions of the rural poor by widening their land base
- To increase agricultural productivity and production
- To facilitate land-based development of the rural poor
- To promote the agriculture sector

7. **Answer:** Tariffs are the tax paid on imported items. They curb the use of imported goods by making them too expensive. Quota, on the other hand, is the specific quantity of commodities that can be imported from other countries.

8. **Answer:** India adopted ‘inward-looking trade strategy’ or import substitution’ during the first seven five year plan period (1951 -90). The main objective of the policy was to restore positive balance of payments by replacing or substituting imports with domestic production.

This also enabled the government to safeguard the interest of domestic industries from foreign competition and equip them well until they learn to compete with the global giants. Moreover, government imposed tariffs and quotas in order to control imports.

Long Answers:

1. **Answer:** India is a developing country. Agriculture plays a vital role in its development. Most of the population is engaged in agriculture and allied activities. But the agricultural sector is not fully developed. There are many problems which are responsible for the backwardness of Indian agriculture. These problems are as follows:

- (i) **lack of proper marketing channels:** marketing system of agricultural products is not good in India. As a result of it, farmers could not get sound prices of their crops. Farmers sell their products in villages at lower prices as a result of it they remain poor. Markets are far from the villages and transportation facilities are not up to the mark
- (ii) **lack of credit facilities:** credit problem is one of the main problems of Indian farmers. They find it easy to borrow from



local money lenders at exorbitant rate of interest as taking loan from banks and co-operative societies involve long and complicated procedures. This tendency of loan taking makes them fall in debt traps.

- (iii) **rural indebtedness:** indebtedness is also the main problem of indian agriculture. Indian farmer always remains in debt. They have to take loans for cultivation and even for the sale of their products. In the words of m.l. darling, "indian peasant born in debt, lives in debt and dies in debt."
- (iv) **illiteracy:** large number of indian farmers is illiterate. Hence, they are unable to use the mechanised system of agriculture. As a result, their productivity remains low.
- (v) **disguised unemployment:** disguised unemployment exists on a large scale in agriculture. The productivity of disguisedly unemployed people remains zero. Farmers cannot gain surplus from their fields due to disguised unemployment
- (vi) **lack of irrigation facilities:** of the total cultivated area in the country, a little less than 40 per cent is irrigated even today. In the remaining areas, farming is largely dependent on rainfall.

2. **Answer:** The following measures can be adopted to improve the state of indian agriculture and farm productivity:

- (i) **new techniques of production:** new agricultural technology with emphasis on high yielding varieties and improved inputs must be adopted on a much wider scale.

However, we do not have to adopt capital intensive techniques of the west, rather our own research institutions and experts should invent suitable techniques keeping in view the differences in topography, climate, soil and other socio-economic conditions of different regions.
- (ii) **land reforms:** land reforms providing a land system conducive for agricultural development should not only be enacted

but also be faithfully implemented. The official land tenure system must aim at 'land to the tiller' as self-cultivation can induce maximum improvement in farming.

- (iii) **creation of economic holdings:** most states have already passed acts relating to consolidation of holdings in order to create economic holdings through removing the problem caused by sub-division and fragmentation of holdings. However, the progress has not been satisfactory in many states.

Even in states like punjab, where the entire task of consolidation was completed years ago, new sub-division and fragmentation have taken place. Therefore, fresh measures like change in law of inheritance are required to overcome the difficulties caused by sub-division and fragmentation.

- (iv) **crop insurance:** crop insurance is needed to provide protection against natural calamities like floods, drought, locusts, thunderstorms, etc. Some states are already taking steps in this direction. For example, haryana government is thinking of setting up a fund for this purpose.

- (v) **cooperative farming and other agricultural cooperatives:** small and marginal farmers can adopt scientific large scale commercial farming only through cooperative farming.

This will also solve the problem of uneconomic size of farms and act as a very powerful measure to combat the problem of sub-division and fragmentation of holdings. Cooperative societies can also enable the farmers to purchase modern inputs at cheap rate and store, process and market their produce advantageously.

- (vi) **extension of irrigation facilities:** expansion of irrigation facilities can contribute significantly towards improving the agriculture. Along with

starting more major and medium irrigation projects to exploit our vast irrigation and hydel power potential, minor irrigation facilities should also be expanded on a much larger scale.

- (vii) **agricultural inputs:** provision of improved inputs like certified seeds, fertilisers and pesticides, etc. In adequate quantities and at fair prices is also essential for increasing farm productivity.
- (viii) **improved implements:** large scale mechanisation of Indian agriculture is neither possible nor desirable under existing conditions but use of improved implements and machines like improved ploughs, drills, chaff cutters, threshers, small tractors and pumping sets can certainly increase the efficiency of agricultural operations.

3. **Answer:** The following policies can be adopted to promote equity in agricultural sector:

- (i) **abolition of intermediaries:** intermediary tenures like zamindars, jagirdars, etc., which prevailed over 40 per cent of the country were abolished and the ownership of land was given to the actual tillers or tenants. This ownership of land gives incentives to invest in making improvements to the tillers.
- (ii) **tenancy reforms:** it envisages provision of security to tillers or tenants and conferring ownership rights on them. Under tenancy reforms, following three types of measures were adopted:

Regulation of rent: before independence, the rent charged by zamindars from the tenants was exorbitant. Legislations were enacted after independence to regulate the limits of rents and reduce the burden on tenants.

Security of tenure: security of tenure to tenants had been given in all states through tenancy reforms. For the security of tenure, legislations have been passed in most of the states.

Ownership rights for tenants: ownership rights for tenants have been conferred in areas of Andhra Pradesh, Bihar, West Bengal, Punjab, Haryana and Tamil Nadu.

- (iii) **land ceiling:** it was another policy to promote equity in the agricultural sector. The purpose of land ceiling is to reduce the concentration of land ownership in a few hands. Land ceiling laws were first enacted in the 1950s and the 1960s. It was further revised in 1972.
- (iv) **updating and maintenance of land records:** for the promotion of equity in the agricultural sector, a drive was taken up in 1985-86 for updating land records. Pottu passbooks with legal status are to be issued to land owners and tenants. Thus, without updating and maintenance of land records, land reforms cannot be properly implemented.
- (v) **consolidation of holdings:** this measure is designed to solve the problem of fragmentation of holdings. The method adopted is to grant one consolidated holding to the farmer equal to the total of the land in different scattered plots under his possession.
- (vi) **cooperating farming:** cooperating farming has been advocated to solve the problems of subdivision of holdings. Under this system, farmers having very small holdings joined their hands and pooled their lands for the purpose of cultivation, in this way, they can reap profits of large scale farming.

4. **Answer:** Following is the impact of green revolution.

- (i) **increase in production:** after introduction of green revolution, the production of many crops has increased many folds. Among foodgrains, crops of wheat and rice draw maximum benefit from green revolution.
- (ii) **control over imports:** after independence, India was dependant on other countries for its food grains.



requirements. However, india has gained self-sufficiency over the years, especially after the advent of green revolution.

- (iii) **overflowing buffer stocks:** the surplus production of foodgrains enabled government to buy and build buffer stock that could be used in times of shortage.
- (iv) **increased employment:** green revolution created diverse job opportunities as multiple cropping increased the need for hired workers.
- (v) **link between agriculture and industry:** the linkage between agriculture and industry has strengthened with increased demand for inputs produced and supplied by industries.

5. **Answer:** It is important to promote small scale industries due to the following reasons:

- (i) **greater employment opportunities:** small scale industries are more labour intensive. With less earmarked investment of capital, more persons can be employed in these industries.
- (ii) **equity in the distribution of income:** due to small scale of production, there remains equity in the distribution of income. There is no concentration of capital in a few hands but it is distributed among all the people engaged in production. The profit of these industries is shared by many people.
- (iii) **decentralisation:** small scale industries are situated in villages and towns. They reduce the regional imbalances. As a result, benefits of these industries go to the masses.
- (iv) **less pressure on agriculture:** small scale industries have great importance in india. Most of its population is engaged in agricultural activities. Every year about 30 lakhs of people increase as dependents on agriculture in india. Therefore, it is necessary to reduce the increasing pressure on agricultural land. It can be achieved only by establishing more small scale industries.

- (v) **less capital requirements:** small scale industries need less capital as compared to large scale industries. In country like india where capital is scarce, small scale industries can be established with less amount of capital.
- (vi) **immediate increase in production:** the gestation period of small scale industry is short. As a result, production starts immediately after the establishment of these industries, in india, 40 per cent of the industrial production is produced in small scale industries.
- (vii) **production of artistic goods:** more manual work is done in these industries. As a result, production of artistic goods is only possible in small scale industries.
- (viii) **importance in exports:** small scale industries have great importance in india's exports. In 1990's, the contribution of these industries in total exports was 35 per cent.
- (ix) **industrial peace:** industrial peace is the feature of these industries because there is less possibilities of labour exploitation.

Case Study Answer-

1. **Answer:**
1. b) 1951
2. a) National institution for transforming India Aayog
3. b) Socialist economy
4. b) 15th March 1950
2. **Answers:**
1. d) All of the above
2. b) False
3. c) Self-sufficient.

Assertion Reason Answer-

1. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct.
1. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).



Liberalisation, Privatisation and Globalisation

3

Factors responsible for economic reform:

- **Fall in foreign exchange reserve:** Due to the process of industrialization the imports of the economy grew much faster than the amount of exports. Increase in imports reduces the foreign exchange reserve of the economy.
- **Failure of Public sector:** One of the most important factors which led to the economic reforms is the low rate of development of public sector undertakings. The low rate of development causes massive poverty and unemployment in the economy.
- **High fiscal deficit:** Fiscal deficit refers to borrowing by the government on account of the excess of its expenditure over revenue during a year. It was estimated to be 5.4% of GDP in 1981-82 and increase to 8.4% of GDP in 1990-91. It represents the poor financial condition of the economy.
- **Deficit in Balance of payment:** Balance of payment refers to the statistical statement of receipt and payment of country with rest of the world in an accounting year. Due to slow growth of exports and huge increment in imports the balance of payment of our economy remains in deficit (Foreign payments > Foreign receipts)

In order to eliminate the situation of crises from Indian economy, Prime Minister P.V.Narsimha Rao along with the finance minister Dr. Manmohan Singh introduced the new economic policy in 1991.

It includes:

- Liberalization
- Privatization
- Globalization

The set of policies introduced by the government is placed under 2 different groups (popularly known as measures of new economic policy)

- **Stabilization measures:** It refers to short time policies/ measures which aim at correcting the deficit in balance of payment and controlling the inflation
- **Structural reform measures:** It refers to long term measures aims at improving the efficiency of economy and increasing the international competitiveness.

Elements of New Economic Policy:

Liberalization:

The removal of entry and growth restrictions on private sector enterprises or the removal of trade barriers is known as liberalization.

Before 1991, government imposed many restrictions on private enterprises which restricts them to take risk or to get indulge in a big project.

According to the policy of 1991, the government tries to remove such barriers so that the private sector of the economy shall grow. In order to get liberalized, government introduced.



- Industrial sector reform.
- Financial sector reform.
- Fiscal reform.
- Foreign exchange reform.
- Trade and investment policy reforms.

Industrial sector reforms:

Under industrial sector, government provides liberalization in the following ways:

- **Reducing industrial licensing:** The new economic policy abolished the requirement of licensing except for the following five industries, i.e., liquor, cigarette, defense equipment's, industrial explosives and dangerous chemicals.
- **Decreasing the role of public sector:** The number of industries reserved for public sector is now reduced for 17 to 3 i.e., defense equipments, atomic energy generations and railways.
- **Making MRTP act (Monopolise restrictive trade practice act, 1970) more liberal:** Now big industrialist are no longer required to seek prior government approval for expansion and established of new industries.
- **Freedom to import capital goods:** Indian industrialist will be free to import machinery or raw material for rest of the world. In order to expand and to modernize their industries.

Financial sector reforms:

- **Establishment of private sector bank:** According to this policy private sector will now be able to open up a bank in India as well as in rest of the world. The basic purpose of adoption this policy is to increase competition which ultimately leads to lower rate of interest and good quality of service.
- **Changing the role of Reserve Bank of India:** The role of RBI is now changed from regulator to facilitator of financial sector. It means that the financial sector can take decision on many matters without consulting from RBI.
- **Foreign investment limit:** Foreign investment limit in banks was increased upto 51%, i.e., foreign investment are allowed to invest in Indian financial markets.
- **Ease of expansion:** After fulfilling certain conditions, banks were given freedom to set up new branches and rationalize existing branches without any approval of RBI.

Fiscal reforms or tax reforms:

It refers to the reforms in government taxes and public expenditure policies. It is the compulsory payment made by the citizen of a country to the government without receiving any direct benefit in return.

Taxes are of 2 types:

- **Direct tax:** They are those taxes that are imposed on property and income of an individual or a company, and are paid directly by them to the government. **Example:** Income tax, Corporate tax, wealth tax etc.
- **Indirect tax:** They are those taxes which affects the income and property of individuals and companies through their consumption expenditure.

They are imposed on goods and services.

Example: GST (Goods and Service tax), Excise duty etc.

Reduction in Direct tax: The rate of direct tax is reduced so that it encourage the citizen to promote saving and voluntary disclosure of income. The government also regulate and reduce the rate of indirect tax, so that a common national market for goods and services can be established. The process of taxation is also simplified so that a common man can easily understand and accept the structure.

Foreign exchange reforms:

It refers to the rate at which the currency of one country is exchanged with the currency of other country. Foreign exchange rate measures the number of units of currency required to exchange with one unit of other currency.

Example: 1\$ = 62 rupees

The above rate means that 62 rupees are required to exchange with 1 dollar. The foreign exchange reform was introduced in order to bring stability in import and export and to stabilize the crises of balance of payment.

The reforms are:

- **Devaluation of Rupee:** Devaluation refers to decrease in the value of domestic currency by the government. In order to attract foreign investors and to increase the amount of foreign exchange the government reduces the value of domestic currency.
- **Adopting Flexible exchange rate system:** It refers to a system in which the exchange rate is determined by the forces of demand and supply of different currencies in the foreign exchange market. I.e., the currency which is in demand, has higher exchange rate and the currency whose supply is more, is less valuable and hence it is exchanged at a lower rate. The value of currency is allowed to fluctuate freely.

Trade and investment reforms:

Before 1991, heavy tariff and quota system was implemented by the government to protect domestic industries. But this policy results in reduction of efficiency and slow growth of the economy.

So in order to boost up the competition and to foreign investments, government of India implemented trade and investment reforms which are as follows:

- Reduction in Quota (upto maximum possible limit)
- Removal of Export duty
- Reduction in import duty
- Import licensing was abolished (removed)

Except in case of hazardous and environmentally sensitive industries.

Privatization:

The transfer of ownership right from public sector undertaking to private sector undertaking is known as privatization.

- **Contraction of public sector** According to this policy, the private sector are no longer restricted to entry in any industry (except atomic power, railways and defence).
- **Government companies** have been sold by the central government to private capitalist which were incurring losses in 1991.
- **Privatization of public sector undertaking (PSU)** by selling off part of equity to the public this process is known as disinvestment.
- The government has also attempt to improves the efficiency of few PSUs by giving them additional power and freedom to enter joint venture, raise debts etc.

The government has listed 9 public sector undertaking with the name of 'Navratna Companies'.

- "NAVRATNAS" INDIAN OIL
- BHARAT PETROLEUM / ONGC
- SAIL
- HINDUSTAN PETROLEUM / BHEL
- HPCL
- VIDESH SANCHAR NIGAM LTD. / NTPC



Globalization:

The integration of domestic economy with world economy is known as globalization.

In other words, it may be defined as a process associated with increasing openness, growing economic interdependence and depending economic integration in the world economy.

Policies promoting globalization:

Increase in limit of equity in foreign investment

The equity limit which was 40% was now upgraded to 51% and even higher. The concept of increasing the limit is to welcome foreign investment and increase the flow of foreign exchange.

- **Reduction in tariff:** The amount of tax imposed on import of goods is also reduced upto the maximum possible limit. So that international competition and technological upgradation can be enjoyed.
- **Removal of quantitative restrictions:** The quota system was abolished by the government of India to promote trade (upto the maximum limit) India being the member country of World Trade Organization (WTO) since April 2001, totally removed the quantitative restrictions on foreign trade.
- **Partial convertibility of rupee:** It refers to a system where the currency is allowed to determine its own exchange rate in the international market on the basis of demand and supply (without any direct official intervention) The convertibility of rupee attracts the foreign investors to invest in India.

Outsourcing: This is one of the most important outcomes of globalization. Under this, a company hires regular services from external sources (mostly from other countries) which were previously done internally. The low wage rates, availability of skilled manpower and existence of special economic zones have made it a destination for global outsourcing in the post reform period. The main services which are outsourced from India by developing countries are call centres, film editing, music recording, record keeping etc.

Special economic zones (SEZs): It is an economic zone which was established by the government of India for industrial development.

In such zones various facilities were provided by the government:

- Cheap raw materials .
- Infrastructural facilities.
- Five year tax free plan.
- Flexibility in labour laws.

Achievements of New Economic policy 1991:

Increase in rate of economic growth: The Indian economy was no longer a stagnant economy. The policy of 1991 pulls out the economy from stagnancy to a developing country.

The growth of GDP increases from 5.6% in 1991-91 to 7.6% in 2015-16.

Rise in foreign exchange reserve: Due to relaxation in tariff and increasing the limit of foreign direct investment, the foreign exchange reserve of the economy increases from \$3,362 million in 1990 to \$25,186 million in 1995.

- Foreign investment also increases from \$100 million in 1991 to \$150 million in 1995.
- The rate of inflation also decreases from 17% in 1990 to 6.5% in 2001.
- Fiscal deficit of the economy is also reduced from 8.5% to less than 5%.
- The deficit in balance of payment also comes under control.
- Due to the removal of export duty, the exports of India started to increase.

Demerits of New Economic policy 1991:

- Neglected agriculture sector as the new economic policy has special emphasis on industrial and IT sector.
- Security of job has been decreased because of entry of FDI and multinational companies.



- Small scale and cottage industries has declined because of increase in competition due to globalization.
- The metropolitan cities are developed with lacking behind the development of rural areas.
- The disinvestment policy was also not favourable for domestic investor.
- Leads to unbalanced growth between the sectors.
- Spread of consumerism (the promotion of the interests of consumers).

The new policy has been encouraging a dangerous trend of consumerism by encouraging the production of luxuries and items of superior consumption.

World Trade Organization (WTO)

Before WTO, GATT (General agreement of tariff and trade) was established in 1948 with 23 countries as the global trade organization to administer all international trade agreements by providing equal opportunities to all the countries in international market for trading purposes.

The WTO came into existence on 1st January 1995 as the successor organization to the GATT.

The WTO is body incorporated for the purpose of making the whole world a village wherein goods and services can flow without any undue barriers.

The headquarter of WTO is located in Geneva (Switzerland). The WTO has 164 members and 23 observer governments.

The current director-general of WTO is Roberto Azevedo of Brazil (since 1st September 2013).

Role/ Functions of WTO:

- To facilitates international trade.
- To provide financial assistance to the member country in international trade.
- Always tries to remove the tariff barriers between the countries.
- Acts as a watch dog in international trade.
- Acts as a forum for trade negotiations.
- To provide a platform to member countries to decide future strategies related to trade and tariff.
- To administer the rules and processes related to dispute settlement.

Summary:

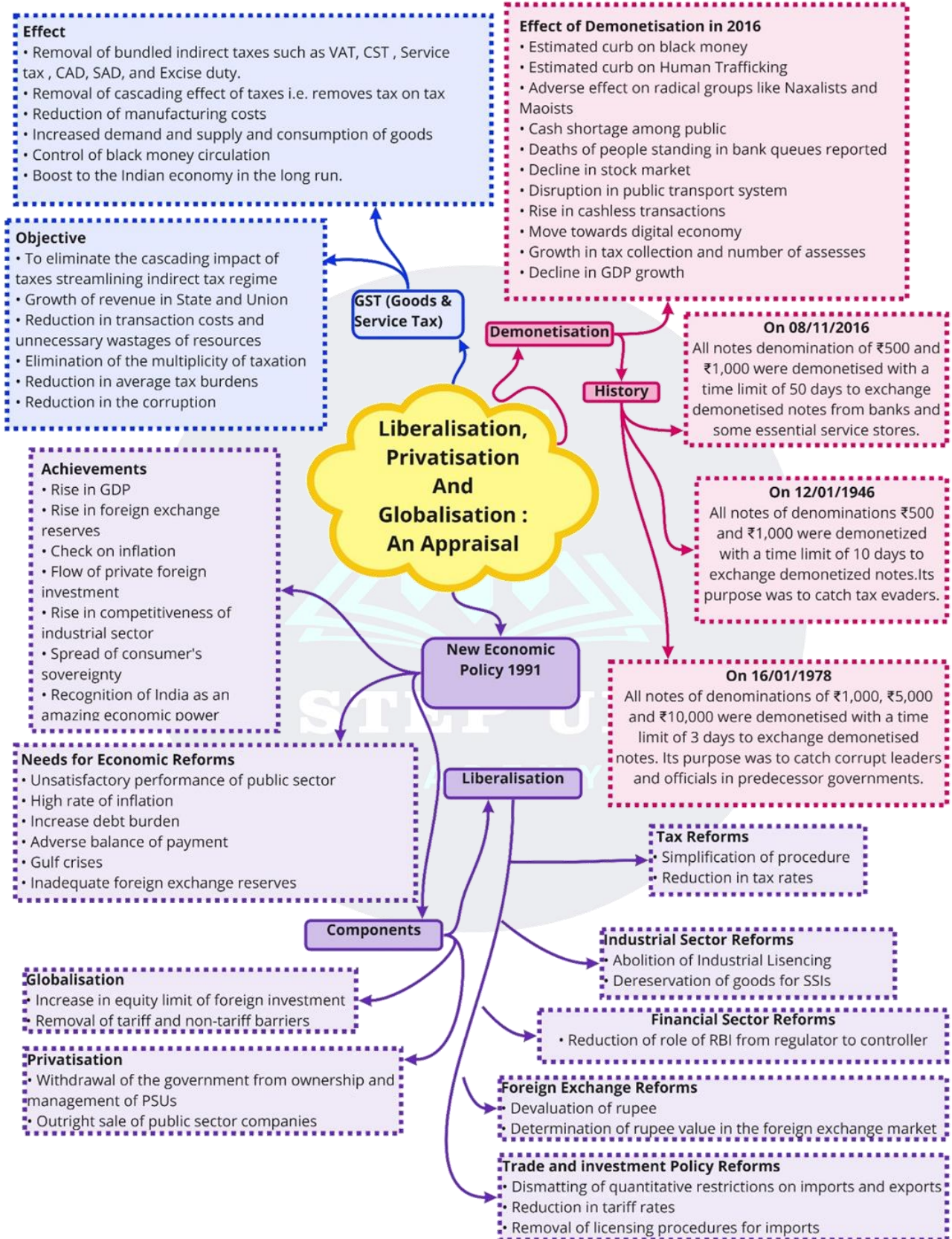
- New Economic Policy in 1991
- Factors responsible for economic reform
- Elements of New Economic Policy
- Liberalization
- Privatization
- Globalization
- Stabilization measures
- Structural reform measures
- Liberalization
- Industrial sector reform
- Financial sector reform
- Fiscal reform
- Foreign exchange reform
- Trade and investment policy reforms



- Privatization
- Globalization
- Outsourcing
- Achievements of New Economic policy 1991
- Demerits of New Economic policy 1991
- World Trade Organization (WTO)
- Role/ Functions of WTO



Class : 12th Economics (Indian Economic Development)
Chapter-3 : Liberalisation, Privatisation And Globalisation : An Appraisal





Important Questions

Multiple Choice Questions

1. Mudra bank was set up to meet the credit needs of the
 - (a) farmers
 - (b) small enterprises
 - (c) large enterprises
 - (d) exporters
2. Which of the following replaced mrtt act?
 - (a) competition act
 - (b) foreign exchange management act
 - (c) new companies act
 - (d) none of these
3. To provide refinance facilities to micro-units, an agency named mudra was established by the government. In which year this agency was set up?
 - (a) 1991
 - (b) 1999
 - (c) 2005
 - (d) 2015
4. At present how many industries are exclusively reserved for the public sector in india?
 - (a) two
 - (b) three
 - (c) four
 - (d) five
5. At present the number of industries requiring company licensing is
 - (a) eight
 - (b) six
 - (c) four
 - (d) five
6. For how many industries, licensing is still necessary?
 - (a) 7
 - (b) 6
 - (c) 9
 - (d) 10
7. How many industries are entirely reserved for the public sector?
 - (a) 6
 - (b) 10
 - (c) 2
 - (d) 4
8. What is the investment limit in small scale industries?
 - (a) 50 lakh
 - (b) 1 crore
 - (c) 25 lakh
 - (d) 75 crore
9. When was vat introduced in most of the states of india?
 - (a) 1995
 - (b) 2001
 - (c) 2005
 - (d) 2006
10. How many countries are the members of wto?
 - (a) 164
 - (b) 120
 - (c) 96
 - (d) 48
11. When was wto established?
 - (a) 1996
 - (b) 1998
 - (c) 2000
 - (d) 1995
12. Where is the headquarters of wto located?
 - (a) italy
 - (b) geneva
 - (c) new york
 - (d) washington
13. Disinvestment means selling of public investment to a:
 - (a) private enterprises
 - (b) public enterprises
 - (c) capital market
 - (d) departmental enterprises



14. 100 percent privatization in india has taken place of:
 - (a) cmc limited
 - (b) maruti udyog limited
 - (c) centaur hotel
 - (d) vsnl
15. Cross holding is a method of:
 - (a) privatisation
 - (b) globalisation
 - (c) disinvestment
 - (d) liberalisation

Very Short:

1. State the meaning of economic reforms.
2. How does increase in fiscal deficit create the requirement of economic reforms?
3. State the name of economic reform which makes free to economy from direct or physical controls imposed by the govt.
4. What is meant by foreign exchange reserve?
5. Why the requirement of fiscal reforms arose under liberalization?
6. What is meant by direct tax?
7. Define indirect tax with the help of example.
8. What is meant by devaluation?
9. State the meaning of privatization.
10. What is meant by globalization?

Short Questions:

1. Explain the occurrence of events which led to introduction of economic reforms in india.
2. Discuss the nature of government's revenue and expenditure prior to economic reforms in india.
3. Write a short note on new economic policy, india.
4. Explain the significance of liberalisation as an element of new economic reforms.
5. State the salient features of trade policy reforms.
6. How were the Indian industries regulated prior to reforms?
7. Discuss the need for privatisation. What are the ways in which PSUs can be privatised?
8. How can the government improve efficiency of PSUs? Explain giving examples.

Long Questions:

1. What was the need for economic reforms in India? Explain.
2. What were the measures taken under economic reforms to promote privatisation? Explain.
3. Discuss the various strategies which laid the foundation stone for the process of globalisation in India.
4. What are the merits and demerits globalisation?
5. Discuss the benefits of WTO to India.

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -
2. Read the following hypothetical text and answer the given questions: -

Assertion Reason Type Question-

1. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**
 - a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is true.

Assertion: India has become a favorite destination of outsourcing for most of MNCs.

Reason: India has vast skilled and cheap manpower which enhances the faith of MNCs for investment in India.

2. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**
 - a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

2. **Answer:** The government was not able to generate sufficient revenue from taxation. Lack of revenue was accompanied by problems such as unemployment, poverty and population explosion. The income from psus was also not very high to meet the growing expenditure. On the other hand, the government was spending a large share of its insufficient income on areas which did not provide immediate returns.

Moreover, the foreign exchange borrowed from other countries and international financial institutions was spent on meeting consumption needs. The government neither made an attempt to reduce such reckless spending nor did it pay sufficient attention to increase its exports to meet growing imports' expenditure.

3. **Answer:** The imf and world bank announced new economic policy as a condition to support indian economy to overcome crisis. The nep consisted of wide range of economic reforms. The core policies were intended to create a more competitive environment in the economy and remove the barriers to entry and growth of firms.

This set of policies can broadly be classified into two groups:

- (i) **Stabilisation measures:** these are short-term measures aimed to correct the weaknesses developed in the balance of payments and to bring inflation under control.
- (ii) **Structural reform measures:** these are long-term measures initiated to improve economic efficiency and increase its international competitiveness by eliminating the rigidities in various segments of the indian economy.

4. **Answer:** Liberalisation means liberating the trade and industry of an economy from unnecessary restrictions and making the industries more competitive. It implies making the economy free from direct or physical controls imposed by the government. Partial liberalisation was started in India's economy in the decade of eighties.

However, the New Economic Policy initiated in 1991 is more comprehensive and focused on reducing the controls by introducing liberal changes in both the external as well as domestic

economy. Liberalisation process is based on the assumption that market forces could guide the economy in a more effective way than the government control.

5. **Answer:** The features of trade policy reforms are:

There was moderation/reduction in import duty to enhance competitiveness in the domestic market.

Import quotas had been completely abolished.

Policy of import licensing had almost been scrapped.

Export duty had been withdrawn to enhance competitiveness of Indian goods in the international market.

6. **Answer.** The Indian industries were regulated in the following ways prior to reforms:

- (i) Obtaining industrial license from government officials was mandatcy for every entrepreneur to start a firm, close a firm or to decide the quantity of goods that could be produced.
- (ii) Private sector was not allowed in many industrial categories.
- (iii) Production o.f some goods was reserved for only in small scale industries.
- (iv) Government controlled prices determination and distribution of selected industrial products.

7. **Answer:** Privatisation means the induction of private management and control in the public sector enterprises. With a view to improve the performance of the public sector enterprises, the wave of privatisation has spread all over the world. Need for privatisation was felt mainly because of the inefficiency of the public sector enterprises. Thus, the private sector was given a larger space to operate in the areas reserved exclusively for the public sector.

Privatisation can be done by two ways:

- (i) By withdrawal governmental control from the management and ownership of public sector companies; and
- (ii) By outright sale of public sector companies.

8. **Answer:** The government has made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions. For



example, to improve efficiency, promote professionalism and enable them to compete more effectively in the liberalised global environment, the government chose nine PSUs and declared them as Navaratnas.

The first set of navaratna companies is as under.

- BPCL
- HPCL
- IOCL (Indian Oil Corporation Ltd.)
- ONGC
- SAIL
- BHEL
- NTPC
- BSNL

Long Answers:

1. **Answer:** At the time of independence, building a large public sector was almost unavoidable. The capabilities of India's private sector could not be visualised at that time to make very large investments in the areas like infrastructure. However, by late 1980s the situation had completely changed. By that time, India had developed a strong private sector. Therefore, the argument of a large public sector was no longer valid. Need for economic reforms or New Economic Policy was observed mainly due to following reasons:

- (i) **Increase in Fiscal Deficit:** By 1991, government expenditures began to exceed its revenue by such large margins, which became unsustainable. Fiscal deficit was increasing year after year due to increase in its non-developmental expenditure. Fiscal deficit was 5.4 percent of GDP in 1981-82, which increased to 8.4 percent of GDP in 1990-91.

Interest payments on public debt were amounted to 10 percent of total government expenditure in 1980-81 which increased to 36.4 percent in 1991. Thus, government was fast heading for debt trap. India had lost the faith of international institutions like World Bank and IMF. Hence, it was necessary to begin new economic reforms in the country.

- (ii) **Adverse Balance of Payments:** Balance of payments is an account of all the payments and receipts of one country with other countries. Imports grew at a very high rate unable to match growth in exports. Thus, India faced adverse balance of payment. The country needed foreign exchange to pay for the import of goods and services. The deficit in the balance of payment on current was ₹ 2,214 crore in 1980-81 which rose to ₹ 17,367 crore in 1990-91. Therefore, it was necessary to adopt New Economic Policy to correct the deficit in the Balance of Payment.

- (iii) **Gulf Crisis:** Prices of petroleum increased in 1990-91 due to Iraq War. This Gulf crisis further worsened the balance of payment position of India.

- (iv) **Rise in Prices:** During 1990-91, the level of inflation in the country reached to double digit. As a result, foreign investors had lost their confidence in Indian economy and national capital resources were flying out of the country. Cost of production had taken an upward jump due to high rate of inflation.

- (v) **Poor Performance of the Public Sector Undertaking:** After 1980, most of the public sector undertakings had suffered huge losses. As a result, PSUs have become a liability to the nation. It became inevitable for the government to adopt New Economic Policy.

- (vi) **Fall in Foreign Exchange Reserves:** During 1990-91, foreign exchange reserves declined to a level that was not adequate for imports worth more than two weeks; exports declined and industrial output of the country was crippled.

India had to approach the World Bank and IMF to provide huge loans of \$7 billion to bail India out of the crisis. The IMF and World Bank announced New Economic Policy as a condition to support Indian economy to overcome crisis.



2. **Answer:** The following measures were taken to promote privatisation under New Economic Policy:

(i) **Contraction of Public Sector:** Earlier for the economic development of India, great importance was given to public sector. However, most of the objectives of economic development have remained unfulfilled.

As a result, policy of contraction of public sector was adopted under economic reforms. Number of industries reserved exclusively for public sector was reduced from 17 to 8 and further to 2, viz. atomic energy and railways transport. All other industries form the part of private sector.

(ii) **Disinvestments:** In the liberalisation process, the part of the equity of inefficient public sector undertakings was sold to the private sector (public). This is also known as disinvestments. The purpose of disinvestments was mainly to improve financial position and facilitate modernisation.

It was thought that disinvestments could provide strong impetus to the inflow of Foreign Direct Investment. It should be remembered that all of our PSUs are not inefficient. Our Nine PSUs, which are known as 'Navaratnas' of Indian Economy are still playing a leading role in the world market.

3. **Answer:** The various strategies which laid the foundation stone for the process of globalisation in India are discussed below:

(i) **Foreign Exchange Reforms:** In 1991, rupee had to be devalued against foreign currencies in order to correct the widening deficit in the balance of trade. That was the first and most important reform in the external sector which was made in the foreign exchange market. At present, the value of rupee is determined by market on the basis of demand and supply of exports and imports and by FDI or Fils.

(ii) **Trade and Investment Policy Reforms:** Since 1991, the door for foreign investment and technology transfer are opened. Foreign Exchange Regulation Act (FERA), which intended to control the

inflow and outflow of foreign exchange, was replaced by a more liberal Foreign Exchange Management Act (FEMA).

Quantitative restrictions on imports of agricultural products and manufactured consumer goods were also fully removed from April, 2001. Since 1991, tariff rules are reduced and the licensing procedures for imports are removed.

(iii) **Reduction in Tariff:** In order to encourage competitiveness, tariff barriers have been withdrawn on most goods traded between India and rest of the world.

4. **Answer:** Merits of Globalisation

(i) Globalisation provides exposure to international economies and helps availing advanced technology and inputs from across the globe. This improves quantity as well as quality of production.

(ii) It helps in improving efficiency of allocation of resources due to more competitive environment.

(iii) It encourages healthy competition among nations, which helps in improving the quality of goods and services at a competitive price.

(iv) India's share in the world trade has increased from 0.5 per cent in 1990-91 to 1.1 percent in 2005.

Demerits of Globalisation

(i) Many industries (especially small units) may not be able to compete at par with big MNCs. As a result, they might be forced to merge with global enterprises or face a closure.

(ii) Large scale establishment of MNCs in the developing countries like India might result in monopolies.

(iii) Globalisation may lead to income inequalities within the country as it will benefit only those who possess latest skills and technology.

5. **Answer:** The following are the important benefits emerging from the WTO agreement:

(i) Due to reductions in tariff and non-tariff barriers, there will be development of trading environment leading to dynamism.



- (ii) Countries like India will be helped in their liberal economic policies due to increase in market access opportunities under the WTO.
- (iii) It is estimated that world income from trade liberalisation could increase from \$ 110 billion to \$ 510 billion annually.
- (iv) The WTO will strengthen the trade relations among member countries. It will lead to a new trade order.
- (v) India will gain in the long run due to low duties on raw-material, components and capital goods.
- (vi) The TRIPs are not going to harm India and other developing countries because of providing safeguards.
- (vii) India, being a founder member country, has already started to assert itself in the meeting of the WTO council.
- (viii) The WTO agreement will emphasise linkages between trade policies, environmental policies and sustainable development.

Case Study Answer-

1. Answer:
 1. a) absolute poverty
 2. Poverty line
 3. Consumption
 4. per capita expenditure
2. Answer:
 1. d) All of the above
 2. Casualization
 3. Gini Coefficient
- d) all the above

Assertion Reason Answer-

1. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
1. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).



Poverty | 4

Poverty:

Poverty refers to a situation in which an individual is unable to fulfill the basic necessities of life. In other words, it is the ability of a individual to fulfill the minimum requirement of life like food, clothing, shelter, education and health facilities etc.

Measures of poverty (types of poverty) Poverty is of two types:

Relative poverty: It refers to the poverty of people in comparison to other people, regions or nations. Example- Ramesh has lower income in comparison of Mukesh Ambani; therefore, we can say that Ramesh is relative poor than Mr. Mukesh Ambani.

Absolute poverty: It refers to the total number of people living below poverty line. In other words, Absolute poverty refers to a situation when the level of income of an individual is too low that they cannot even meet their minimum consumption requirements to maintain their health and work efficiently.

Poverty line:

It refers to a line which divides the population into two parts i.e., poor and non-poor. In other words, Poverty line is a cut-off point on the line of distribution, which usually divides the population of a country as poor and non-poor. Poverty line measures the number of people who are regarded as poor.

Determination of poverty line:

In India, the poverty line is determined as follows:

- **Minimum caloric consumption:** The planning commission of India has defined poverty line on the basis of nutritional requirements. i.e., people who are not getting 2400 calories per person per day in rural areas and 2010 calories in urban areas is considered to be living under poverty line.
- **Minimum consumption expenditure criteria:** Another criterion for determining the poverty line is the Minimum consumption expenditure criteria. According to this, if a person won't be able to make the monthly expenditure of 816 rupees (around 32 rupees per day) in rural areas and 1407 rupees (around 47 rupees per day) in urban areas comes under poverty line.

Categorizing poverty:

There are many ways to categorize poverty

- **Chronic Poor:** It includes such people who are always poor and those who are usually poor.
- **Transient Poor:** It includes people who regularly move in and out of poverty line (like small farmers) and those who are occasionally poor (seasonal workers)
- **Non-Poor:** It includes people who are never come under poverty line. According to World Bank, if you're living on \$1.90 a day or less, you're living in extreme poverty.

Causes of Poverty:

- **Rapid increase in population:** The population of our country is increasing at an alarming rate. This increase in population reduces the availability of natural resources per head and also decreases the per capita income which ultimately leads to unemployment and poverty.



- **Low level of national output:** In comparison with the population growth the net national product of the economy falls short. The rate of increase in productivity is miserably low than the rate of increase in population. It automatically leads to increase in poverty and reduction in standard of living.
- **Inflation:** One of the most important causes of poverty is the rise in general price level. Sharp rise in price and negligible change in level of income has decreased the purchasing power of low-income group and results in lower standard of living.

High level of migration from rural areas:

The crowd of rural areas migrated towards the urban area in search of employment but the existing industries and limited job opportunity won't be able to absorb all of these people and hence this migration leads to unemployment and poverty.

- **Unemployment:** An increasing rate of unemployment is another major cause of poverty in the economy. The amount of job seekers are increasing at much higher rate than that of employment opportunity.
- **Rural indebtedness:** Condition of unemployment and lack of available resources compels the people of rural areas to borrow money from unorganized sector at higher rate of interest, this rural indebtedness is one of the most significant factors of poverty in rural areas.
- **High illiteracy rate:** An illiterate person won't be able to participate in the emerging employment opportunities in different sectors of the urban and rural areas, as they do not have the necessary knowledge and skill to do so. This illiteracy is one of the main cause of poverty in the economy.

Effects of poverty:

- Child labour.
- Lack of nutrition and diet.
- Poor standard of living.
- Illiteracy.
- Unemployment.
- Lack of hygiene.

Approaches by the government of India to remove poverty:

- **Growth oriented approach:** This approach is based on the expectation that the rapid increase in Gross domestic product and per capita income (economic growth) would spread the benefits to all the sections of society and will automatically reduces the amount of poverty from the economy.
- **Minimum needs programmed:** It was introduced in fifth five year plan (1974-78), to provide certain basic minimum needs and improve the living standards of people. It aims at social and economic development of the underserved population. It includes nutrition (via mid day meal scheme), rural water supply, rural electrification, Elementary education and so on.
- **Poverty alleviation programme:** The government of India has introduced variety of programs in order to remove poverty and to enhance the growth and development of the economy. For example- Prime Minister Rozgar Yojana (PMRY), Mahatma Gandhi National rural employment guarantee Act (MGNREGA) etc.

Poverty Alleviation programmes in India:

Mahatma Gandhi National rural employment guarantee Act (MGNREGA)

- The national rural employment guarantee Act (NREGA) was passed in 2005 and later on it was remained as Mahatma Gandhi National rural employment guarantee Act (MGNREGA) in 2006 in 200 identified districts of the country.
- Under this act, all those who are willing to work at the minimum wage rate offered, will get employment for a period of minimum 100 days. In other words, it provides at least 100 days of guaranteed wage employment in a financial year to every household who volunteer to do the specified work.

- Those who seeks employment can report in those rural areas where this programme is being launched.
- It was extended throughout the country in 2008.

Food for work programme:

- Popularly known as National food for work programme.
- It was launched in 2004.
- It aims at providing more opportunities of wage employment and ensuring certain minimum nutritional levels for the poor population of rural areas.
- The wages for work are paid partly in food grains and partly in cash.
- It was 100% centrally sponsored scheme.
- This programme was incorporated in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005.

Swarna Jayanti Gram Swarozgar Yojana (SGSY):

- It was introduced in April 1999.
- Under this yojana, a large number of small enterprises were established in rural areas
- It aims at promoting micro enterprises and to bring the assisted poor families above the poverty line, by organizing them into Self Help Groups (SHGs).
- Self Help Groups are small groups of poor people. They help each other to solve their problems. SHGs promote small savings among their members. The savings are kept with the bank with the name of the self help groups. Later on this common fund is used to give small loans its members.
- The government also provides partial financial assistance to SHGs.

Pradhan Mantri Gram Sadak Yojana:

- It was launched in December 2000.
- It aims at improving road connectivity to all the eligible unconnected habitations in the rural areas by the end of tenth five year plan (2002-2007).
- A total length of about 3,00,000 km of road work has been completed till November 2010.

Sampoorna Gramin Rozgar Yojana (SGRY):

- Launched on 1st September 2001.
- Its main objective is to
- Provide employment opportunities and food security
- Development of infrastructure
- Focus on development of regional, economic and social conditions.
- Employment assurance scheme and jawahar gram sammridhi yojana have been merged with SGRY since April 2002.
- SGRY was merged with National rural employment guarantee Scheme in 2006.

Swarn Jayanti Shahari Rozgar Yojana (SJSRY):

- It was launched in 1st December 1997.
- It aims at creating employment opportunities for both self employed and wage employ in urban areas.
- It encourages setting up of self-employment ventures and or provision of wage employment.
- It was funded on the 75:25 basis between the centre and the states. It consists of 2 special schemes:
 1. Urban self employment programmes (USEP)
 2. Urban wage employment programmes (UWEP)

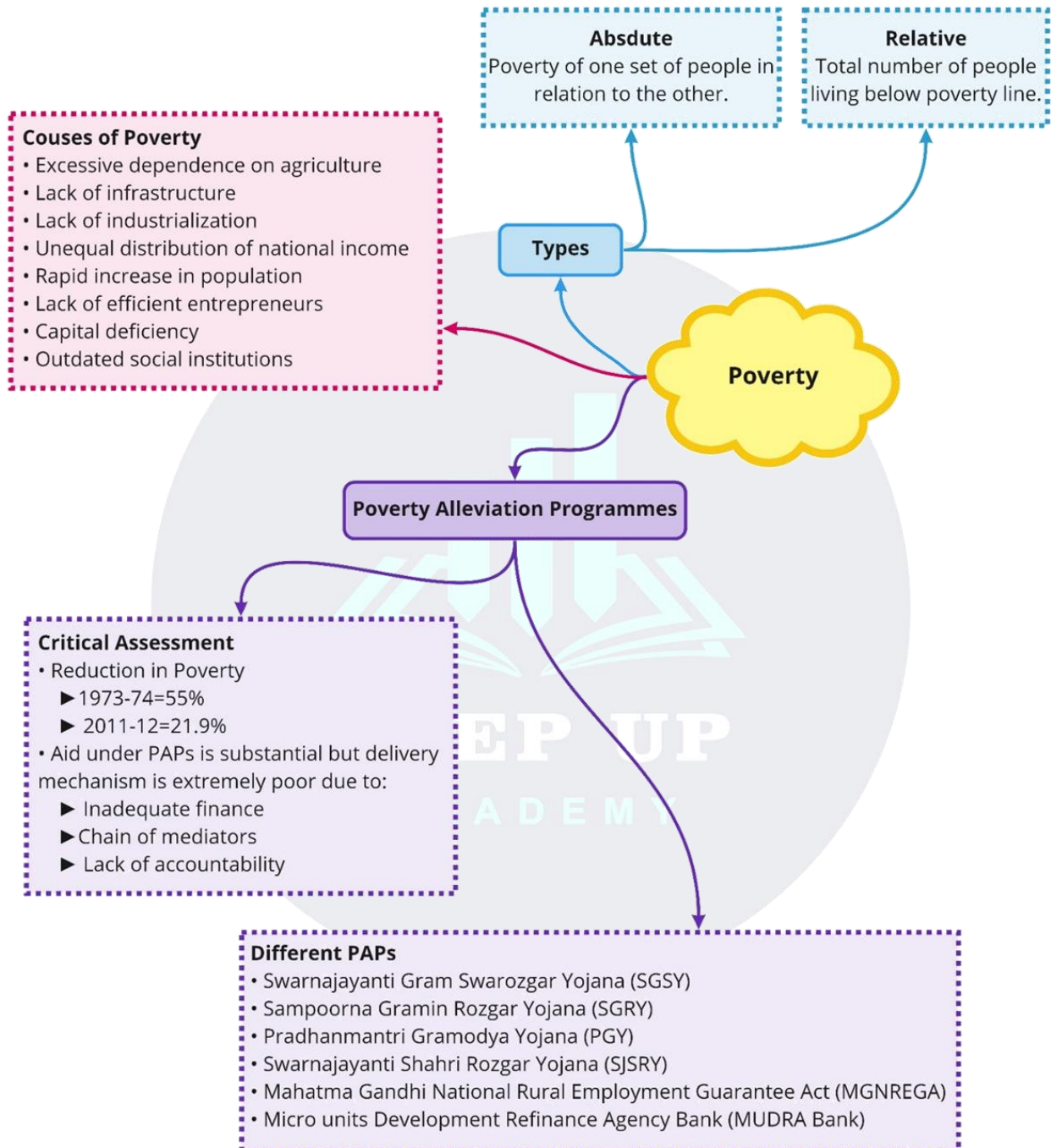


Other Programme launched by the government is as follows:

- Swarn Jayanti gram swarozgar yojana (SGSY)
- Jawahar gram sammridhi yojana
- Jan dhan yojana
- National rural livelihood mission (NRLM)
- Prime Minister rozgar yojana
- Indra Awas Yojana
- Pradhan Mantri gramodaya yojana

Summary:

- Relative poverty
- Absolute poverty
- Poverty line
- Determination of poverty line
- Minimum calories consumption
- Minimum consumption expenditure criteria
- Causes of poverty
- Rapid increase in population
- Low level of national output
- Inflation
- High level of migration from rural areas
- Unemployment
- Rural indebtedness
- High illiteracy rate
- Approaches by the government of India to remove poverty
- Growth oriented approach
- Minimum needs programme
- Poverty alleviation programme
- Poverty Alleviation programmes in India.





Important Questions

Multiple Choice Questions:

1. Which organization collects data on poverty in India?
 - (a) Planning Commission
 - (b) NSSO
 - (c) CSO
 - (d) Election Commission
2. Which of the following statements about absolute poverty is not correct?
 - (a) It focuses on biological needs.
 - (b) Levels of absolute poverty are very low in developed countries.
 - (c) Government policies can help in the elevation of absolute poverty.
 - (d) It compares the living standard of people.
3. Which of the following people are classified as churning poor?
 - (a) Who are always below the poverty line
 - (b) Who regularly move in and out of poverty
 - (c) Who generally remain above the poverty line but sometimes below it
 - (d) None of the above
4. When was the Task Force on Projections of Minimum Needs and Effective Consumption Demand was formed?
 - (a) 1969
 - (b) 1979
 - (c) 1989
 - (d) 1999
5. Those who regularly move in and out of poverty are called
 - (a) Chronically poor
 - (b) Churning poor
 - (c) Occasionally poor
 - (d) Transient poor
6. Poverty is a state in which a person is : -
 - (a) Poor
 - (b) Does not has proper home
 - (c) Inability to fulfil basic reuirements
 - (d) None of these
7. Which of the following is an action adopted under the provision of minimum basic amenities to the people?
 - (a) Prime Minister's RozgarYojna
 - (b) Swarna Jayanti Shahari RozgarYojna
 - (c) Pradhan Mantri Gramodaya Yojna
 - (d) National Rural Livelihood Mission
8. In 2011-12, which state had the highest poverty rate in India?
 - (a) Odisha
 - (b) Bihar
 - (c) Madhya Pradesh
 - (d) West Bengal
9. NFWP was launched in:
 - (a) November 2004
 - (b) December 2003
 - (c) November 2002
 - (d) December 2005
10. Which of the following programmes provide assistance to elderly people are given under?
 - (a) VAMBAY
 - (b) NSAP
 - (c) PMGY
 - (d) PMRY
11. People who are always below poverty line are termed as
 - (a) Chronic poor
 - (b) Seasonal poor
 - (c) Always Poor
 - (d) None of these
12. Which category of poor includes both 'Always' and 'Usually' poor.
 - (a) Churning poor
 - (b) Transient poor
 - (c) Seasonal poor
 - (d) Chronically poor
13. Which category of poor people keep moving up and down the poverty line: -
 - (a) Occasionally poor
 - (b) Transient poor
 - (c) Churning poor
 - (d) Always poor



14. The poverty across other people, regions or countries is known as
 - (a) Urban poverty
 - (b) Rural poverty
 - (c) Relative poverty
 - (d) Absolute poverty
15. What is the cause of poverty?
 - (a) Low Rate of Growth
 - (b) Increasing Population
 - (c) Underemployment
 - (d) All of these

Very Short:

1. What do you mean by poverty?
2. What proportion of the world's poor live in India?
3. How many children under the age of five die annually in India according to UNICEF?
4. Name the two key features of poorest households.
5. What are the factors responsible alarming malnutrition among the poor?
6. Define poverty line.
7. What was the percentage of population below poverty line in 2011-12 in India?
8. Name the two types of poverty.
9. Define absolute poverty.
10. What is relative poverty?

Short Questions:

1. Who are the poor?
2. What are the problems faced by the poor?
3. List the initiatives undertaken in post-independent India to work out a mechanism to identify the number of poor.
4. Why is the calorie requirements in rural areas are considered to be higher than urban areas?
5. Write a short note on the changes in the trends of poverty ratio and the number of poor during 1973-2012.
6. Give a brief description of inter-state disparity in terms of poverty in India.
7. What impact did the British rule had on the Indian economy?
8. What makes farmers commit suicide?

Long Questions:

1. Discuss per capita expenditure method of determining poverty line? What are its limitations?
2. What are the causes of poverty in India?
3. Suggest measures to remove poverty in India.
4. Explain the self-employment and wage generation approach of the government for poverty alleviation.
5. Explain the self-employment and wage generation approach of the government for poverty alleviation.

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

The poverty lines refer to a cut-off point that divides people of a region as poor and non-poor. Poverty line cutoff may be determined in the terms of income or in terms of consumption. The percentage of the population below the poverty line is called the headcount ratio. the poverty incidence ratio is the same as the headcount ratio. Headcount ratio refers to the measurement of poverty in the term of number of person below the poverty line, where the poverty line means some cutoff point with respect to the individual consumption expenditure per month. The poverty line usually measured in terms of per capita expenditure.

Consumption reflects the actual use of goods and service by an individual as well as the type of goods used while income only shows the capacity to purchase.

Questions:

1. A cut off point dividing people as poor and non-poor indicates the number of those who are:
 - (a) absolute poverty
 - (b) below poverty line
 - (c) both a and b
 - (d) none of the above
2. The absolute poverty in India is measured with reference to _____.
3. Poverty line cut off can be determined in terms of _____ (investment/consumption)
4. Poverty line is measured normally in terms of _____ (per capita expenditure/per capita income)



5. Read the following hypothetical text and answer the given questions: -

This paragraph talks about economic inequalities in India that have been driven by the employment pattern and changes in labour market, which in turn have been affected by the macroeconomic policies and process as well as forms of social discrimination and exclusion. While many Asian economies have shown indications of rising inequalities in recent decades, the Indian experience is particularly remarkable in the way inequalities have intertwined with economic growth process. structural change and the persistence of the low productivity employment in India are strongly related to following wage shares of national income and growing wage inequality and the close relationship between formal and informal sectors is the sharpest exemplar of this. patterns of social discrimination along with gender and caste line have reinforced tendency to create segmented labour market that offer little incentives for the employers to focus on productivity improvement.

Questions:

1. Why did the government shift its strategy from long term to short term programs to remove unemployment?
 - (a) Short term policies are more effective
 - (b) Long term policy do not give appropriate response
 - (c) It is easy to check the progress
 - (d) All the above
2. Increase in the proportion of casual worker as the proportion of the total work force is known as _____ (informalization/casualization)
3. _____ is used to measure the concept of relative poverty.
4. Women participation in rural areas is found to be higher in rural areas as compared with area in India due to which the following reason.
 - (a) Widespread poverty
 - (b) Male member do not earn sufficient income
 - (c) Wages level are low in rural areas
 - (d) all the above.

Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- a. Both assertion (A) and Reason (R) are true and reason (R) is the correct explanation of assertion (A).
- b. Both assertion (a) and reason (R) are true and Reason (R) is not the correct explanation of assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but reason (R) is true.

Assertion: The Average per capita daily requirement of 2400 calories in rural areas and 2100 calories in urban areas.

Reason: Because rural areas people do more labor in comparison to urban areas. that's why more calories is required in rural areas.

2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- a. both assertion (A) and Reason (R) are true and reason (R) is the correct explanation of assertion (A).
- b. Both assertion (a) and reason (R) are true, and Reason(R)is not the correct explanation of assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but reason (R) is true.

Assertion: absolute poverty is prevalent in developed economics.

Reason: most developed economics are industrialized economy.

Answers Key

MCQ answers:

1. (b) NSSO
2. (d) It compares the living standard of people.
3. (b) Who regularly move in and out of poverty
4. (b) 1979
5. (b) Churning poor
6. (c) Inability to fulfil basic requirements
7. (d) Pradhan Mantri Gramodaya Yojna
8. (a) Odisha
9. (a) November 2004
10. (b) NSAP
11. (c) Always Poor
12. (d) Chronically poor
13. (c) Churning poor
14. (c) Relative poverty
15. (d) All of these

Very Short Answers:

1. **Answer:** Poverty is the inability to secure the minimum consumption requirements for life, health and efficiency.
2. **Answer:** One-fifth of the world's poor live in India.
3. **Answer:** About 2.3 million children under the age of five die India per annum according to UNICEF.
4. **Answer:** The two key features of poorest households are hunger and starvation.
5. **Answer:** Ill health, disability and serious illness are the factors responsible for alarmingly high malnutrition among the poor.
6. **Answer:** Poverty line estimates the minimum level of income that is considered appropriate to secure basic necessities of life.
7. **Answer:** 22 percent of India's population lived below poverty line in 2011 -12.
8. **Answer:** The two types are absolute poverty and relative poverty.
9. **Answer:** Absolute poverty determines the minimum physical quantities of requirement for a subsistence level, with the help of poverty line.

10. **Answer:** Relative poverty refers to lack of resources in relation to different classes regions and countries.

Short Answers:

1. **Answer:** We can see poor residing in our localities both in rural and urban areas. Some of the most vulnerable groups are urban casual labourers, rural agricultural labourers, scheduled castes and scheduled tribes. These people possess very few assets and live in very miserable conditions. They live in kutcha houses made of baked mud and root grass.

They neither have any land to cultivate nor can they afford even two meals a day. Hence, they are malnourished and physically weak. Moreover, they are deprived of decent economic opportunities, which could raise their standard of living and lifestyle. They are illiterate, jobless as well as voiceless and powerless. Better-off people often exploit them.

2. **Answer:** Following are the problems faced by the poor:

- They suffer from chronic indebtedness borrow from money lenders who charge high rates of interest, which leads them into poverty.
- They are not able to negotiate with employers for legal wages and are exploited.
- They do not have access to electricity and safe drinking water.
- The primary cooking fuel is firewood and cow dung cake.
- There exists extreme gender inequality in the participation of employment, education and decision-making within the family.
- Women in poor households receive less care on their way to motherhood and hence, their children are less likely to survive or be born healthy.

3. **Answer:** The initiatives undertaken in post-independent India to work out a mechanism to identify the number of poor are:



- (i) A Study Group was formed by the Planning Commission in 1962.
- (ii) Task Force on Projections of Minimum Needs and Effective Consumption Demand was formed in 1979.
- (iii) 'Expert Groups' were also constituted for the same purpose in the years 1989 and 2005.

4. **Answer:** The consumption levels in the rural and urban areas are quite different. The calorie intake differs depending upon the age group, eating habits, type of work, climate and consumption level.

The accepted average calorie requirement in India is 2400 calories per person per day in rural areas and 2100 calories per person per day in urban areas. The calorie requirements in rural areas are considered to be higher than urban areas because people living in rural areas engage themselves in more physical work.

5. **Answer:** During 1973 -74 and 2011 -12, the poverty ratio has declined continuously for both urban and rural areas. There has also been a decline in the absolute number of poor. However, the ratio is declining much slower than the absolute number of poor in the country. While the gap between the absolute number of poor in rural and urban areas got reduced, the gap between rural and urban poverty ratio has remained the same until 1999-2000. The gap between ratios has in fact widened in 2004- 10.

6. **Answer:** The proportion of poor people is not the same in every state. The state level poverty has witnessed a significant decline compared to the levels of early seventies. However, the rate of success of reducing poverty varies from state to state. According to recent estimates, many states and union territories have poverty ratio less than the national average. On the other hand, poverty is still a serious issue in Odisha, Bihar, Madhya, Pradesh and Uttar Pradesh.

7. **Answer:** The British rule had a substantial negative impact on the Indian economy and standard of living of the people.

- There was a sharp increase rural tax, which made merchants and moneylenders exploit the borrowers.
- India began to export food grains under

the British, which lead to death of 26 million people in famines between 1875 and 1900.

- The British rule impoverished millions of people in India.

8. **Answer:** Landless farmers are poor and they do not have sufficient money to buy modern equipment for producing crops. In order to adopt developed techniques of production in agriculture, they take loans from moneylenders, who charge them very high rate of interest.

However, if the crop fails due to drought or other natural calamities, it causes distress among the farmers. They commit suicide due to their inability to repay the loans that they have taken for cultivation.

Long Answers:

1. **Answer:** Per capita expenditure method determines poverty by the monetary value of the minimum calorie intake. The minimum calorie intake was estimated at 2,400 calories for a rural person and 2,100 for a person in the urban area. On the basis of this, the poverty line was defined worth ₹ 816 as consumption per person a month for rural areas and ₹ 1,000 for urban areas for the year 201 1-12. Limitations of Per Capita Expenditure Method of Determining Poverty Line

- (i) It groups all the poor together, without differentiating between the very poor and the other types of poor.
- (ii) It takes into account only expenditure on food and a few select items. With this mechanism, it becomes difficult to identify who among the poor need the most help.
- (iii) Various factors such as accessibility to basic education, health care, drinking water and sanitation are ignored while developing poverty line.
- (iv) Social factors such as illiteracy, ill health, lack of access to resources, discrimination or lack of civil and political freedoms trigger and perpetuate poverty. These are also not taken into consideration while determining poverty line.

2. **Answer:** The main causes of poverty in India are the following:

Underdeveloped Nature of the Economy:

Indian economy is an underdeveloped economy. Its per capita income is low. Thus, its underdeveloped nature is closely associated with poverty, Rapid Growth of Population; Rapid growth of population in already overpopulated countries like India is one of the main causes of poverty. With the increase in population, the national income increases, however, the per capita income remains more or less the same.

Unstable and Casual Nature of Employment: The poor people lack basic literacy and skills. As a result, they have very limited economic opportunities and face unstable employment.

A large number of rural poor migrate to urban areas in search of employment and livelihood. The industries in cities, however, are not able to absorb all these people. The urban poor are either unemployed or intermittently employed as casual labourers.

- (i) **Predominance of Agriculture:** Agriculture is the principal means of livelihood and land is the primary assets of rural people. Productivity of land is an important determinant of material well being. But the productivity of land in India is very low and thus, people remain stuck in poverty.

- (ii) **Failure of Land Reforms:** Since independence, the government attempted to take lands from those who are having large amounts of land and allot to those who do not have any land but work on lands as wage labourers. This policy of land reforms was successful only to a limited extent.

This has left the large section of agricultural workers, scheduled castes and scheduled tribes as wage labourers. As a result, this group of population remained unable to possess assets or skill and remained stuck in poverty.

- (iii) **indebtedness of the Farmers:** Due to the adoption of developed techniques of production in agriculture, farmers had taken loans. In recent times, many farmers committed suicide due to their inability to pay back the loans. This

indebtedness makes the people unable to raise their income and thus, remain stuck in poverty.

- (iv) **Increase in Prices:** The continuous and steep price rise adds to the miseries of poor. Although, it benefits a few people in the society (businessmen), the persons in lower income group find it difficult to meet even their minimum needs.
- (v) **Unequal Distribution of Income and Wealth:** Unequal distribution of income and wealth has also led to persistence of poverty in India. This has generated two distinct groups of 'have and have not' in society. One group comprises those who possess the means of production and earn their income while the other group consists of those who rely on their labour power for subsistence. The gap between these groups has widened over the years thereby worsening the position of the poor.

3. **Answer:** The problem of poverty is a big danger to the unity of India. Although the government has adopted many programmes, covering different aspects together, following measures can also be undertaken to remove poverty:

- (i) **Population Control:** Growing population is a major cause of poverty in India. Hence, it is necessary to control it. Family planning programme should be implemented effectively.

- (ii) **Creation of More Employment Opportunities:** Though it has been stated in our Constitution that the government would provide employment opportunities to all, but unemployment is still a big problem in India. It is also responsible for poverty. Hence, it is essential to promote employment through intensive skill development technology.

- (iii) **Increase in Production:** Industrial and agricultural production should be increased to remove poverty. Present capacity should be utilised fully and new techniques should be adopted. Proper coordination should be there between large scale and small scale industries.



Superior seeds, manures, fertilisers and modern methods of production should be adopted for agricultural development. Necessary irrigation facilities should be made.

- (iv) **Check on Price Rise:** Price rise is also responsible for poverty in India. It decidedly goes against the interests of the poor. Thus, price rise must be checked through proper fiscal and monetary policies and other measures.
- (v) **More Emphasis on Small, Rural and Cottage Industries:** Small scale and cottage industries have not developed fully in India. The government should adopt effective methods to expand small and cottage industries, which will increase the self-employment opportunities for the poor.
- (vi) **Stepping-up Capital Formation:** Low rate of capital formation is a major hindrance in the way of fast economic development. Capital formation rate, therefore, must be increased. As it basically depends on the saving rate, every possible effort should be made to increase savings and their mobilisation.
- (vii) **Equal Distribution of Income and Wealth:** One cause of inequitable distribution of income and wealth is that economic and employment opportunities are not equal for all. This inequality should be reduced. The poor should be given priority in employment opportunities. Tax system should be developed in such a way that income and wealth does not get concentrated in a few hands.
- (viii) **Effective Implementation of Programmes Designed to Attack Poverty:** Undoubtedly, the government has implemented many programmes to attack poverty. It is unfortunate that these programmes have not been proved helpful to the poor because of ineffective implementation. Many social and political factors are responsible for it. Therefore, effective implementation of these programmes is necessary if poverty is to be reduced.

4. **Answer:** Government's approach of self-employment and wage generation was initiated from Third Five Year Plan (1961 -66) and has been enlarged successfully since then. The following programmes have been initiated by the government from time to time under this approach:

- (i) **Food for work Programme (FWP):** FWP was launched in the 1970s for the upliftment of the poor. Under this programme, foodgrains are distributed against the wage work.
- (ii) **Prime Minister's RozgarYojana (PMRY):** This programme has been implemented by the Khadi and Village Industries Commission, which aims at creating self-employment opportunities in rural areas and small towns. One can get financial assistance with bank loans to set up small enterprises under this programme.

Under PMRY, the educated unemployed from low-income families in both rural and urban areas can get financial help to set up any type of industry which generates employment.

- (iii) **Swarna Jayanti Shahari RozgarYojana (SJSRY):** It aims at creating employment opportunities, both self-employment and wage employment in urban areas. Individuals were given financial assistance under self-employment programmes.

- (iv) **Swarnajayanthi Gram SwarozgarYojana:** Swarnajayanthi Gram Swarozgar Yojana was launched in April 1999 and is the only self-employment programme currently being implemented. It aims at promoting micro enterprises and to bring the assisted poor families (Swarozgaris) above the poverty line by organising them into Self-Help Groups through the process of social mobilisation, training and capacity building and provision of income generating assets through a mix of Bank Credit and Government subsidy.

- (v) **Sampoorna Grameen RozgarYojana (SGRY):** SGRY was launched in September 2001. The schemes of Jawahar

Gram Samridhi Yojana and Employment Assurance Scheme have been fully integrated with SGRY.

The objective of the scheme is to provide additional wage employment along with food security, creation of durable community, social and economic assets and infrastructure development in the rural areas. The scheme envisages generation of 100 man days of employment in a year.

- (vi) **National Food for Work Programme (NFWP):** National Food for Work Programme was launched on November 14, 2004 in 150 most backward districts of the India. It is implemented as a 100 per cent centrally sponsored scheme and the foodgrains are provided to States free of cost. The objective of the programme was to intensify the generation of supplementary wage employment.

5. **Answer:** Programmes under minimum basic needs providing approach are expected to supplement the consumption of the poor, improve health and education and create employment opportunities. Government has adopted the following programmes under this approach:

- (i) **Pradhan Mantri Gram Sadak Yojana (PMGSY):** This programme aims at building all-weather roads by 2007 in all villages having population of 500 persons.
- (ii) **Pradhan Mantri Gramodaya Yojana (PMGY):** PMGY was launched in 2000-01 in all the states and union territories in order to achieve the objective of sustainable human development at the village level. The PMGY envisages allocation of Additional Central Assistance to the States and Union Territories for selected basic minimum services in order to focus on certain priority areas of the government.

Initially, PMGY had five components viz. primary health, primary education, rural shelter, rural drinking water and nutrition. Rural electrification has been added as an additional component from 2001-02.

- (iii) **Valmiki Ambedkar Awas Yojana (Vambay):** This programme was launched in December 2001 to facilitate the construction and up-gradation of dwelling units for the slum dwellers. It also aims to provide a healthy and enabling urban environment through community toilets under 'Nirmal Bharat Abhiyan' a component of the scheme.
- (iv) **National Social Assistance Programme (Nsap):** The government initiated National Social Assistance Programme under which, homeless elderly people are given pension to sustain themselves. The programme also covers poor and destitute women.

Case Study Answer-

1. Answer:
 1. a) absolute poverty
 2. Poverty line
 3. Consumption
 4. per capita expenditure
2. Answer:
 1. d) All of the above
 2. Casualization
 3. Gini Coefficient
 4. d) all the above

Assertion Reason Answer-

1. a) both assertion (A) and Reason (R) ARE true and reason (R) is the correct explanation of assertion (A).
b) Both assertion (a) and reason (R) are true, and Reason (R) is not the correct explanation of assertion (A).





Human Capital Formation in India

5

Physical Capital:

It includes all those inputs which are required in the process of production, such as plant, raw materials, machinery, building etc.

Human capital:

It refers to the knowledge, skill and efficiency of human beings in a nation at a point of time.

Human Capital formation: It is the process of acquiring and increasing the number of persons who have the skill, education and experience which are essential for the economic and political development of the nation.

Sources of human capital formation:

- **Investment/ experience on education:** The most important source of human formation is to invest on the education system and training of people. Education enables an individual to make good living throughout his life. A good education system results in the overall development of the economy as education generates technical skills and creates a manpower which suits for improving the total productivity of the economy.
- **Expenditure on health:** 'Health is wealth' is an old saying which directly signifies that a healthy mind is much more effective and productive than a sick mind. Expenditure on health makes an individual more productive and hence it contributes more in the GDP of the nation.
- **On the job training:** It refers to the training of employees while they are performing a job. The concept of on the job training increases the productivity of labour and sharpens their skills as they work under professional guidance and with practical application. Moreover, it enables the workers to adapt new technologies and hence creates human capital.
- **Expenditure on information:** It contributes to human capital formation as it enables the utilization of inactive skills of the people or it facilitates better utilization of resources. People migrates from rural to urban areas in order to find better earnings and a good standard of living.

Role of human capital formation in economic growth:

- **Increase production:** Human capital formation focuses on building a productive environment by providing skills and education to the people of the country. The productivity of the economy will automatically increase with increase in the level of education and skilled work force.
- **Raises life expectancy:** Human capital formation increased the life expectancy of the people. People migrate for better earning and quality of life.
- **Improves the quality of life:** People migrate for better earning and quality of life. The quality of life depends upon the level of education, health care facilitates, better working environment and good quality food. Human capital formation increases the quality of life of people of the economy.
- **Increases participation and brings equality:** Here participation refers to the percentage of labour force participating, the process of production. Human capital formation leads to enhancement of productive capacity of the labour which ultimately leads to greater employment and equality in the distribution of income and wealth.

- **Innovative skills:** With the increase in the number of skilled and trained workers, the possibilities of innovation also increase in the process of production. Innovation always plays a key role in the path of development of the economy and generation of income.

Problems facing in human capital formation:

- **Rising population:** Increasing population reduced the per head availability of existing resources and facilitates such as hospital, education, employment, water supply etc. The reduction in resource reduces the quality of life of the people.
- **Brain drain:** Skilled and technically efficient people migrate from India to foreign countries in search of better salaries and standard of life. This is a threat in the process of human capital formation for the country as it slows down the pace of development of the economy.
- **Insufficient man power planning:** One of the main causes of unemployment is the deficit of proper man power planning. There is always a gap between demand and supply of rising labour force in the country. Increase in the number of employment opportunities is far behind the number of available work force.
- **Inefficient education system:** Everything in the economy changes with the changing environment except the education system of our economy. The education system of our economy is around 100 years old, the number of universities increases with the great pace lacking behind the quality of education.
- **Insufficient on the job training in agriculture:** India is an agriculture based economy and yet agriculture does not received much attention in the area of professional skills. The concept of on the job training rarely applied in this sector which ultimately results in traditional methods of farming and low level of productivity.
- **Insufficient resources:** The amount of resources allotted for the development of human capital is very low as compared to actual amount of resources required. Due to this the resources remains inadequate and insufficient to for the formation of human capital.

Education sector:

An essential part of human capital formation Education refers to the process of teaching, training and learning especially in schools and colleges to improve knowledge and to develop skills Basically education is termed to be the most important part of human capital formation as it enables the people to change their outlook, become more efficient and to increase their productivity.

In India the education sector has been developed since independence:

Elementary education:

- It covers the students from class 1 to class 8 (6-14 years).
- The number of primary and middle school (upto class 8) has increased from 2.24 lakhs in 1950-51 to 11.92 lakhs in 2011-12.
- Nearly 97% children receives elementary education.
- Government introduced various policies to strengthen elementary education such as Sarva Sikhsha Abhiyan, right to education, mid-day meal programme and so on.

Secondary and senior secondary education:

- It covers the students from class 9 to class 12 (14-19 years)
- The number of Secondary and senior secondary school has increased from 7.4 thousands in 1950-51 to 2.32 lakhs in 2011-12.
- The number of students also increases from 15 lakhs in 1950-51 to 482 lakhs in 2011-12.
- An important role is played by Navodaya schools and kendriya vidhyalayas at central level.



Higher education:

- The number of colleges (general) has increased from 578 in 1950-51 to 35,839 in 2011-12.
- The number of universities has also increased from 27 to 665.
- The number of students getting higher education is about 130 lakhs (2011-12)
- The expenditure on education has also increased from 1.5% of GDP in 1950 to 3.1% in 2015-16.

Important terms:

- **Gross enrollment ratio:** It refers to the number of students enrolled in school at several different grade levels (primary, middle and high school)
- **Literacy rate:** It refers to the percentage of people above 7 years who can read, write and understand any one language. The literacy rate of India is approx 74.4%. Most literate state is Kerala with 93.9% whereas the least literate state is Bihar with 63.8%.

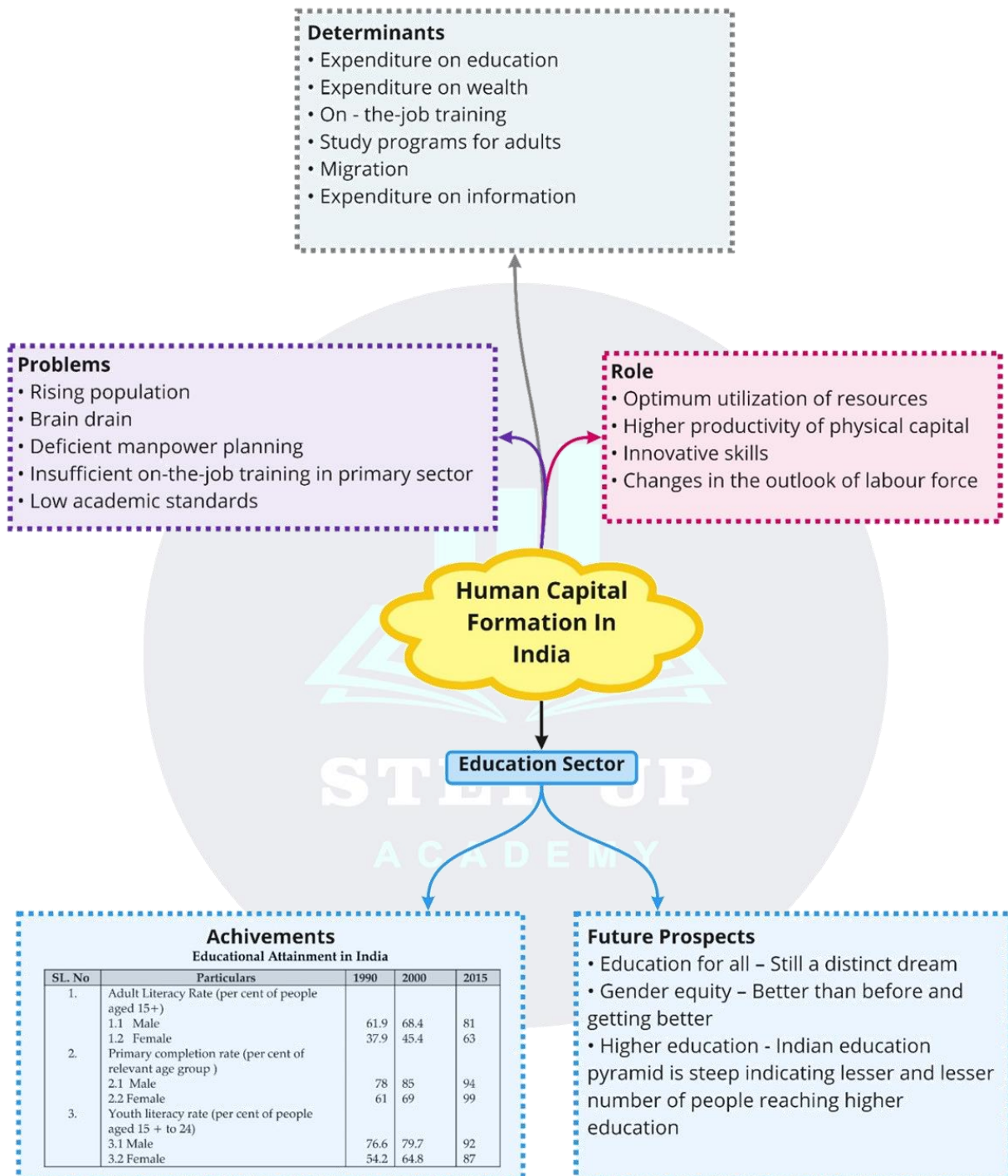
Human resource development:

- It refers to the development of the set of individual that makes up the workforce of an organization business sector or economy. In India
- Ministry of education at the center and state level, NCERT (National council of educational research and training), UGC (University grant commission), AICTE (All India council of technical education) regulate the educational sector.
- Ministry of Health at the Union and the state level and ICMR.

Summary:

- Physical capital
- Human capital
- Human capital formation
- Sources of human capital formation
- Investment/ expenditure on education
- Expenditure on health
- On the job training
- Expenditure on information
- Migration
- Role of human capital formation in economic growth
- Increases production
- Raises life expectancy
- Improves the quality of life
- Increases participation and brings equality
- Innovative skills
- Problems facing in human capital formation
- Rising population
- Brain drain
- Insufficient manpower planning
- Inefficient education system
- Insufficient on the job training in agriculture
- Insufficient resources
- Education sector: An essential part of human capital formation

Class : 12th Economics (Indian Economic Development)
Chapter-5 : Human Capital Formation In India





Important Questions

Multiple Choice Questions:

1. Which one of the following is a reason for poor human capital formation in India?
 - (a) Brain drain
 - (b) Insufficient resources
 - (c) High growth of population
 - (d) All of these
2. How much educational cess has been imposed by the government on all Union taxes?
 - (a) 1 %
 - (b) 2%
 - (c) 4%
 - (d) 5%
3. Which one of the following is a major source of human capital formation in the country?
 - (a) Expenditure on education
 - (b) Expenditure on infrastructure
 - (c) Expenditure on defense
 - (d) Expenditure on energy
4. The objective of midday meal scheme is
 - (a) to boost universalisation of primary education
 - (b) to boost the nutritional status of children in schools
 - (c) to increase enrolment attendance and retention, and also improving the nutritional status of children in school
 - (d) to boost universalisation of upper primary level of education
5. Which level of education takes a major share of total education expenditure in India?
 - (a) Elementary
 - (b) Secondary
 - (c) Higher
 - (d) Tertiary
6. What was the share of education in total government expenditure in 2014?
 - (a) 7.92 percent
 - (b) 15.7 percent
 - (c) 0.64 percent
 - (d) 3.31 percent
7. What percent of GDP was invested in education in the year 1952?
 - (a) 7.92 percent
 - (b) 11.7 percent
 - (c) 0.64 percent
 - (d) 3.31 percent
8. When was Right to Education Act enacted?
 - (a) 2008
 - (b) 2009
 - (c) 2010
 - (d) 2012
9. What was the average youth literacy rate in 2015?
 - (a) 89.5 percent
 - (b) 74 percent
 - (c) 88 percent
 - (d) 95.5 percent
10. Which of the following is not the role of on-the-job training?
 - (a) Eradicates inequality
 - (b) Encourages innovation
 - (c) Promotes modern methods
 - (d) Enhances productivity
11. Human capital consists of
 - (a) Entrepreneurs
 - (b) Both workers and entrepreneurs
 - (c) Workers
 - (d) Entire population
12. The most important indicator of the status of education of a country is the
 - (a) Death rate
 - (b) Population rate
 - (c) Birth rate
 - (d) Literacy rate
13. Human capital is similar to physical capital because
 - (a) Both
 - (b) none
 - (c) They are factors of production
 - (d) Raise nation's ability to produce goods and services



14. The objective of midday meal scheme is
 - (a) to boost universalisation of primary education
 - (b) to boost the nutritional status of children in schools
 - (c) to increase enrolment attendance and retention, and also improving the nutritional status of children in school
 - (d) to boost universalisation of upper primary level of education
15. Which of the following is not an indicator of education level?
 - (a) Years of schooling
 - (b) Life expectancy
 - (c) Teacher-pupil ratio
 - (d) Enrollment rate
7. Discuss India's potential as a knowledge economy.
8. Give an account of government's expenditure on education.

Long Questions:

1. Explain the role of human capital formation in economic development.
2. Briefly describe the two reports that point out the fact that further human capital formation in India will move its economy to a higher growth trajectory.
3. What are the objectives and functions of NCERT, UGC, AICTE and ICMR.
4. Suggest measures to reduce problems of human capital formation.
5. Explain the various sources of human capital.

Case Study Based Question-

Very Short:

1. Define human capital.
2. List the sources of human capital.
3. Why do individuals invest in education?
4. What is the main reason for rural-urban migration?
5. Define physical capital.
6. Define economic growth.
7. What are the indicators used to measure the health status of a country?
8. What percentage was set as the goal for expenditure on education?
9. What is the present literacy rate of India?
10. Name the institutions that regulate the education sector in India.

Short Questions:

1. List the benefits of education.
2. Discuss the need for human capital.
3. What are the different forms of health expenditure?
4. Discuss the need for expenditure on information as a source of human capital.
5. What are the advantages of human capital formation?
6. "Higher income leads to high level of human capital." Comment

1. Read the passage carefully and answer the questions that follows:

The first ever Human Development Report (2001) of India has been released. It focuses on the vital-facts related to bureaucratic controls and poor governance of the country. The report was prepared by the planning Commission under the guidance of its Deputy Chairman, Mr. K.C. Pant. This 297-page document was released on April 23, 2002 and submitted to the Prime Minister. The report states that from 1983 to 1993-94, the Human Development Index (HDI) improved by nearly 2.6 per cent annum and by over 3 per annum during the period 1993-2001. Rural and urban areas have shown signs of improvement, according to the report.

Kerala, Punjab, Tamil Nadu, Maharashtra and Haryana have good HDIs. But states like Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan and Orissa have HDIs close to nearly one-half to that of Kerala. Funds must be distributed efficiently and effectively so that human development processes do not suffer according to the report.

India's growth in terms of HDI has shown dismal trends during the recent past. Lack of resources, communal feelings and illiteracy are the chief causes of decay of the average Indian. Further, politicians, bureaucrats and other elements of the administration exploit the masses, executives, and business houses. The economic



and political systems need serious transformations. The socio-cultural fabric of the nation cannot be weaved again because of religious compulsions. Ironically, we believe in religion so that our passage into the next world could be smooth and sans agonies. But we are least worried about our courses of action (and their outcomes) in this world. Religion often forces us to dominate other communities and sects. We attack them at opportune moments and face reprisals from them. This vicious cycle has been going on in India for the past 3,000 years. In order to develop the quality of life of Indians, the administration must become honest, efficient, productive and agile. Plant workers must increase productivity and eschew violence and strikes. Businessmen must conduct their business operations with honesty; they never do so. Further, political parties must guide the electorate and also, the masses towards prosperity and not chaos. Our psyche has to be changed; a change of government cannot lead us to a new era sans corruption and poor governance. Economic growth is linked to social growth, moral awareness, health and education. Every industrialist must work for the benefit of his or her nation. We have least interest in our nation and that is why, we are not receiving anything from her. The targeted rate of growth (of GDP) for the Tenth Plan is 8 per cent. However, the GDP growth rate during the Ninth Plan was a meagre 5.4 per cent. During the Eighth Plan, this rate was 6.7 per cent. How can we ensure consistent human development on a national scale if our results always fall short of targets. Our economy should grow at the rate of 7-8 percent. During 2001-02, it grew at the rate of 5.4 per cent.

1. Which state is lag in good HDI according to this report.
 - a. Punjab.
 - b. Kerala.
 - c. Bihar
 - d. Tamilnadu
2. When was first report on HRD was published.
 - a. In 1998
 - b. In 2000
 - c. In 2001
 - d. In 2005

3. What was the target for GDP Growth during 10th five year plan?
 - a. 5%
 - b. 7%
 - c. 8%
 - d. 10%
4. Which is not related with human capital formation.
 - a. Education.
 - b. Health.
 - c. Skill.
 - d. Internet.
5. India's HDI rank was too low because of:
 - a. Poor literacy rate.
 - b. Poor education facilities.
 - c. Poor health services.
 - d. All of the above.
2. Read the passage carefully and answer the questions that follows:

The objectives of public finance are to ensure macroeconomic stability, achieve the desired state of distribution, provide public services to accelerate growth and development. Fiscal policy has both macro and microeconomic aspects. Further, the objectives include allocating resources for the provision of public services. The important point is that ensuring security and protection of property rights is a basic public good and this can be provided only by the government. The governments have the task of distributing incomes and alleviating poverty.

After the Great Depression and influenced by Keynesian economics, public spending was assigned a central role. Thus, the role of public finance is inextricably linked to the role of the state. From merely ensuring safety, security and property rights, governments have expanded their activities to providing a variety of public services with externalities. The expansion has been a subject matter of debate. Musgrave considers that the expansion of the public sector has been a necessary and constructive development and strong public sector is needed along with the capitalist market. In contrast, Buchanan argues that dispute arises when the state expands to areas beyond the realm of



boundaries of the protective state into a productive or tax-transfer state. In India, state intervention through public finance policy has to play an important role besides ensuring the safety and security of people and their property rights. These include the need to overcome large social and physical infrastructure deficit, provide correctives to missing and imperfect markets, introduce measures to reduce acute inequalities and poverty and provide correctives to widespread information asymmetry. Interventions are needed also to provide externalities in terms of market development, irrigation, storage and price support in agriculture to deal with market imperfections and supply volatility. Similarly, generalized externalities have to be ensured for the manufacturing and service sectors through competitive levels of infrastructure. India's public finance policies have enabled the government to play a catalytic role in the development of the economy as a whole. In addition over the years, there has been a significant increase in transfers from the government such as for employment guarantee and food security, national housing scheme, Swachhh Bharat Abhiyan, Ujjawala Yojana, Pradhan Mantri Kisan Samman Nidhi, periodic loan waivers, etc.

1. Which one of the following statements is correct?
 - A. The expansion of the public sector has been a necessary and constructive development and a strong public sector is needed along with the capitalist market
 - B. There are several reasons for the state to embrace a much larger role
 - C. In India, state intervention through public finance policy has to play an important role
 - D. Keynesian economics states that the state has to ensure full employment

Choose the correct answer from the options given below:

- a. A and B only
- b. A, B and C only
- c. A and C only
- d. A, B, C and D

2. The statement, "Dispute arises when the state expands to areas beyond the realm of boundaries of the protective state into a productive or tax-transfer state", was given by:
 - a. Musgrave
 - b. Keynes
 - c. Dalton
 - d. Buelatnan
3. Which one of the following objectives of public finance is NOT correct?
 - a. Ensure macroeconomic stability
 - b. Ensure reduction of adverse balance of payments
 - c. Accelerate growth and development
 - d. Desired state of distribution
4. The externalities of the government intervention in the economy can be found in terms of:
 - A. Market development
 - B. Money supply
 - C. Storage and price support in agriculture
 - D. Irrigation
5. Choose the correct answer from the options given below:
 - a. C and D only
 - b. A, B and D only
 - c. A, B and C only
 - d. A and D only
6. Which one of the following does NOT fall in the category of government transfers?
 - a. National Housing
 - b. Swachhh Bharat Abhiyan
 - c. Periodic loan waivers
 - d. Education

Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. is True but (R) is False
 - b. is False but (R) is True
 - c. Both (A) and (R) are True and (R) is the correct of A
 - d. Both (A) and (R) are True but (R) is not



the correct explanation of (A)

Assertion: Indian economy is predominantly rural economy.

Reasoning: As per 2011 census, the country's rural population is almost 83.25 crore (68.8% of total population)

2. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**

a. is True, but (R) is False

b. is False, but (R) is True

c. Both (A) and (R) are True and (R) is the correct explanation of (A)

d. Both (A) and (R) are True but (R) is not the correct explanation of (A)

Assertion: Literacy is a powerful instrument of socio-economic change.

Reasoning: Empowerment of women helps to reduce gender disparity.

Answers Key

MCQ answers:

1. (d) All of these
2. (b) 2%
3. (a) Expenditure on education
4. (c) to increase enrolment attendance and retention, and also improving the nutritional status of children in school
5. (a) Elementary
6. (b) 15.7 percent
7. (c) 0.64 percent
8. (b) 2009
9. (a) 89.5 percent
10. (d) Enhances productivity
11. (d) Entire population
12. (d) Literacy rate
13. (a) Both
14. (c) to increase enrolment attendance and retention, and also improving the nutritional status of children in school
15. (b) Life expectancy

(iii) On-the-job training

(iv) Labour market information

(v) Migration

3. **Answer:** Individuals invest in education to increase their future income.
4. **Answer:** Unemployment is the main reason for rural-urban migration.
5. **Answer:** Physical capital refers to the manufactured assets used in the process of production such as machinery, equipment, buildings, vehicles, etc.
6. **Answer:** Economic growth refers to the increase in real national income of a country.
7. **Answer:** The indicators used to measure the health status of a country are:
(i) Life expectancy rate
(ii) Mortality rate
8. **Answer:** It was set at 6 percent of the GDP.
9. **Answer:** The literacy rate of India (2011-12) is 74 percent.
10. **Answer:** NCERT, AICTE and UGC regulate the education sector in India.

Very Short Answers:

1. **Answer:** Human capital is the stock of knowledge and skills that make the workers productive,
2. **Answer:** The sources of human capital are:
(i) Education
(ii) Health

Short Answers:

1. **Answer:** Following are the benefits of education:
(i) It gives a better social status and pride.
(ii) It enables wise decision-making.
(iii) It enhances social outlook and develops understanding to accept the changes taking place in society.

(iv) It stimulates innovations and facilitates adaptation of new technologies.

2. **Answer:** The population of the nation takes charge of all economic activities such as production, distribution and consumption. Human capital, therefore, may be recognized as one of the production factors, which can generate additional values. An economy needs sufficient human capital in the form of educated, trained and competent people to function and accomplish its goals. As we move deeper into a knowledge-based economy that depends on information, knowledge and high-level skills, human capital becomes increasingly important.

3. **Answer:** The different forms of health expenditure include expenditure on:

- Preventive medicine – medical practices which are designed to avoid or avert diseases
- Curative medicine – health care practices that are used to treat patients with the intent of curing them, not just reducing their pain
- Social medicine – medical practices concerned with the role of social factors in the occurrence, prevention and treatment of disease
- Provision of clean drinking water
- Good sanitation

4. **Answer:** People need to incur expenditure in order to acquire information related to equity markets, labour markets, education, health and other related markets. For instance, expenditure is incurred while collecting information related to education such as fees, transportation cost, consultancy fee, etc. Information plays an important role in making decisions regarding investments in human capital.

Moreover, expense is incurred for efficient utilisation of the acquired stock of human capital. The money spent on obtaining information related to any kind of markets is a source of human capital formation.

5. **Answer:** The following are the advantages of human capital formation:

- It increases efficiency and income generating capacity of labour
- It improves technical knowledge.

- It enlarges the size of business.
- It increases the level of production.
- It changes social outlooks.
- It decreases cost of production.

6. **Answer:** Higher income leads to development of high level of human capital and vice versa. In other words, high level of human capital leads to growth of income. It is believed that even a large population, which is trained and educated, can become an asset in accelerating economic growth and ensuring social change in desired directions.

However, it is difficult to establish a relation of cause and effect from the growth of human capital to economic growth as the rate of growth human capital in developing countries has been faster than the rate of growth of per capita real income.

7. **Answer:** India has the potential to become a leading knowledge-based economy. With its youth population and growing information and communication technology (ICT) industry, India can become a major global knowledge-based economy. However, there is a need for measures such as:

- Supportive laws
- Improved infrastructure
- Removal of barriers to trade and investment
- Up-skilling of labour force
- Higher spending in research and development
- Innovative financing for small businesses and enterprises

A shift to knowledge-based growth would help developing country like India avoid the middle-income trap and also address the issue of rising income inequalities.

8. **Answer:** During 1952-2014, education expenditure as percentage of total government expenditure increased from 7.92 to 15.7. As percentage of GDP, expenditure on education increased from 0.64% to 4.13% over the same period. However, the increase in education expenditure has not been uniform. The share of elementary education is the highest in the total education expenditure while that of higher/tertiary education is the least.

(iv) **Indian Council of Medical Research (ICMR):** The Indian Research Fund Association (IRFA), re-designated as ICMR in 1949 in New Delhi, is the apex body in India for the formulation, coordination and promotion of biomedical research. It is one of the oldest medical research bodies in the world.

4. **Answer:** The following are the measures should be adopted to reduce the problems of human capital formation in India:

- (i) **More Emphasis on Technical Education:** Technical education makes a person income earner soon. On the other hand, college or university education is increasing the number of unemployed; Therefore, more emphasis should be given on technical education to reduce the problem of human capital formation.
- (ii) **Need for Government-run Programmes in Education and Health Sector:** For the removal of different problems of human capital formation, there is a need for the different forms of government intervention in the education and health sector. In this regard, government has started many programmes in education sector such as Sarva Shiksha Abhiyan (SSA), Mid Meal Scheme, Kasturba Gandhi Balika Vidyalaya (KGBV), Prarambhik Shiksha Kosh (PSK), etc. The main objective of these programmes is to make universal access to all. In the health sector government has also started many disease control programmes.
- (iii) **Regulation of Fees Structure in Education and Health Care Institutions:** it is very essential for the government to regulate the fees structure in education and health care institutions, because the fee structures are very low in these institutions and the expenditure is very high, which is regarded as unproductive for the country.

As a result, government sector is making great losses, Government's income is falling short of its expenditure. For the development purpose to remove the problems of human capital, it is very essential to regulate the fees structure in these sectors. The fees structure of private sector in education and health care institutions is manifold more than the government sector. Therefore, it is necessary to regulate the fees structure in the government's education and health institutions.

(iv) **Change in Educational System:** For the success of human capital formation, basic changes and improvements in educational system are essential. Technical and secondary education should be compulsory and higher education should be provided to the able persons.

(v) **Compulsory Secondary Education:** For the success of human capital formation, secondary education should be compulsory to all, which will definitely help in increasing the productivity and efficiency.

(vi) **Proper Motivation.** For the success of human capital formation programmes, proper motivation, is required. This will help the people to adopt modern techniques of production. To conclude, for the development of any country, human capital formation is very important. Government of India is also investing a lot in the field of education and health for human capital formation.

5. **Answer:** Following are the sources of human capital:

(i) **Education:** Investment in education is considered as one of the source of human capital. Without education, human beings have only brute manpower, in the form of physical labour. Investment in education gives human beings additional skills to do the same job.

It converts human beings into human capital, which enhances the labour productivity. This investment in education will ultimately increase the income of human beings in future.

(ii) **Health:** Health is another significant source of human capital. The health of a person affects human capital. A sick person, without access to medical facilities, is compelled to abstain from work and there is a loss of productivity. Expenditure on health directly increases the supply of healthy labour force and hence, a source of human capital formation. The various forms of health expenditure are:

Rural Development | 6

Rural Development:

Rural Development refers to a situation in which an individual is unable to fulfill the basic necessities of life. In other words, it is the ability of a individual to fulfill the minimum requirement of life like food, clothing, shelter, education and health facilities etc.

It is a continuous and comprehensive socio-economic process trying to improve all the aspects of rural life.

In other words, Rural development is a comprehensive term which essentially focus on action for the development of area which is lacking behind in the overall development of village economy.

The overall development of rural economy comes under rural development.

Such as:

- Development of human resources.
- Development of infrastructure.
- Land reforms.
- Poverty Alleviation program etc.

Agricultural credit:

It refers to the credit for the farming. Due to involvement of long time period and uneven distribution of land, credit becomes the lifeline of Indian agriculture.

Sources of Agricultural credit:

There exist 2 types of sources which provide agricultural credit in rural areas.

- Non institutional sources
- Institutional sources

Non-Institutional sources:

It is the most common source of rural credit.

- Money lenders
- Zamindar
- Sahukar
- Relatives
- Trades

Merits of taking credit from Non institutional sources:

- No legal formalities are required.
- Loan is provided anytime.
- Ease in taking loan.



Demerits of taking credit from Non institutional sources:

- High rate of interest
- Exploitation of farmers
- Farmers were forced to sell their products to the lenders at low price.

Institutional sources:

It refers to organizations which are legally meant to provide credit.

- **Co-operative credit societies:** They provide adequate credit to the farmers at reasonable rate of interest. They also provide directions in agricultural operations to the farmers so that they can increase their productivity.
- **Commercial banks:** It is an institution which performs the functions of accepting deposit, granting loans and making investment, with the aim of earning profit. **Example:** SBI (State Bank of India), PNB (Punjab National Bank), Canara Bank etc. The government realized that agricultural credit needs cannot be solely met by cooperative credit societies and commercial banks should play an important role.
- **Regional rural bank (RRB):** These banks are set up to promote credit facilities in rural and backward areas of the country. They operate at district level and focus on the credit requirements of the weaker sections of the societies.
- **NABARD (National Bank for Agriculture and Rural Development):** It is an apex bank in agricultural and rural credit (established in 1982). The bank has been entrusted with the matters concerning policy, planning and operations in the field of credit for agricultural and other economic activities in rural areas of the country. The basic objective of this is to promote the strength of agricultural credit in rural areas.
- **Self help groups (SHGs):** Self help groups are small groups of poor people. They help each other to solve their problems. SHGs promote small savings among their members. The savings are kept with the bank with the name of the self help groups. Later on this common fund is used to give small loans its members. The government also provides partial financial assistance to SHGs.

Agriculture marketing:

Indian farmers always faces the problem of selling their products in the market at the right price. The basic deficit they face is the problem to market their products, and hence the requirement of agriculture marketing arises. Agriculture marketing is a process that includes assembling, storage, processing transportation, packaging, grading and distribution of different agricultural commodities across the country.

In other words, it includes the services involved in moving the agricultural products from farm to the ultimate consumer.

A good marketing system is essential to mobilize the surplus agricultural products (food grains and raw materials) to feed urban populations and industries.

Defects of agriculture marketing:

- Lack of storage facility
- Lack of effective transportation in rural areas
- Lack of marketing information in farmers
- Lack of adequate finance
- Inadequate communication

Measures taken for agriculture marketing:

- **Regulated market:** It is a type of market which was established by the government of India for transparency in buying and selling of agriculture commodities. The buying and selling of commodities under this market is monitored by the committee which includes the representatives of government, farmers and traders. It is established just for protecting farmers from fraud by middleman and to provide them adequate price for their commodities.



- **Co-operative agriculture marketing societies:** It refers to the type of marketing societies are formed by the farmers to sell the output collectively and to take advantage of collective bargaining in order to get better price for the crops.
- **Minimum support price (MSP):** In order to give better price and to increase the incentive for producing agriculture products the government of India gives minimum support price to the farmers for their crops. It can be treated as the offer price by the government to the farmers for their crops. The government purchases the products from the farmers at Minimum Support Price and stores it in the godowns of Food Corporation of India (FCI).
- **Subsidized transport:** In order to promote and strengthen agriculture in the economy, the government introduced subsidized transport system for the farmers. Railway offer low rate transport to the farmers for bringing their produce to the urban markets where they may get a better deal.
- **Public distribution system:** Concept of ration shops and fair price shops operates the public distribution system in the economy. Fair price shops offer essential commodities like rice, wheat, pulses, kerosene etc, at a lower price to the financially lower sections (below poverty line) of the societies.
- **Standardization and grading:** Grading is the process of dividing the products into different lots which have similar characteristics in shape, size, type, quality, performance etc. Products of different qualities should be separated into groups and similar quality products are put into a Grading and quality helps the farmers to secure more price for better quality of products and to earn more. Example- different grades of rice are Basmati, Arborio, Brown, Jasmine, White etc.

Diversification of Agricultural activities:

Due to huge amount of rise and sole dependence of rural areas on agriculture there exist a need to diversify the agricultural activities.

Diversification refers to the shift from crop farming to other areas of production for employment; It raises the level of income and reduces the heavy rise. Finding livelihood away from crop farming becomes more important when it realizes that crop farming sector is overburdened.

It has 2 aspects:

- **Diversification of crop production:** It refers to changing the single cropping system into multi-cropping system. Earlier a single food grain is produced on a piece of land; the basic agenda of diversifying this is to change the cropping pattern from food grains to cash crops. Multi-cropping refers to production of more than 1 crop in a year. It decreases the dependence of farmers on one or 2 crops as they are now engaged in production of variety of crops.
- **Diversification of productive activities:** Due to overburden of crop farming sector, major portion of the increasing workforce were given employment opportunities in non-farming sectors.

Non-farming primary sector includes:

- Animal husbandry (includes breeding, caring and rearing of farm animals, like cattle's, goats, duck etc).
- Fisheries (includes catching, processing and selling of water animals).
- Horticulture (includes cultivation of fruits, vegetables, flowers, medicinal plants etc). (the revolution connected to horticulture is known as golden revolution).

Sustainable development and organic farming: The development of our present generation without hampering the development of future generation is known as Sustainable Development.

Organic farming:

It is a process of producing food naturally; under such farming the use of chemical fertilizers and highly yielding variety of seeds is totally prohibited.

It is an eco-friendly method of cultivation which brings Sustainable development in the country.

In other words, it a type of farming system in which the total farming restores, maintain and enhance the balance of ecological system.



This method of farming is very popular across the globe, many countries produce around 10% of their food output through organic farming.

Benefits of organic farming:

- Eco-friendly system of production. (Due to non-involvement of fertilizers)
- It is a less expensive method because of use of traditional technique of production.
- Increases the level of income, as the demand for organic products is increasing rapidly in international market.
- It provides healthier and tastier food.
- Provides more employment opportunities as it is labour intensive.

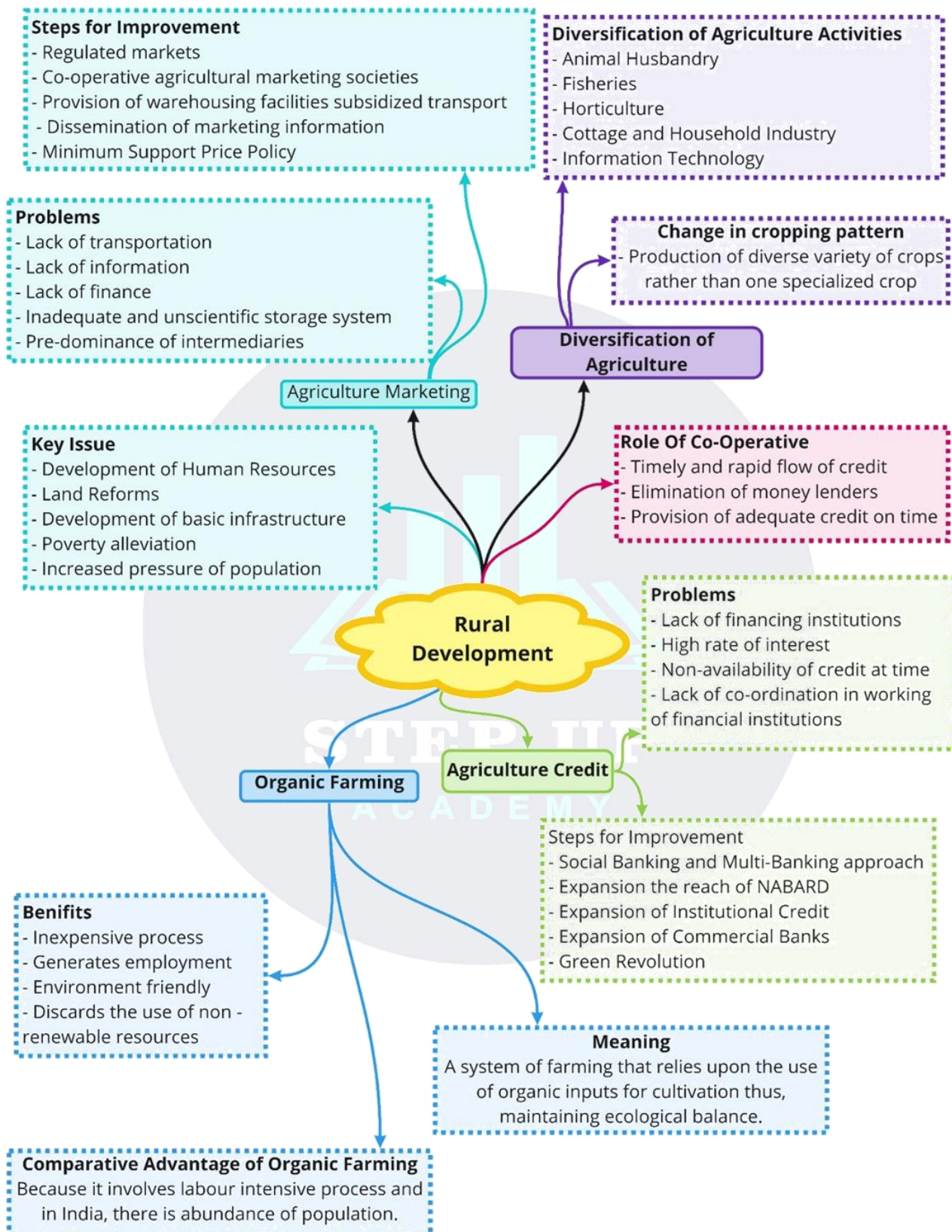
Labour intensive technique: It refers to the technique which requires large amount of labour to produce the goods.

Labour force: It refers to the actual number of people available for work.

Summary:

- Development of human resources
- Development of infrastructure
- Land reforms
- Poverty Alleviation program etc.
- Agricultural credit
- Sources of Agricultural credit
- Non institutional sources
- Institutional sources
- Agriculture marketing
- Defects of agriculture marketing
- Lack of storage facility
- Lack of effective transportation in rural areas
- Lack of marketing information in farmers
- Lack of adequate finance
- Inadequate communication
- Measures taken for agriculture marketing
- Regulated market
- Co-operative agriculture marketing societies
- Minimum support price (MSP)
- Subsidised transport
- Public distribution system
- Standardization and grading
- Diversification of Agricultural activities
- Sustainable development
- Organic farming
- Benefits of organic farming

Class : 12th Economics (Indian Economic Development)
Chapter-6 : Rural Development





Important Questions

Multiple Choice questions-

1. The scheme of microfinance is extended through
 - (a) Self-help Groups
 - (b) Land Development Banks
 - (c) NABARD
 - (d) Regional Rural Banks
2. Name the state which is held as a success story in the efficient implementation of milk cooperative.
 - (a) Maharashtra
 - (b) Jammu and Kashmir
 - (c) Gujarat
 - (d) Andhra Pradesh
3. Which one of the following is not a non-institutional source of credit?
 - (a) Moneylenders
 - (b) Relatives
 - (c) Traders and commission agents
 - (d) Land Development Bank
4. Why is the minimum support price fixed by the government?
 - (a) For the government's own benefit
 - (b) To safeguard the interest of farmers
 - (c) To save the interest of consumers
 - (d) None of these
5. Blue revolution is associated with
 - (a) Indigo cultivation
 - (b) Poultry farming
 - (c) Fisheries
 - (d) Availability of drinking water
6. Which of the following falls under unorganized sector?
 - (a) Gramin Bank
 - (b) Cooperative banks
 - (c) Moneylenders and traders
 - (d) Land development Banks
7. Which Indian state has been held as a success story in the efficient implementation of milk cooperatives?
 - (a) Punjab
 - (b) Gujarat
 - (c) Uttar Pradesh
 - (d) West Bengal
8. What is the name of the vegetable and fruit market in Andhra Pradesh?
 - (a) Apni Mandi
 - (b) Hadaspar Mandi
 - (c) Rythu Bazars
 - (d) Uzhavar Sandies
9. How much do the "inland sources" contribute to the total fish production in India?
 - (a) 64 percent
 - (b) 39 percent
 - (c) 50 percent
 - (d) 75 percent
10. Which status has been accorded to the retail chains and supermarkets for selling organic food?
 - (a) Eco Status
 - (b) Sustainable Status
 - (c) Nutritional Status
 - (d) Green Status
11. Growth in rural marketing relates to
 - (a) Provision of physical infrastructure
 - (b) Regulation of markets
 - (c) Cooperative farming
 - (d) All of these
12. From the following which is not a non-institutional source of credit in India.
 - (a) Money lenders
 - (b) Traders
 - (c) Commission agents
 - (d) Commercial banks

13. The 'Golden Revolution' was a period of very high productivity in:
 - (a) Foodgrain production
 - (b) Horticulture
 - (c) Organic farming
 - (d) Pisciculture
14. AMUL stands for:
 - (a) Anand Multiple Union Ltd.
 - (b) Agriculture and Milk Union Ltd.
 - (c) Anand Mil Union Ltd.
 - (d) Anand Manufacturing Union Ltd.
15. Organic farming uses
 - (a) Organic manure
 - (b) Bio-fertilisers
 - (c) Organic pesticides
 - (d) All of these
6. What are significant features of moneylenders as a source of rural credit?
7. Discuss in brief the defects of agricultural credit.
8. What was the need for state intervention to regulate the activities of the private traders?
9. State intervention is required to regulate the activities of the private traders.

Long Questions:

1. Explain the various non-institutional sources of rural credit in India.
2. What are the sources of institutional credit in India? Explain.
3. Suggest some measures for the improvement of rural credit.
4. Explain the significance of agricultural marketing in rural development.
5. Discuss the conditions required for efficient agriculture marketing in India.

Very Short:

1. Define rural development.
2. What has happened to the agriculture output during 2007-12?
3. Define credit.
4. What is the function of micro-credit programme?
5. Why are moneylenders a popular source of rural credit?
6. When was NABARD set up?
7. What is agricultural marketing?
8. What is cooperative marketing?
9. What is agricultural diversification?
10. Name the category that accounts for the largest share in livestock in India.

Case Study Based Question-

1. In agriculture, due to long time gap between crop sowing and realisation of income, farmers are in strong need for credit. Farmers need money to meet initial investment on seeds, fertilisers, implements and other family expenses of marriage, death, religious ceremonies, etc. So, credit is one of the important factors, which contribute to agricultural production. An efficient and effective rural credit delivery system is crucial for raising agricultural productivity and incomes.

Questions:

1. Which one of the following is not a non-institutional source of credit?
 - (a) Money lenders
 - (b) Co-operative Credit
 - (c) Trader and commission agents
 - (d) Land development bank
2. _____ (NABARD/RBI) is the Apex Bank which coordinates the functioning of different financial institutions, working for expansion of rural credit.
3. Regulated markets were organised to protect the farmers from the malpractices of consumers. (True/ False)

Short Questions:

1. Why is rural development important?
2. What efforts has the government made for rural development?
3. Discuss the changes that have taken place in Indian agriculture and rural sector since initiation of reforms.
4. What should the rural banking sector do to improve the situation of rural credit in India?
5. What are the limitations of non-institutional sources of credit?



2. Prior to independence, farmers, while selling their produce to traders, suffered from faulty weighing and manipulation of accounts. Farmers who did not have the required information on prices prevailing in markets were often forced to sell at low prices. They also did not have proper storage facilities to keep back their produce for selling later at a better price. Measures that were initiated to improve the marketing aspect.

Questions:

1. Government improve agriculture marketing system through (Control/Regulate).
2. Agricultural marketing is a process that involves the:
 - (a) Transportation
 - (b) Packaging
 - (c) Grading
 - (d) All of these
3. The first step was regulation of markets to create orderly and transparent marketing conditions (True/Falls).

Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct

explanation of Assertion (A)

- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Assertion: Rural development is an action plan for complete and comprehensive development of rural area.

Reason: In required to increase the standard of living of Indians as two third of the population of India lives in rural area.

In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Assertion: Rapid expansion of the banking system had a positive effect on rural farm and non-farm output, income and employment.

Reason: The institutional credit arrangement continues to be inadequate as they have failed to cover the entire rural farmers of the country.

Answers Key

MCQ answers:

1. (a) Self-help Groups
2. (c) Gujarat
3. (d) Land Development Bank
4. (b) To safeguard the interest of farmers
5. (c) Fisheries
6. (c) Moneylenders and traders
7. (b) Gujarat
8. (c) Rythu Bazars
9. (a) 64 percent
10. (d) Green Status
11. (d) All of these
12. (d) Commercial banks
13. (b) Horticulture
14. (c) Anand Mil Union Ltd.
15. (d) All of these

Very Short Answers:

1. **Answer:** Rural development refers to the action plan for the economic and social upliftment of rural areas.
2. **Answer:** During 2007-12, agricultural output has grown at 3.2 percent.
3. **Answer:** Credit is the amount of money available to be borrowed by an individual, which must be paid back to the lender at some point in the future.
4. **Answer:** Micro-credit programme provides small loans to the needy for self-employment projects that generate income.
5. **Answer:** The moneylenders are a popular source of rural credit due to easy availability of credit.
6. **Answer:** NABARD was set up in 1982.
7. **Answer:** Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.
8. **Answer:** Cooperative marketing is a system through which a group of farmers join together to undertake some or all the processes involved in bringing goods to the consumer instead of individual sale.
9. **Answer:** Agricultural diversification refers to change in cropping pattern and/ or a shift of workforce from agriculture to other allied activities and non-agriculture sector.
10. **Answer:** Poultry accounts for the largest share in livestock in India with 58 per cent (in 2012).

Short Answers:

1. **Answer:** The real progress of a country does not mean simply the growth and expansion of industrial urban centres. It is mainly the development of the villages, the rural sector. Development of rural sector is important because:
 - (i) agriculture is the major source of livelihood in the rural sector of India;
 - (ii) more than two-third of India's population depends on agriculture; and
 - (iii) bulks of raw materials for industries come from agriculture and rural sector.

However, the level of agricultural productivity is so low that one-third of rural India still lives in abject poverty. Thus, it is important to develop rural India if our nation has to realise real economic and social progress.

2. **Answer:** The government has made the following efforts for rural development:

- (i) Prepared a road map for agricultural diversification with focus on horticulture, floriculture, animal husbandry and fisheries
- (ii) Started Vishesh Krishi Upaj Yojana on 1st April, 2004 as a special agricultural produce scheme with the objective of promoting exports of fruits, vegetables, flowers, minor forest produce, dairy and poultry'
- (iii) Focused on micro irrigation, finance, insurance and rural credit
- (iv) Strengthened agricultural marketing infrastructure

3. **Answer:** After the initiation of reforms, the growth rate of agriculture sector decelerated to about 3 percent per annum during the 1991 - 2012. Decline in public investment has been the major reason for this. The share of agriculture sector's contribution to GDP has been declining while the population dependent on this sector has not shown any significant change.

There has been inadequate infrastructure, lack of alternate employment opportunities in the industry or service sector and increasing casualisation of employment, which further impedes rural development. During 2007-12, agriculture output has grown only at 3.2 percent.

4. **Answer:** In order to improve the situation of rural credit in India, the rural banking sector should change their approach from being merely lenders to building up relationship banking with the borrowers. Developing the habit of savings and efficient utilisation of financial resources must be encouraged among the farmers.

5. **Answer:** The following are the limitations of non-institutional sources of credit are:

- (i) Moneylenders and traders exploit small farmers by charging very high rate of interest on loans.

- | | | | |
|-------|---|-------|---|
| (ii) | They manipulate poor farmers' credit accounts and keep them in debt trap. | (iii) | to ensure use of standardised weights and measures |
| (iii) | They compel the farmers to sell their produce to him at low prices. | (iv) | to promote fair marketing fees; and |
| (iv) | They do not issue any receipt after the payment is made by the farmer. | (v) | to keep a check regarding unauthorised deductions from the purchase price payable to the framers. |
| (v) | They get the word cone by members of farmers family without any wages | | |
- Long Answers:**

Long Answers:

6. **Answer:** The significant features of moneylenders as a source of rural credit are:

 - (i) Moneylender provides credit both for productive and unproductive purposes.
 - (ii) The money lending method is very simple. He provides loans for short-term, medium-term as well as long-term requirements of the farmer, without any legal formalities.
 - (iii) Moneylender provides loans with or without security.
 - (iv) If the farmer pays the interest on a regular basis, the moneylender does not compel the farmer to pay back the principal amount.

7. **Answer:** In India, the main defects in the agricultural credit system are as given under:

 - (i) Agriculturist needs to pay a very high rate of interest.
 - (ii) Moneylenders and traders are still the prominent source of agricultural finance.
 - (iii) There is a lack of coordination among the various agencies of rural credit.
 - (iv) Despite many institutions, adequate agricultural credit is not available. The institutional finance is only 50 percent of the total requirements of the farmer.
 - (v) The commercial banks hesitate to provide credit to agriculturist. Banks demand collateral as the risk involved is greater.
 - (vi) There is no systematic arrangement in New Agricultural Finance Corporations for agricultural credit.

8. **Answer:**

 - (i) to ensure adherence to standardised and open marketing procedures
 - (ii) to avoid collusion between brokers and traders that may cause disadvantage to the farmers

1. **Answer:** The various non-institutional sources of rural credit in India are:

 - (i) **Moneylenders:** Moneylenders typically offer small personal loans to farmers at high rates of interest. They charge high interest rates due to the level of risk involved. They lend to people with limited access to banking activities.
 - (ii) **Traders and Commission Agents:** Traders and commission agents are also non-institutional source of agricultural finance. They advance loans to agriculturists for productive purposes against their crops without any legal agreement. They force them to sell their produce at low prices and charge heavy commission for themselves.
 - (iii) **Landlords:** Small and marginal farmers mostly depend on landlords for credit in order to satisfy their day-to-day requirements; However, with the abolition of zamindari system, this source has lost its importance to a large extent.
 - (iv) **Relatives:** Sometime the farmers have to borrow from their relatives and friends to meet their financial crisis. This type of loan does not carry interest.

2. **Answer:** The sources of institutional credit in India include the following:

 - (i) **Government:** The government provides loans to the farmer for his short-term as well as long term needs. Normally, these loans are given at the time of natural calamities such as droughts, floods, etc. Long-term loans are given for making permanent improvements and a very low rate of interest is charged for the same.
 - (ii) **Cooperative Credit:** The cooperative credit societies meet the requirements of only short-term credit. However, to bring

- about permanent improvement on land and to introduce modern technology, long-term heavy investment is required. Land development banks are supposed to advance long-term loans for this purpose.
- (iii) **Commercial Banks:** After the nationalisation of 14 big banks in 1969, the commercial banks have also started taking keen interest in farm financing. A number of schemes have been introduced to help the farmers so that they may introduce the modern, technology in agriculture. Most families covered by these banks are big landlords, who could give adequate security to the bank in the form of land mortgage.
- (iv) **Regional Rural Banks:** A new rural credit agency has' been set up to provide loan to the agriculturists. RRBs have been opened by the joint efforts of the central and state governments and commercial banks. These banks have been set up in the rural areas where enough credit has not been available but there are substantial potentialities of agricultural development.
- (v) **National Bank for Agriculture and Rural Development:** NABARD was set up on 12th July, 1982 as an apex body to look after the credit needs of the rural sector. It has got an authority to oversee the functioning of the cooperative sector through its agricultural credit department. It provides long-term loans by way of refinance of land development banks, cooperative banks, commercial banks and regional rural banks.
- (vi) **Kisan Credit Card (KCC) Scheme:** This scheme was introduced in 1998-99 and it has made rapid progress, with the banking system issuing more than 556 lakh cards by November, 2005. This scheme has helped in augmenting the flow of short-term crop loans for seasonal agricultural operations to farmers. Besides the existing facilities, the KCC scheme has been enlarged to include long-term loans for agriculture and allied activities along with a component to meet the consumption needs.
3. **Answer:** The following measures should be adopted for the improvement of rural credit:
- (i) **Coordination:** The different agencies of agricultural credit must be coordinated to facilitate efficient disbursement and utilisation of financial resources.
- (ii) **Deposit Insurance Scheme:** The cooperative banks should start the Deposit Insurance Scheme to attract the maximum deposits from the public.
- (iii) **Cooperative Marketing Societies:** The credit and cooperative marketing societies should be integrated. It will ensure the paying back of loans as the farmers sell their produce to cooperative markets.
- (iv) **Increase in Capital Resources:** It is necessary to increase capital resources of the cooperative credit societies to meet the need of the farmers.
- (v) **Easy Availability of Loans:** The loan process should be made simpler. The main reason for popularity of the moneylender is simple methods of lending the amount. The formalities should be minimised.
- (vi) **Efficient Management:** The credit agencies should be efficiently managed. The managers should have complete knowledge about agriculture and they should be sympathetic towards
- (vii) **Promotion of Savings:** To promote savings, the farmers should be given incentives. The government should use its mechanism to encourage farmers to save more and avoid unnecessary spending.
4. **Answer:** An efficient marketing system is of great significance for the development of agricultural economy like that of India. Proper marketing of agricultural products is undoubtedly favourable to the farmers because it ensures fair price for their produce. The fair price encourages them to produce for the market. The needs of urban sector are better satisfied and the process of industrialisation gets a boost.
- As a result, the income of the farmers rises, increasing their demand for industrial output.



Thus, improvement in farm marketing helps the process of development. Naturally, an important problem of Indian agriculture concerns the marketing of its produce. In order to increase the income of the farmers and to promote economic growth of India, it is necessary that the problem of agricultural marketing be solved.

It is a fact that economic prosperity depends upon a sound system of marketing. In India, it becomes important because some states produce much more than their requirements and have to supply to other deficit parts of the country.

5. **Answer:** Following are the conditions necessary for efficient marketing in India:

- (i) **Storage Facilities:** Efficient marketing needs adequate storage facilities so that they should be able to wait for times when they could get better prices of their produce. Moreover, they do not have to dispose off their surplus produce immediately after harvesting.
- (ii) **Freedom from Moneylenders:** In India, there is large number of moneylenders who compel farmers for distress sale. Thus, credit facilities should be extended to save them from the clutches of moneylenders.
- (iii) **Transportation Facilities:** Farmers should have cheap and adequate transport facilities so that they may be able to take their surplus to the regulated markets instead of selling it away at the village level.

(iv) **Reduced Intermediaries:** The number of intermediaries should be minimised so that the profits of middlemen may be reduced. This in turn will increase the returns to the farmers.

(v) **Adequate Information:** Farmers should have adequate and clear information regarding the market conditions as well as about the prevailing prices otherwise they may be cheated. There should be organised and regulated markets where they can directly sell their produce.

Case Study Answer-

1. **Answer:**

- 1. (b) Co-operative Credit
- 2. NABARD
- 3. False

2. **Answer:**

- 1. Regulate
- 2. (d) All of these
- 3. True

Assertion Reason Answer-

- 1. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- 2. b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).



Employment Growth, Informalisation and other Issues

7

Worker:

Employment Growth Informalization and Related Issues refers to a situation in which an individual is unable to fulfill the basic necessities of life. In other words, it is the ability of a individual to fulfill the minimum requirement of life like food, clothing, shelter, education and health facilities etc. It refers to an individual who is engaged in some productive activity to earn a living.

Type of workers:

Workers are broadly classified into 3 categories:

- **Self-employed:** It refers to the workers who are engaged in their own business or enterprises. In other words, the worker who own and operate an enterprise is known as self-employed worker.
- **Hired workers:** It refers to the workers who are hired by others and are paid in the form of wages or salary as a reward of their services.

Hired workers are of 2 types:

- **Regular workers:** When a worker is engaged by an individual or an enterprise and is paid wages on regular wages, then they are known as regular worker or regular salaried employees. In India around 15% of total workforce is engaged as regular workers. **Example:** teachers, office employ, manager of an organization etc.
- **Casual workers (part time labour):** It refers to the workers who are not employed on regular basis. They are casually engaged on a job and in return get entertained by the remuneration for the work done. These employees do not get any job security and social benefits.

Labour force:

It refers to the sum total of the persons who are willing and able to work at an existing wage rate in an economy. Labour force includes both employed and unemployed persons. $\text{Labour force} = \text{Persons working} + \text{person available/ seeking for work}$

Work force: It refers to the part of labour force who are actually engaged in some productive activity. In other words, work force refers to the number of persons who are actually employed at a particular point of time in an economy.

It Work force participation ratio: refers to the percentage of population constitutes work force in an economy. $\text{Work Force/ Total Population} * 100$

Labour supply: It refers to the amount of labour that workers are willing to work corresponding to a particular wage rate. In other words, the labour supply is the total hours that workers wish to work at the given wage rate.

Example: Wage rate – 500 rupees per day – worker is ready to work for 8 hours
Wage rate – 1000 rupees per day – workers is ready to work for 10 hours.



Jobless growth: It refers to a situation where gross domestic product of an economy grows faster than the employment opportunities which results in unemployment. In India, the economy is experiencing GDP growth more through technology than the employment of labour.

Casualization of employment:

Casualization refers a situation when the percentage of casually hired workers in the total work force tends to rise over time.

Even the skilled workers of urban areas are to struggle for regular jobs due to massive unemployment in the country. Unemployment reduces the bargaining power of workers whereas it increases the bargaining power of employers.

Informalization of employment:

Employment structure can be classified as

- Formal sector employment
- Informal sector employment

Formal sector:

- It refers to the organized sector of the economy.
- It includes all public and private establishments which hire 10 or more workers.
- The workers of these sectors are entitled to social security benefits (such as pension).
- The workers of these sectors are not protected by labour laws.
- The workers of these sectors are called as formal sector workers.

Informal sector workers:

- It refers to the unorganized sector of the economy.
- It includes all such private establishments who hires less than 10 workers.
- The workers of these sectors does not entitled to any social security benefits.
- The workers of these sectors are not protected by labour laws.
- It provides employment to more than 90% of workforce.

Informalization: Informalization refers to a situation when people tends to find employment more than informal sector of the economy and less in formal sector of the economy. It generally happens as informal sector requires fewer amounts of qualifications and formalities to get the job.

Unemployment: It refers to a condition of unemployment in which all those who are willing and able to work at the existing wage rate doesn't get work.

Types of unemployment:

Disguised unemployment or hidden unemployment

It refers to a situation wherein the number of workers engaged in a job is much more than the number of people actually required to do the same amount of job. i.e., even if some people are withdrawn from the job, the total product doesn't fall.

Example: 4 persons are required to do the job of cultivation but there are 9 persons who are performing the same job. It means that the productivity of extra 5 units of labour is zero.

- **Fictional unemployment (temporary unemployment):** It refers to the unemployment which exist during the period when workers leave one job and join the other i.e., when people are moving or changing occupations.



- **Seasonal unemployment:** It refers to a situation in which people are unemployed during few months (off season) of a year due to their seasonal work. In other words, it is a type of unemployment which occurs at certain seasons of the year. **Example:** industries where demand, production and employment are seasonal such as tourism and leisure, farming, etc.
- **Open unemployment or involuntary unemployment:** It refers to a condition of unemployment in which all those who are willing and able to work at the existing wage rate doesn't get work. It is called open unemployment because it can be seen and counted in terms of numbers to find the number of unemployment person in a country.
- **Structural unemployment:** It refers to the type of unemployment which is caused by a mismatch between the skills that workers in the economy can offer and the skills demanded by the employers. It is often brought by technology up gradation that makes a job skill of many workers obsolete. **Example:** decrease in demand of typewriter would leads to structural unemployment in the typewriter industry.
- **Cyclical unemployment:** It refers to the type of unemployment which arises to business cycle fluctuations, i.e., normal ups and downs of the economy. When the economy is at boom period the cyclical unemployment is minimum whereas at the time of recession it is maximum.
- **Educated unemployment:** It refers to a situation when a educated person doesn't have the right job for himself because of lack of employment opportunities in an economy, also their qualifications doesn't match with the job. Faulty education system, lack of employable skills, preference of white-collar jobs and some of the reasons responsible for this unemployment.

Causes of unemployment:

- **Slow rate of economic growth:** The rate of economic growth in India is very low due to which the economy is unable to generate adequate amount of employment opportunity for the people of the economy. Moreover, the rate of labour force is much higher than the rate of employment opportunities.
- **Population explosion:** The constantly rise in population is one of main reason of unemployment in India. India is treated to be a work force country, where majority of population comes under workforce, due to this even after implementing various policies and plans the rate of unemployment tends to rise.
- **Defective educational system:** The education system of the economy is around 100 years old, due to continuous change in the economic activities the system doesn't fits the present scenario. The education system in India is degree oriented and not job oriented, due to this the educational unemployment increases.
- **Faulty planning:** The economic planning of our country is not primarily designed for employment generation. Five years plans are not efficient enough to absorb the increasing rate of unemployment from the country. Moreover, the plans could not be able to stop the migration of rural population to urban areas.
- **Excessive use of foreign technology:** India is considered to be a labour intensive country, where the amount of available labour force is exceptionally high. Such country should adopt labour intensive technique of production so that it can give employment opportunities to maximum number of people but due to excessive use of foreign technology, capital intensive technique of production is promoted which substitute capital for labour.
- **Under-developed agriculture:** The agriculture sector in India is under-developed and it provides only seasonal employment. The majority of people of the country rely on agriculture for employment but the seasonal nature of agriculture does not provide a stable job to the farmers for the complete year.
- **Decline of cottage and small industry:** After independence the number of small industries has declined due to change in the pattern of demand and preferences of general public. Emergence of large industries with latest modern technology and capital intensive technique of production has reduces the employment opportunities in the economy and hence results in unemployment.



1. Low capital formation.
2. Increase in labour force.

Remedial measures for unemployment:

- **Accelerating growth rate of GDP:** In order to achieve the state of full employment growth rate of the economy must rise. The growth rate of the economy must rise by 3-4% (5.6% – 9%) in the coming years to absorb the increasing unemployment.
- **Control over population:** The rate of population growth of the country should be decreased so that the additional job opportunities don't fall short off for the large number of existing workforce. Programs like single child norm, family planning should be introduced.
- **Encouragement of small-scale industries:** In order to reduce the problem of unemployment small scale and cottage industries must be encouraged by the government in several ways such as tax free, liberally credit, subsidized rate for raw materials etc, as it promotes labour intensive technique of production which increases employment opportunities.
- **Change in educational system:** The education system of the economy must be reformed. A new model based on work and skill development must be included along with the vocational studies. More emphases should be given on training and development of an individual rather than degree-oriented education.
- **Encouragement of self-employment:** Government must provide various facilities to the public to generate more self-employment. It includes facilitates like marketing, technical training, easy credit etc. Increase in the amount of self-employment reduces the burden of providing employment from the government.
- **Change in technique of production:** Basically there exist 2 types of techniques of production.
 - Labour intensive technique (more labour and less machines).
 - Capital intensive technique (more capital and less labour).

India is a labour-oriented country, it is essential that labour intensive technique must be encouraged by the government in place of capital intensive in order to provide more employment opportunities.

Government policies and programmes:

The government of our country has implemented various programmes in order to develop technical skills and to remove poverty from the economy.

Such as:

- National rural employment guarantee Act (NREGA)
- Sampoorna Gramin Rozgar Yojana (SGRY)
- Skill India campaign
- Make in India
- Start up India campaign

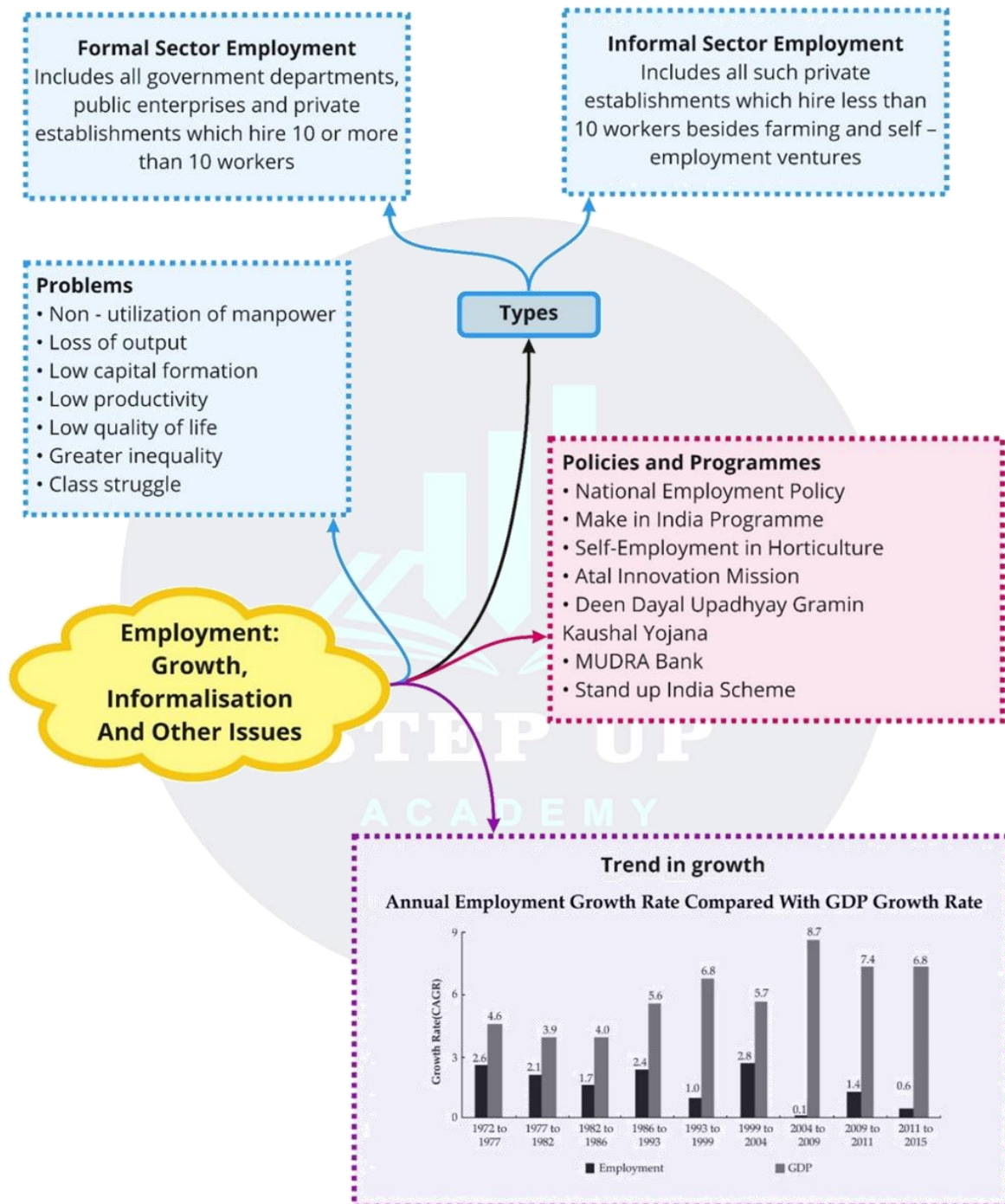
Summary:

- Worker
- Self-employed
- Hired workers
- Regular workers
- Casual workers (part time labour)
- Labour force
- Work force
- Labour supply



- Jobless growth
- Casualization of employment
- Informalization of employment
- Formal sector employment
- Informal sector employment
- Unemployment
- Types of unemployment
- Disguised unemployment or hidden unemployment
- Fictional unemployment (temporary unemployment)
- Seasonal unemployment
- Open unemployment or involuntary unemployment
- Structural unemployment
- Cyclical unemployment
- Educated unemployment
- Causes of unemployment
- Slow rate of economic growth
- Population explosion
- Defective educational system
- Faulty planning
- Excessive use of foreign technology
- Under-developed agriculture
- Decline of cottage and small industry
- Low capital formation
- Increase in labour force
- Remedial measures for unemployment

STEP UP
ACADEMY



Important Questions

Multiple Choice questions-

1. An arrangement in which a worker uses his own resources to make a living is known
 - (a) Wage employment
 - (b) regular employment
 - (c) casual employment
 - (d) self-employment
2. Out of these which of the following is a worker?
 - (a) Beggar
 - (b) Gambler
 - (c) Cobbler
 - (d) Smuggler
3. Unemployed people is calculated as
 - (a) Labour Force – Workforce
 - (b) Labour Force + Workforce
 - (c) Workforce – Labour Force
 - (d) None of these
4. Which of the following statements is not true for a worker?
 - (a) A worker contributes to the GDP.
 - (b) Workers may temporarily abstain from work due to illness.
 - (c) Self-employed are not workers.
 - (b) Those who help the main workers are also workers.
5. What percent of urban workers are casual labourers?
 - (a) 54 percent
 - (b) 47 percent
 - (c) 38 percent
 - (d) 15 percent
6. Which of the following workers is a regular salaried employee?
 - (a) Owner of a saloon
 - (b) Rickshaw puller
 - (c) Cashier in State Bank of India
 - (d) Vegetable vendor
7. What proportion of the urban workforce is engaged in the secondary sector?
 - (a) Half
 - (b) One-third
 - (c) One-fourth
 - (d) One-fifth
8. What was the average rate of growth of employment during 1950-2010?
 - (a) 1 percent
 - (b) 2 percent
 - (c) 5 percent
 - (d) 10 percent
9. Which of the following is not a feature of organised sector?
 - (a) Job Security
 - (b) Social security benefits
 - (c) Irregular payment
 - (d) Fixed working hours
10. Which of the following is not an employment generation programme?
 - (a) Rural Employment Generation Programme (REGP)
 - (b) Prime Minister's Rozgar Yojana (PMRY)
 - (c) National Food for Work Programme (NFWP)
 - (d) Valmiki Ambedkar Awas Yojana
11. Work force refers to that part of
 - (a) Labour force which is employed
 - (b) Population which is unemployed
 - (c) Population which is forced to work
 - (d) Labour force which is when employed
12. Due to the recent efforts of which international body the Indian government, initiated the modernization of informal sector?
 - (a) World Bank
 - (b) WTO
 - (c) International Labour Organisation
 - (d) G-20



13. Find the odd one out.
 - (a) A private school teacher in a school with only 25 teachers
 - (b) A nurse in a government hospital
 - (c) Cycle-rickshaw puller
 - (d) A civil engineer working in a construction company which has 10 workers
14. Unemployment common in urban areas
 - (a) Seasonal unemployment
 - (b) Disguised unemployment
 - (c) Open unemployment
 - (d) None of these
15. Electricity, gas and water supply belong to sector.
 - (a) Primary sector
 - (b) Secondary sector
 - (c) Tertiary sector
 - (d) All the above

Very Short:

1. Define employment.
2. Who are workers?
3. What is the share of women in rural workforce.
4. Name different types of workers.
5. Why is the share of self-employed is greater in rural areas?
6. Give the distribution of workforce by industry in rural areas.
7. When does jobless growth take place?
8. Define casualisation of workforce.
9. Which of these are unorganised sector activities?
 - (i) A teacher
 - (ii) A headload worker
 - (iii) A farmer
 - (iv) A doctor
 - (v) A daily wage labourer
 - (vi) A factory worker
10. Define unemployment

Short Questions:

1. Why is it important to study about working people?
2. Explain the employment of people in various industries and their status.

3. Workers are exploited in the unorganised sector. Do you agree with this view? Give reasons in support of your answer.
4. What is meant by disguised unemployment? Explain giving an example.
5. What are the disadvantages of unemployment? Explain.
6. What is unemployment? What are the most common types of unemployment found in India?
7. Why are women employed in low paid work?
8. What is the difference between disguised unemployment and seasonal unemployment?

Long Questions:

1. What are the causes of informalisation of work force in India?
2. What are the causes of unemployment in India?
3. Explain the various self-employment and wage generation programmes initiated by the government to solve the problem of unemployment.
4. How are the activities in the economy classified on the basis of employment conditions?

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -
 Economic Survey 2020: The survey said the number of self-employed, regular wage earners and casual labourers have come down by 17 lakh in six years till 2017-18. Quoting various government sources, it pegged India's workforce at 47.12 crore in FY18 compared with 47.29 crore in FY12, even as employment was getting more formal in nature. There was also a drop in female employment in the overall job space. From 12.91 crore in 2011-12, their number came down to 10.85 crore in 2017-18. Stressing on the need to set things right, the survey said, "In an era of globalisation, no country can develop and achieve its full potential if half of its population is locked in non-remunerative, less productive and noneconomic activities". The survey also found that the number of self-employed people, too, came down during the period to 24.21 crore from 24.54 crore; but that is mostly due to a significant drop in the number of 'unpaid family labour' category.

Questions:

1. A situation where percentage of workforce in the formal sector tends to decline and that in the informal sector tends to rise is known as:
(a) Informalisation
(b) Casualisation
(c) Jobless growth
(d) none of these
 2. An arrangement where a worker uses his own resources to make a living is known as:
(a) Wage employment
(b) Regular employment
(c) Casual employment
(d) Self employment
 3. All non-farm casual wage labourers who work for more than one employer such as construction workers and head-load workers are _____. (formal/informal) sector workers.
 4. Less employment of females in comparison to males is an indication of:
(a) Economic backwardness
(b) Social backwardness
(c) Both a and b
(d) None of these
2. Read the following hypothetical text and answer the given questions: -
- In urban areas, the workforce participation rate is about 30% whereas in rural India, it is about 40%. The reason is that people in rural areas have limited resources to earn a higher income and participate more in the employment market. Many do not go to schools, colleges and other training institutions. In rural India, people cannot stay at home as their economic condition may not allow them to do so.
2. _____ is the main source of employment for majority workers in India. (Primary sectors/ Secondary sectors)
 3. Informal sectors include all those private enterprises which hire less than 10 Workers. (True / False)
 4. Why in urban areas, the workforce participation rate is less than rural areas?

Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Both Assertion [A] and Reason [R] are true and Reason [R] is the correct explanation of Assertion [A]
 - b. Both Assertion [A] and Reason [R] are true, but Reason [R] is not the correct explanation of Assertion [A]
 - c. Assertion [A] is true, but Reason [R] is false
 - d. Assertion [A] is false, but Reason [R] is true
2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Both Assertion [A] and Reason [R] are true and Reason [R] is the correct explanation of Assertion (A)
 - b. Both Assertion [A] and Reason [R] are true, but Reason [R] is not the correct explanation of Assertion (A)
 - c. Assertion [A] is true, but Reason [R] is false
 - d. Assertion [A] is false, but Reason [R] is true

Assertion: There was a significant need to introduce a policy measure which could improve the efficiency and productivity in an economy.

Reason: As a result, LPG model of growth was introduced in 1991 which provided a structural shift in the policy perspective of Indian economy.

Assertion: Every year government fixes a target for disinvestment of Public Sector Enterprises (PSEs).

Reason: Disinvestment is an excellent tool for discarding the loss incurring Public Sector Enterprises (PSEs).

Questions:

1. _____ is a major source of livelihood for both men and women as this category accounts for more than 50%.
(a) Self employment
(b) Casual wage labour
(c) Regular salaried employment
(d) none of these



Answers Key

MCQ answers:

1. (d) self-employment
2. (c) Cobbler
3. (a) Labour Force – Workforce
4. (c) Self-employed are not workers.
5. (d) 15 percent
6. (c) Cashier in State Bank of India
7. (b) One-third
8. (b) 2 percent
9. (c) Irregular payment
10. (d) Valmiki Ambedkar Awas Yojana
11. (a) Labour force which is employed
12. (c) International Labour Organisation
13. (c) Cycle-rickshaw puller
14. (c) Open unemployment
15. (b) Secondary sector

Very Short Answers:

1. **Answer:** Employment is a situation in which a person, who is able and willing to work at existing wage, gets work.
2. **Answer:** Workers are those who are engaged in economic activities and contribute to the Gross National Product.
3. **Answer:** Women workers constitute one-third of the rural workforce.
4. **Answer:** The different types of workers are:
 - (i) Regular salaried employees
 - (ii) Casual workers
 - (iii) Self-employed
5. **Answer:** The share of self-employed is greater in rural areas because majority of those depending on farming own plots of land and cultivate independently.
6. **Answer:** The distribution of workforce by industry in rural areas during 2011-12 is as below:
 - (i) Primary sector – 64.1 percent
 - (ii) Secondary sector – 20.4 percent
 - (iii) Tertiary sector – 15.5 percent

7. **Answer:** Jobless growth takes place when a country produces more goods and services without generating employment.
8. **Answer:** Casualisation of workforce means movement from self-employment and regular salaried employment to casual wage work.
9. **Answer:** The headload worker, farmer, daily wage labourer and factory worker are involved in unorganised sector activities.
10. **Answer:** Unemployment is a situation in which the person who is willing to work at the prevailing wages is unable to find jobs.

Short Answers:

1. **Answer:** It is important to study about working people to:
 - (i) understand the quality and nature of employment in our country;
 - (ii) facilitate planning of our human resources;
 - (iii) analyse the contribution of different industries and sectors towards national income; and
 - (iv) address social issues such as exploitation of backward sections of the society, child labour, etc.
2. **Answer:**
 - (i) There has been substantial shift from agriculture to industries and service sector. Although primary sector continues to remain the main source of employment of workers over the last six decades, its share has decreased from 74 percent in 1951 to 49 percent in 2012.
With the process of development in the country, the share of employment is increasing in secondary and tertiary sectors. The share of industries has increased from 11 to 24 percent and that of service sector has increased from 15 to 27 percent during 1950-2012.
 - (ii) The changes in the distribution of workforce in different status over the last four decades indicate that people have moved from self-employment and regular salaried employment to casual wage work.

3. **Answer:** Unorganised sector comprises of small and scattered units, which are largely outside the control of the government. Workers in the unorganised sector are often exploited because of the following reasons:

- No rules and regulations
- Irregular and low-paid jobs
- No provision for overtime, leaves, etc.
- No job security
- Social discrimination

4. **Answer:** In disguised unemployment, more than required persons are engaged in a job. People appear to be employed but they are actually unemployed. This type of unemployment usually happens among family members engaged in agricultural activity. Suppose there are 7 members in a family.

Although the work requires the service of only 4 people, all-the members of a family find work on that agricultural plot. The output of the field will not decline if 3 members are removed from the process. These 3 members are disguisedly unemployed.

5. **Answer:** The main disadvantages of unemployment are:

- (i) **Increase in Poverty:** The main cause of poverty is unemployment. People do not have enough money to support their family. This leads to the situation of poverty.
- (ii) **Wastage of Resource:** Human capital is an important economic resource. Unemployment leads to wastage of manpower resource. People who are an asset for the economy turn into a liability. This creates a feeling of despair among the youth.
- (iii) **Increase in Dependent Population:** Unemployment tends to increase the economic overload. The dependence of the unemployed on the working population increases.

6. **Answer:** Unemployment is a situation in which the people who are willing to work at the prevailing wages are unable to find jobs. The most common types of unemployment found in India are:

(i) **Seasonal Unemployment:** This type of unemployment takes place when people are not able to find jobs during some months of the year. The situation of seasonal unemployment arises mainly in agricultural sector people are busy during sowing, harvesting, weeding and threshing. However, there are certain months in which they do not get much work.

(ii) **Disguised Unemployment:** In disguised unemployment, more than required persons are engaged in a job. This type of unemployment usually happens among family members engaged in agricultural activity.

7. **Answer:** Women are employed in low paid work due to the following reasons:

- (i) There is division of labour between men and women due to historical and cultural reasons.
- (ii) Literacy rate and skill formation is low among women.
- (iii) Legal protection of women employees is meager.
- (iv) Most women find jobs in which there is no job security.

Gender →			
	Male	Female	Total
Sector ↓			
Formal	24	6	30
Informal	310	133	443
Total	334	139	473

8. **Answer:** Following are the main points of difference between disguised and seasonal unemployment:

Disguised Unemployment	Seasonal Unemployment
1. In disguised unemployment, more than required persons are engaged in a job.	Seasonal unemployment takes place when people are not able to find jobs during some months of the year.



2. It is mainly found in rural areas.	It is found both in rural as well as urban areas.
3. It is mostly found in agriculture.	It is mostly found in agro-based industries.

Long Answers:

1. **Answer:** The following are the causes of informalisation of work force in India:

(i) **Close Down of the Enterprises:** Many enterprises were incurring losses during 1980's and 90's and hence, were closed down. This had driven a large number of workers in informal sector. For example, in the early 1980's, textile mills all over the country began to close down.

In Mumbai, the mills closed rapidly. But in Ahmedabad, the close-down process spread over 10 years due to strong trade unions. Approximately 80,000 permanent workers and over 50,000 non-permanent workers lost their jobs and were driven to the informal sector.

(ii) **Losses Making Public Sector:** Due to the losses incurred by public sector enterprise, the Government of India either disinvests or closes down these enterprises. This causes informalisation of the workforce. Increasing Population: Employment generation in the formal sector fail to match the needs of rapidly increasing population. As a result, people are forced to take up casual jobs to earn a living.

2. **Answer:** The following are major causes of unemployment in India:

(i) **Increase in Population:** There has been tremendous increase in the population in India since : 1951. Consequently the number of working population has also increased. Thus, increasing pressure of population has accentuated the problem of unemployment.

(ii) **Failure of Planning:** Planning could not create as many jobs as the number of job-seekers. Thus, faulty planning is also responsible for unemployment.

(iii) **Neglect of Agriculture:** Agriculture was not paid due attention during different plans. Comparatively less expenditure was made on this sector. As a result, agriculture could not develop fully.

(iv) **Neglect of Small Scale and Cottage Industries:** Small scale and cottage industries are labour intensive. But these industries could not develop in India appreciably. The plans laid more stress on capital intensive heavy, basic and large industries.

(v) **Slow Industrial Growth:** Industrial growth rate has been very slow in India due to various reasons. It has increased urban unemployment.

(vi) **Defective Education System:** Our education system lays more emphasis on 'general' education rather than 'vocational' one. It is not job-oriented and this leads to rapid increase in white-collar unemployment.

3. **Answer:** The various self-employment and wage generation programmes initiated by the government to solve the problem of unemployment are:

(i) **Food for work Programme (FWP):** FWP was launched in the 1970s for the upliftment of the poor. Under this programme, foodgrains are distributed against the wage work.

(ii) **Prime Minister's Rozgar Yojana (PMRY):** This programme has been implemented by the Khadi and Village Industries Commission, which aims at creating self-employment opportunities in rural areas and small towns. One can get financial assistance with bank loans to set up small enterprises under this programme.

Under PMRY, the educated unemployed from low-income families in both rural and urban areas can get financial help to set up any type of industry, which generates employment.

(iii) **Swarna Jayanti Shahari Rozgar Yojana (SJSRY):** It aims at creating employment opportunities, both self-employment and wage employment in urban areas.

Individuals were given financial assistance under self-employment programmes.

(iv) **Swarnajayanthi Gram Swarozgar Yojana:**

Sawamajayanthi Gram Swarozgar Yojana was launched in April 1999 and is the only self-employment programme currently being implemented. It aims at promoting micro enterprises and to bring the assisted poor families (Swarozgcris) above the poverty line by organising them into Self-Help Groups through the process of social mobilisation, training and capacity building and provision of income generating assets through a mix of Bank Credit and Government subsidy.

(v) **Sampoorna Grameen Rozgar Yojana (SGRY):**

SGRY was launched in September 2001. The schemes Jawahar Gram Samridhi Yojana and Employment Assurance Scheme have been fully integrated with SGRY. The objective of the scheme is to provide additional wage employment along with food security, creation of durable community, social and economic assets and infrastructure development in the rural areas. The scheme envisages generation of 100 man-days of employment in a year.

(vi) **National Food for Work Programme (NFWP):**

National Food for Work Programme was launched on November 14, 2004 in 150 most backward districts of the India, It is implemented as a 100 percent centrally sponsored scheme and the food grains are provided to States free of cost. The objective of the programme was to intensify the generation of supplementary wage employment.

4. **Answer:** The activities in the economy on the basis of employment conditions are classified as organised sector and unorganised sector.

(i) **Organised Sector:** It covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work. Its features are:

- Formal processes and procedures
- Proper rules and regulations
- Job security
- Fixed number of job hours, paid overtime for working more
- Get paid leave, payment during holidays
- Get provident fund, gratuity and pensions on retirement
- Safe working environment

(ii) **Unorganised Sector:** Unorganised sector comprises of small and scattered units, which are largely outside the control of the government. Its features are:

- No rules and regulations
- Irregular and low-paid jobs
- No provision for overtime, leaves, etc.
- No job security
- Social discrimination

Case Study Answer-

1. **Answer:**

1. a) Informalisation
2. d) Self employment
3. Informal
4. b) Social backwardness

2. **Answer:**

1. a) Self employment
2. Primary sectors
3. True
4. In rural areas, people cannot stay at home as their economic condition do not allow them. They do not have a variety of employment opportunities so they are ready to work in primary sectors even at low wages.

Assertion Reason Answer-

1. a) Both Assertion [A] and Reason [R] are true and Reason(R) is the correct explanation of Assertion [A]
1. a) Both Assertion [A] and Reason [R] are true and Reason [R] is the correct explanation of Assertion (A)





Infrastructure 8

Infrastructure:

Infrastructure refers to a situation in which an individual is unable to fulfill the basic necessities of life. In other words, it is the ability of a individual to fulfill the minimum requirement of life like food, clothing, shelter, education and health facilities etc.

It refers to all such activities, services and facilities that are needed to provide different kinds of services in an economy. It provides supporting services to the main areas of industry, agriculture production and trade and commerce. It includes services like railways, roads, irrigation, public utility (electricity, communication, health, energy etc.) and so on. In other words, Infrastructure refers to the support system of the economic and social development of the economy.

Kinds of infrastructure:

- It includes such elements of infrastructure which are essential for the development of the economy.
- It includes transportation, communication, electricity, science and technology and financial distribution.
- It promotes the economics activities of the country.

Economic infrastructure: It includes such elements of infrastructure which are essential for the development of the economy. It includes transportation, communication, electricity, science and technology and financial distribution. It promotes the economics activities of the country.

Socialist infrastructure: It includes such services and provisions which improves the quality of resources and the standard of living. It accelerates the process of human development. It includes education, health, housing etc. A good social infrastructure increases the productive capacity of an individual.

Importance of Infrastructure:

- **Increases productivity:** The productivity of an economy directly depends upon the infrastructure. A well developed infrastructure always accelerates the production capacity of the economy. **Example:** Proper irrigation facilities improves the crop production.
- **Provides employment opportunities:** Development of infrastructure facilities increases the employment opportunities in an economy. **Example:** construction of road requires manpower and hence it creates employment opportunities etc.
- **It facilitates the functioning of an economy:** In order to operate and work with full efficiency, the economy needs well developed infrastructural facilities, such as proper communication facilities, transportation facilities, electricity, banking etc.
- **Promotes economic growth:** The growth of an economy depends upon many factors such as production capacity, human capital formation, quality of life etc. and in order to promote and enhance the above factors, a well developed infrastructure facilities are mandatory.
- **Improves quality of life:** Proper education, health care facilities and standard of living comprises the quality of life, and the socialist infrastructure mainly focuses on these sectors only. Increase in quality of life improves the ability of an individual to work.

- **Facilitates outsourcing:** A country with well-developed infrastructure facilities always becomes a center of outsourcing work. From past few years, India is emerging as a global destination of Business process outsourcing, call centers etc.. due to a good infrastructure.

State of infrastructure in our country:

- The state of infrastructure of the economy was very poor.
- We spend only 5% of our GDP on infrastructure whereas China spend 20%, Indonesia 14% of their GDP.
- Most of the household in rural areas (around 82%) uses bio fuel for cooking.
- In 2010, only 62% of rural household have electrification.
- The sanitation facility was only 6% in rural areas.

Energy:

One of the most important and key component of economic infrastructure is energy. It can be treated as a lifeline of production activity across all the sectors of the economy.

Sources of energy:

Conventional and non-conventional sources of energy.

Conventional sources:

- The energy which have a long history of their knowledge and use. In other words, it refers to the sources of energy which we are using since long period of time.
- It is limited in nature.
- They are non-renewable.
- These sources of energy generally pollutes the environment.
- These sources of energy are more expensive in nature.
- Example: coal, petroleum, natural gas etc.

Non-conventional sources:

- The sources of energy which comes into existence in the recent past. In other words, it refers to the sources of energy which has been discovered just because of modern technology (used just from past few years)
- They are unlimited in nature.
- They are renewable in nature.
- It generally does not pollutes the environment.
- They are less expensive in nature.
- Example: solar energy, wind energy, tidal energy, bio mass etc.

Power/ electricity:

One of the most critical and most important components of infrastructure which directly signifies the modern civilization is electricity. With increase the prospectus of development of the economy the demand of electricity is also increasing day by day. The rate of demand of power is far ahead than the growth rate of GDP.

Sources of power generation:

There are basically 3 sources of generation of electricity.

- **Thermal power:** The power is generated through coal, oil and natural gas. Around 70% of total electricity is generated through thermal power.
- **Hydro and wind power:** The power is generated through wind mill or from the waters of dams and fast flowing rivers. Around 28% of total electricity is generated through thermal power.



- **Nuclear power:** The power is generated through radio-active elements (such as uranium) Around 2% of total electricity is generated through thermal power.

Challenges in power sector:

- **Transmission and distribution loss:** The first and for most problem that is faced by the electricity department is the transmission and distribution loss. The loss in electricity while flowing from one place to another can be due to backward technology or due to loss by theft.
- **Insufficient installed capacity:** Although there exist massive production of electricity in the economy but the production is yet not sufficient to meet the demand. This deficit supply may results in power cuts, low voltage, excessive load on distribution and many other problems.
- **Under utilization of capacity:** One of the major drawbacks of power sector is the lack of proper utilization of thermal power stations. Due to the lack of proper technology the power plants are underutilized. In 2016-17, India was just able to utilize 60% of the total capacity.
- **Shortage of raw materials:** Thermal power plant, which is the main source of Indian power sector, is facing shortage of coal supplies and other raw materials due to which the power sector is inefficient.
- **Poor performance of State electricity boards:** The state electricity board which provides electricity supply in the economy are running in huge losses, these boards lacks funds to make payment for the electricity purchased by them. This shortage of fund may be due to distribution loss, theft of power, free power in agriculture etc.
- **Lack of public cooperation/ public unrest:** Due to heavy taxes and massive power cuts across the different parts of the country, power sector always lack the cooperation of general public.

Measures to overcome challenges of power sector:

- **Reduce transmission and distribution loss:** In order to meet the demand of power, the first and most important task is to reduce the wastage of power. The power which is waste during transmission and distribution should be minimized; it can be done by improvement in technology, stop theft of power and so on.
- **Improve plant load factor:** As stated earlier, the main deficit of power sector is the under utilization of plants. So the main task of the power sector is to make proper utilization of existing capacity of the power stations. It will help to increase the power generation without increasing the number of plants. Plant load factor (PLF) indicated the capacity utilization of a plant $PLF = \frac{\text{Electricity Generated}}{\text{Production Capacity}}$.
- **Increase production capacity:** The installed capacity of the existing plants needs to be increased, so that the supply of electricity across all the sectors of the economy can match the desired amount of demand.
- **Increase the supply of inputs:** Thermal power plants in India (which generally faces shortage of inputs) must receive regular supply of inputs (coal and other raw materials). This would insure fully utilization of existing plant capacity.
- **Promote the use of CFL and LEDs:** Use of such appliances which consume lesser amount of electricity must be promoted. CFL (Compact Fluorescent light) and LEDs (Light emitting diodes) provides electrification in the economy with low amount of consumption of energy and power.
- **Encourage FDI and privatization of power generation:** Private sector must play a significant role in the generation of power in India. The government must encourage the participation of private sector and foreign direct investment (FDI) in power generation.

Health:

Health refers to the state of complete physical and mental well-being of an individual. Good health does not only mean absence of disease but it implies the increase in overall efficiency of an individual. Increment in health results in better productivity of labour which ultimately increases the productivity of the economy as a whole.

State of health infrastructure:

- There has been a great expansion in Indian health sector after independence but yet it is quite below the satisfactory measure.
- Being the second most populated country in the world, the health sector of our country lacks the connectivity across different areas of the economy.
- There is a massive gap between rural and urban areas in context of utilizing the health care facilities.
- However, from past few decades, the increase in development of health care sector has pick up the pace.
- India has build up variety of health care facilities across different areas of the country, At village level, Primary health centers have been set.
- The role of private sector in health infrastructure has also increased upto 70%. Although the role of private sector has increased upto greater extent, but still the role of government health care centers is very important. As poor sections of the society can depends upon the government hospitals due to low cost treatment.

Three tier healthcare system:

India adopted 3 tier healthcare system in the economy. This system includes 3 types of health care centers.

Primary health care:

- These centers provides basic health care facilities such as maternal and child health care, immunization, educating the people (about identifying, preventing and controlling diseases) etc.
- These centers are generally managed by a single doctor, a nurse and few.
- These centers are generally set-up in villages and small towns.
- If a patient is not been able to managed by these centers then they are referred to the secondary or tertiary hospitals.

Secondary health care:

- Hospitals having better facilities for surgery, x-ray, ECG are called secondary health care institutions.
- Generally located in districts and big towns.
- Provides primary as well as secondary health care facilities.
- If a patient is not been able to managed by these centers then they are referred to the tertiary hospitals.

Tertiary health care:

Hospitals which have advanced level equipment and medicines and can undertake all the complicated health problems which could not be managed by primary or secondary hospitals comes under tertiary health care institutions.

Example: AIIMS (All India Institute of medical science) in Delhi

Development of health services in India:

After independence the health services in India has increased in a remarkable way, the increment can be easily seen by the following indicators of good health.

- **Decline in Death rate:** Death rate refers to the number of people dying per thousand persons in a year. Death rate has decline from 27 per thousand in 1951 to 6.4 per thousand in 2016.
- **Rise in life expectancy:** The expectancy of life has increased from 32 in 1951 to 68.3 in 2016.
- **Decrease in infant mortality rate:** Infant mortality rate refers to the number of infants dying before the age of 1 year per thousand live births annually. Infant mortality rate has decrease from 146 in 1951 to 34 in 2016.



- **Control over deadly diseases:** Diseases like material, small pox and cholera has comes under control. Health as an emerging challenge As we had studied earlier that the health sector of our economy is developing with great pace. Yet, the health care in India is still a challenge for the government of the country due to following reasons.
- **Unequal distribution health care services:** The services of health care are not distributed equally across the rural and urban areas of the economy. Most of the services are only found in urban areas lacking behind the rural section of the society behind.
- **Increasing privatization of health services:** Although increment in the role of private sector in health sector speed up the pace of treatment but also increases the cost of handling the patient. Being a developing country majority of public prefers low cost treatment which can only be provided by the government sector.
- **Poor sanitation level:** Sanitation refers to public health conditions related to clean drinking water and adequate treatment and disposal of human excreta and sewage. The level of sanitation is very low in both rural and urban sectors of the economy. However, in past few years the concept of Swachh Bharat Abhiyaan helps in increasing its level.
- **Poor management of government health centers:** The increase in role of private sector in health sector is due to the quality difference between private and government hospitals. The maintenance and upkeep of the government hospitals is very poor due to which the public is compelled to depend upon the private hospitals.

Summary:

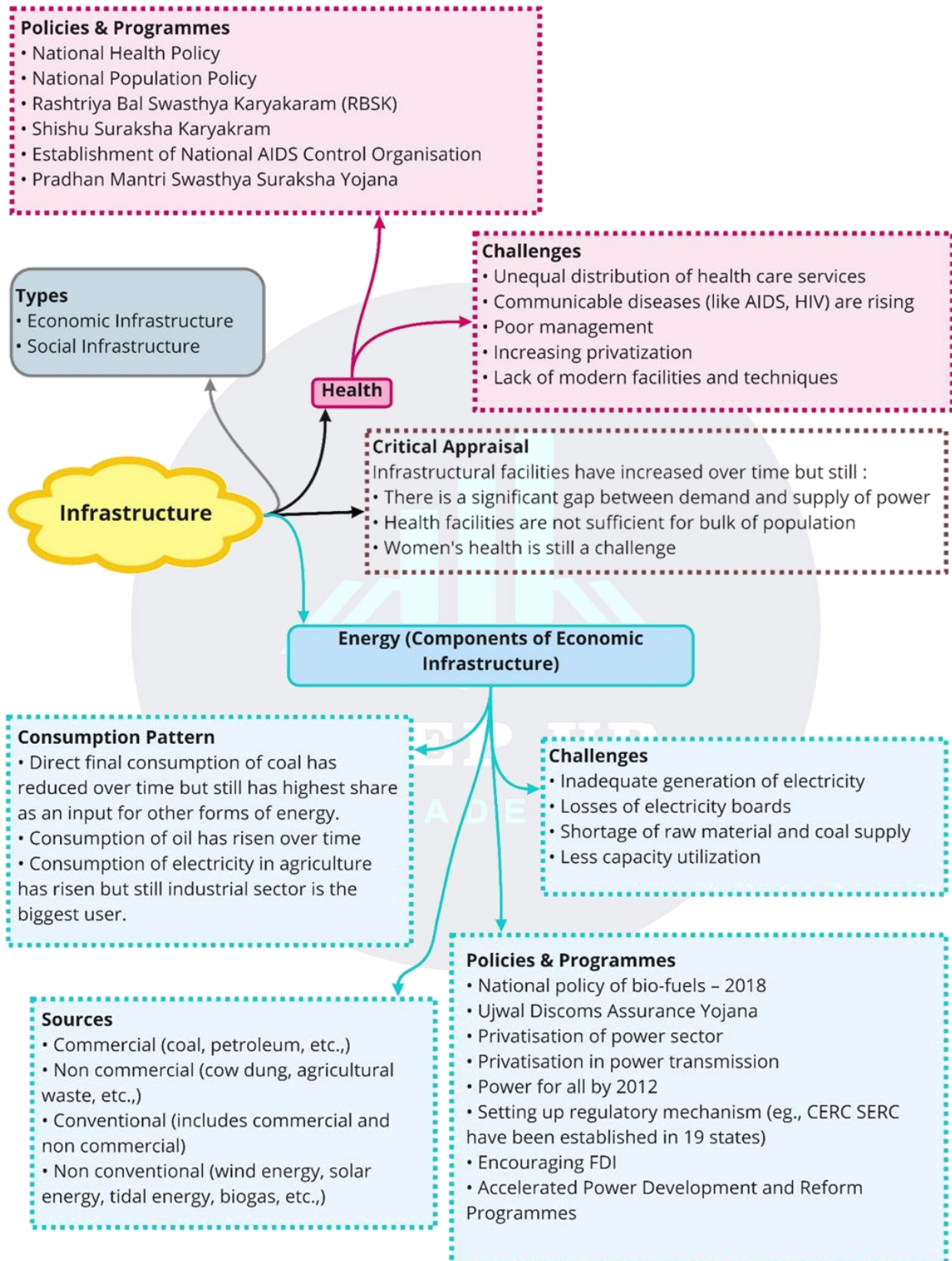
- Concept of infrastructure
- Kinds of infrastructure
- Economic infrastructure
- Socialist infrastructure
- Importance of infrastructure
- Increases productivity
- Provides employment opportunities
- It facilitates the functioning of an economy
- Promotes economic growth
- Improves quality of life
- Facilitates outsourcing
- State of infrastructure in our country (till 2010)
- Commercial sources of energy
- Non-commercial sources of energy
- Conventional sources of energy
- Non-conventional sources of energy
- Power/ electricity
- Sources of power generation
- Thermal power
- Hydro and wind power
- Nuclear power
- Challenges in power sector
- Transmission and distribution loss





- Insufficient installed capacity
- Under utilization of capacity
- Shortage of raw materials
- Poor performance of State electricity boards
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- Measures to overcome challenges of power sector
- Reduce transmission and distribution loss
- Improve plant load factor
- Increase the supply of inputs
- Promote the use of CFL and LEDs.
- Encourage FDI and privatization of power generation
- State of health infrastructure
- Development of health services in India
- Health as an emerging challenge





Important Questions

Multiple Choice Questions:

1. Which of the following is a commercial source of energy?
 - (a) Coal
 - (b) Agricultural waste
 - (c) Animal dung
 - (d) Firewood
2. The power generated from water is called
 - (a) Thermal Power
 - (b) Hydroelectric Power
 - (c) Atomic Power
 - (d) Tidal Power
3. From which of the following sources of generation we get the largest amount of power?
 - (a) Thermal Power
 - (b) Hydroelectric Power
 - (c) Atomic Power
 - (d) Tidal Power
4. Which of the following statements is not correct with regards to infrastructure?
 - (a) Infrastructure contributes to economic development.
 - (b) Infrastructure provides support services.
 - (c) All infrastructural facilities have a direct impact on the production of goods and services.
 - (d) Inadequate infrastructure can have multiple adverse effects on health.
5. Which of the following facilities is included in social infrastructure?
 - (a) Roads and highways
 - (b) Housing
 - (c) Internet
 - (d) Electricity
6. What is morbidity?
 - (a) Proneness to fall ill
 - (b) High infant mortality rate
 - (c) High maternal mortality rate
 - (d) Low life expectancy
7. What percent of rural households use bio-fuels for cooking?
 - (a) 50 percent
 - (b) 75 percent
 - (c) 80 percent
 - (d) 90 percent
8. Which of the following sector was the largest consumer of commercial energy in 1953-54?
 - (a) Households
 - (b) Transport
 - (c) Industries
 - (d) Agriculture
9. Which of the following is not a function of primary health care?
 - (a) Spreading education concerning prevailing health problems
 - (b) Promoting food supply and proper nutrition
 - (c) Conducting research
 - (d) Providing essential drugs
10. Which of the following systems is not included in the Indian System of Medicines?
 - (a) Allopathy
 - (b) Homeopathy
 - (c) Naturopathy
 - (d) Ayurveda
11. From the following which is not a commercial source of energy
 - (a) Petroleum
 - (b) Coal
 - (c) Electricity
 - (d) Dried dung
12. Indian system of medicine:
 - (a) Unani
 - (b) Yoga
 - (c) Siddha
 - (d) All of these
13. Electricity generated from radioactive elements is called:
 - (a) Thermal electricity
 - (b) Atomic energy
 - (c) Hydel electricity
 - (d) Tidal energy



14. The state known as 'God's own country'
 - (a) Karnataka
 - (b) Gujarat
 - (c) Kerala
 - (d) Goa
15. Energy generated by sun is known as:
 - (a) Natural gas
 - (b) Solar energy
 - (c) Wind energy
 - (d) Electricity

Very Short:

1. What is social infrastructure?
2. Give examples of social infrastructure.
3. What constitutes economic infrastructure?
4. What type of fuels do rural women use to meet their energy requirements?
5. What percentage of rural population has access to improved sanitation?
6. What are the commercial sources of energy? Give examples.
7. What is the share of nuclear sources in the world's total energy generation?
8. Is CFL better than ordinary bulbs? Why?
9. Name the two leading private sector companies that distribute electricity in Delhi.
10. Which organisation monitors the power tariff structure in Delhi?

Short Questions:

1. Explain the significance of social infrastructure.
2. Why is it important to have strong infrastructure?
3. Compare and contrast India with China and Pakistan on the basis of infrastructural development.
4. How is the national income of a country related to the level of infrastructural development? Explain.
5. Represent the relative share of different sources of energy generation in India with the help of a pie diagram?
6. Which sources of energy are encouraged by India's energy policy? Why?

7. What problems are faced by State Electricity Boards?
8. Highlight the points that reflect development in the health services after independence in India.
9. Mention some premier institutions that provide specialised health care in India.
10. Give an account of the contribution of community and non-profit organisations to health care in India.

Long Questions:

1. Why is it important to conserve energy?
2. Solar energy, wind power and power produced from tides are going to be future sources of energy. What are their comparative merits and demerits?
3. Discuss the state of health infrastructure in rural areas of India.
4. Explain the three-tier system of health infrastructure and health care in India.

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

Over years India's soft infrastructure grew much faster than the hard infrastructure. For example, India's rising trade has been reflected in growing container port traffic, which increased from less than a million in 1991 to about 5 million in 2005 with an annual growth rate of about 266% since 1991. In contrast, hardware components, like railway, roadways and airways witnessed little expansion in last one and half decades. In general, performances of these sectors (hardware) are never the less poor, when counted their densities in terms of country's surface area of population. Densities in terms of access or spread of rail and road length clearly indicate that road sector has been successful, compared to railways, in spreading the network as well as providing and assess in the economy. in order to unleash India's full potential development of hardware component of India's physical infrastructure perhaps deserves utmost attention This also indirectly indicates high investment potentials in roadways, railways, power and the associated components in India.

Questions:

1. Infrastructure contributes to growth and development on account of which of the Following:
 - (a) it promotes productivity
 - (b) it generates linkages in production
 - (c) it reduces the size of the market
 - (d) both A and B
 2. The infrastructure referred to in the above paragraph is _____. (social /economic infrastructure).
 3. Social infrastructure includes:
 - (a) roads
 - (b) health infrastructure
 - (c) railways
 - (d) airways
 4. Economic infrastructure leads to growth in human development. (True or False).
2. Read the following hypothetical text and answer the given questions: -
- Infrastructure is one of the most important backbone of any economy. Development of infrastructure leads to proper growth of the economy, social infrastructure like health and education helps indirectly in growth of the economy. Social infrastructure, like health and education helps indirectly in growth of GDP and Physical Infrastructure helps directly. They both help in solving the problem of unemployment. Thus, the government needs to focus on improving the social infrastructure of the economy at large. Expenditure in Health and education leads to the development of the Human capital and enables the better supply of work force which is both healthy and skilled. With regard to physical infrastructure like roads and railways help to foster the growth of Industries, all small scale, medium scale and large scale industries. As the population of India is large, so in order to remove the disguised unemployment, government has set up committees aimed at helping the development of small scale industries and villages as they are more labour intensive unlike the large scale industries. One such committees was Karve Committee constituted in 1955 which witnessed the potential of utilizing small scale industries for promoting rural development.

Questions:

1. Social infrastructure helps in production and distribution:
 - (a) In direct form
 - (b) In indirect form
 - (c) In no way
 - (d) In Both (a) and (b)
2. _____ (Health expenditure/Food for All/Skill Development Programme) directly increases the supply of healthy labour force.
3. Which type of unemployment is more in india:
 - (a) Open unemployment
 - (b) Disguised Unemployment
 - (c) Seasonal unemployment
 - (d) Educated unemployment
4. In 1955, Karve Committee was constituted for aiming the _____.
 - (a) Development of Small Scale industries
 - (b) Development of Large Scale industries
 - (c) Feasibility of LPG
 - (d) Development of infrastructure

Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)
 - b. Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
 - c. Assertion (A) is True but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is True

Assertion: There exist a positive correlation between economic growth and demand for energy.

Reason: Growth is an index of increasing productive activity, which requires a large quantity of energy.

2. In these questions, a statement of assertion followed by a statement of reason is given.



Choose the correct answer out of the following choices.

- Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)
- Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
- Assertion (A) is True but Reason (R) is

False

- d. Assertion (A) is False but Reason (R) is True

Assertion: It is imperative to develop the status of both social and economic infrastructure.

Reason: It enhances overall productivity and expands the dimensions of economic development.

Answers Key

MCQ answers:

1. (a) Coal
2. (b) Hydroelectric Power
3. (a) Thermal Power
4. (c) All infrastructural facilities have a direct impact on the production of goods and services.
5. (b) Housing
6. (a) Proneness to fall ill
7. (d) 90 percent
8. (b) Transport
9. (c) Conducting research
10. (a) Allopathy
11. (d) Dried dung
12. (d) All of these
13. (b) Atomic energy
14. (c) Kerala
15. (b) Solar energy

5. **Answer:** Only 20 percent of rural population has access to improved sanitation.
6. **Answer:** Commercial sources of energy are those sources which are exchanged for money. Coal and petroleum are commercial sources of energy.
7. **Answer:** The share of nuclear sources in the world's total energy, generation is 13 percent.
8. **Answer:** CFLs are better than 100-watt bulbs as the former consumes 80 percent less power as compared to the latter.
9. The two leading private sector companies that distribute electricity in Delhi are:
 - (i) Reliance Energy Limited
 - (ii) Tata – Power Limited (NDPL)
10. Delhi Electricity Regulatory Commission (DERC) monitors the tariff structure and other regulatory issues in Delhi.

Very Short Answers:

1. **Answer:** Social infrastructure consists of facilities and systems that are necessary to ensure safe, healthy and productive life to the people in the community.
2. **Answer:** Social infrastructure includes:
 - (i) Education
 - (ii) Health
 - (iii) Housing
3. **Answer:** Economic infrastructure consists of energy, transportation and communication.
4. **Answer:** Rural women use bio-fuels such as crop residues, dung and fuel wood to meet their energy requirement.

Short Answers:

1. **Answer:** The significance of social infrastructure lies in the following:
- (i) It helps in the healthy and robust growth of the young generation so that they become an efficient manpower tomorrow.
 - (ii) Social infrastructure helps in the growth of literacy, which in turn helps in the growth of the society.
 - (iii) Social infrastructure helps in the skill formation, which is an important parameter in the context of economic growth.

- (iv) It helps in improving and providing a quality life to the people.
- (v) Social infrastructure helps in the formation of human capital, which complements the physical capital to form an efficient system of growth and development

2. **Answer:** Infrastructure is the support system of the economy. All the sectors of the economy – agriculture industry, trade and commerce – greatly depend on the social and economic infrastructure for rapid and vast economic development. It is a network of public services, physical and social facilities that increases the efficiency of factors of production and improves the quality of people's life. Thus, infrastructure plays a vital role in the economic development of a country.
3. **Answer:** The table below compares India's position with its neighbouring countries on the basis of infrastructural development:

Country	China	India	Pakistan
Investment in Infrastructure as a percentage of GDP – 2014	46	34	15
Access to Improved Water Source (%) – 2015	96	94	91
Access to Improved Sanitation (%) – 2015	77	40	64
Users of Mobile Phones per hundred person – 2015	93	79	70
Power Generation (billion kwh) – 2016	6015	1423	105

Source: World Development Indicators, 2017, data pertaining to 2014

In case of investment in infrastructure, as a percentage of GDP, China is far ahead of India and Pakistan. While China invests 46 per cent of

its GDP in infrastructure, India and Pakistan invest only 34 and 15 per cent of their GDP respectively.

Access to drinking water is more or less the same for all the three nations, Power production is much better in China as compared to Pakistan and India. Modernisation process is faster in China compared to India and Pakistan. There 93 persons out of one hundred use mobile phones in China, In India 79 and in Pakistan only 70 out of one hundred persons were mobile users.

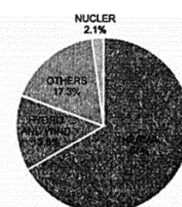
Thus, when we compare the development experience in terms of infrastructural development of these countries, we found that China is much ahead of India and Pakistan.

4. **Answer:** The composition of infrastructure requirements changes significantly with the increase in country's national income. Basic infrastructure facilities such as irrigation, transport and power are more important for low-income countries.

However, as economies grow and they are able to satisfy their basic consumption demand, the share of agriculture in the economy shrinks and more service related infrastructure become important. Thus, the share of power and telecommunication infrastructure is greater in high-income countries.

5. **Answer :**

Source	Power Generation Capacity (%)
Thermal	67
Hydro and Wind	13.6
Nuclear	2.10
Others	17.30
Total	100



6. **Answer:** India's energy policy encourages hydel and wind energy as India has great potential in the use of a renewable source of energy. The use of renewable energy sources can ensure additional supply of power. Moreover, these sources do not rely on fossil fuel and hence, avoid carbon emissions. Greater reliance on renewable energy resources offers enormous economic, social and environmental benefits.
7. **Answer: The following problems are faced by State Electricity Boards:**

- (i) SEBs suffer transmission and distribution losses, thereby making the economics of power generation completely unbalanced.



- (ii) The pattern of investments being made in power generation is inappropriate. It leads to sharp increase in the cost per unit of electricity.
- (iii) The high cost of power imposed on the industry, which is the backbone of the SEBs, is hindering the grid in gaining control and hence, worsening the crisis of the SEBs.

8. **Answer:** The following the points reflect development in the health services after independence in India:

- (i) Decline in Death rates: Death rate has come down from as high as 27.4 per thousand in 1951 to 6.3 per thousand in 2015.
- (ii) Reductions in Infant Mortality: Infants mortality rate has significantly reduced from 140 per thousand in 1951 to 32 per thousands in 2015.
- (iii) Rise in Life Expectancy: Expectancy of life has risen from 50 years in 1951 to 68.3 years in 2015.

9. **Answer:** Some premier institutions that provide specialised health care in India are:

- All India Institute of Medical Science (AIIMS), New Delhi
- Post Graduate Institute, Chandigarh
- Jawaharlal Institute of Postgraduate Medical Education and Research, Pondicherry
- National institute of Mental Health and Neuro Sciences, Bangalore
- All India Institute of Hygiene and Public Health, Kolkata.

10. **Answer:** Community participation functions with the idea that the people can be trained and involved in primary healthcare system. Trade unions have built health care services to give low-cost health care to their members as well as to the people from nearby villages.

For instance, Shahid Hospital was built in 1983 and is sustained by the workers of Chhattisgarh Mines Shramik Sangh in Durg, Madhya Pradesh. SEW A in Ahmedabad and ACCORD in Nilgiris are examples of some non-profit organisations that contribute to health care in India.

Long Answers:

1. **Answer:** It is important to conserve energy due to the following reasons:

- (i) Resources are limited. India has only 1 percent of world's energy resources but it accounts for 16 percent of world population.
- (ii) Resources take long time for formation. Coal and petroleum are the most widely used sources of energy. They take thousands of years for formation.
- (iii) Resources are non-renewable. Non-renewable resources are those which get exhausted with extraction and use. Non-renewable energy sources constitute 80 percent of the fuel use. If we continue to use such resources at present rate, these will be soon depleted.
- (iv) Use of resources involves high cost. About 75 percent of our crude oil needs depend on imports, which cost about ₹ 1,50,000 crore a year. The cost is passed on to the consumers by means of higher prices of goods and services.
- (v) Environment needs protection. Sources which rely on fossil fuel emit huge amounts of carbon dioxide in the atmosphere. Energy production accounts to large proportion of air pollution and more than 83 percent of greenhouse gas emissions. According to a wise saying – "The earth, water and the air are not a gift to us from our parents but a loan from our children. Hence, we need to make energy conservation a habit."

2. **Answer:** Merits of Solar Energy:-

- (i) It is available free of cost.
- (ii) It is a renewable source of energy.
- (iii) It does not cause pollution.
- (iv) Solar energy can be used in remote areas where it is too expensive to extend the electricity power grid.
- (v) Everyday items such as calculators and other low power consuming devices can be powered by solar energy effectively.

Demerits of Solar Energy :-

- (i) Solar energy can be harnessed only during daytime.
- (ii) It cannot be obtained during rainy days.

- (iii) Solar collectors, panels and cells are relatively expensive.
- (iv) Large areas of land are required to capture the sun's energy.

Merits of Wind Power :-

- (i) Wind power is an inexhaustible source of energy and is virtually a limitless resource.
- (ii) Energy is generated without polluting environment.
- (iii) It has tremendous potential to generate energy on large scale.
- (iv) Wind power can be used directly as mechanical energy.

Demerits of Wind Power :-

- (i) Wind power requires expensive storage during peak production time.
- (ii) It requires large open areas for setting up wind farms.
- (iii) It is an unreliable source as winds are uncertain and unpredictable.
- (iv) The problem of noise pollution is usually associated with wind mills.

Merits Tidal Power :-

- (i) Tidal energy is completely renewable.
- (ii) It is a relatively reliable source of energy.
- (iii) A tidal barrage has a very long life of around 100 years.
- (iv) It is free from pollution.
- (v) Its costs are extremely low.

Demerits of Tidal Power :-

- (i) It requires massive investment to construct a tidal barrage or dam.
- (ii) It has adverse effect on marine life.
- (iii) It is difficult to transmit electricity generated from tides.

3. **Answer:** The following points highlight the state of health infrastructure in rural areas of India:

- (i) People living in rural areas do not have sufficient medical infrastructure as
 - only one-fifth of the country's hospitals and only about half the number of dispensaries are located in rural areas; and

- out of 6.3 lakh beds in the entire country, only 30 percent are available in rural areas.

- (ii) There are only 0.36 hospitals for every one lakh people in rural areas.
- (iii) The PHCs located in rural areas do not provide basic facilities such as X-ray or blood testing.
- (iv) In rural areas, the percentage of people who have no access to proper care has increased over the last few years.
- (v) Rural population has no access to any specialised medical care such as paediatrics, gynaecology, anaesthesia and obstetrics.

4. **Answer:** The three-tier system of health infrastructure and health care in India is as below:

- (i) **Primary Health Care:** It includes education related to existing health problems and methods to identify, prevent and control them. It also constitutes promotion of food supply and proper nutrition; adequate water supply and sanitation; maternal and child health care; etc. In order to provide primary health care, Primary Health Centres (PHC), Community Health Centres (CHC) and sub-centres have been set up in villages and small towns.
- (ii) **Secondary Health Care:** When PHCs are unable to manage the condition of a patient, they are referred to secondary hospitals. Secondary health care institutions include hospitals which have better facilities for surgery, X-ray and Electro Cardio Gram (ECG). They are mostly located in district headquarters and big towns.
- (iii) **Tertiary Health Care:** Hospitals under the tertiary sector have advanced level equipment and medicines. They undertake all the complicated health problems, which could not be managed by primary or secondary hospitals. This sector also includes many premier institutes, which provide specialised health care not along with imparting quality medical education and conducting research.

**Case Study Answer-**1. **Answer:**

1. d) both A and B
2. economic infrastructure
3. b) health infrastructure
4. false

2. **Answer:**

1. b) In indirect form
2. Health expenditure
3. b) Disguised Unemployment

4. a) Development of Small Scale industries

Assertion Reason Answer-

1. a) Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)
2. b) Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)



Employment Sustainable Development 9

Employment Sustainable Development:

Environment Sustainable Development refers to a situation in which an individual is unable to fulfill the basic necessities of life. In other words, it is the ability of a individual to fulfill the minimum requirement of life like food, clothing, shelter, education and health facilities etc.

Environment:

Refers to the total planetary inheritance and the totality of all the resources. In other words, Environment includes all the biotic (living elements) and abiotic (non-living element) elements which influence each other.

Biotic elements – Living beings – bird, plants, humans etc **Abiotic elements – non-living elements – air, water, land etc.**

Functions of environment:

- **Supplies resources:** Environment provides various resources such as wood, minerals, soil etc. These resources are necessary for the process of production and they are available at free of cost in the environment.
- **Environment assimilates waste:** Environment absorbs various waste generated in the process of production by human beings. Assimilation of the waste is necessary for the survival of life on planet earth.
- **Sustains life:** It includes various ingredients which are necessary for the survival of human life. This ingredient includes sin, water, soil and air.
- **Enhance the quality of life:** Environment includes land, forests, mountains, rivers etc. Man enjoys these surroundings and the scenic beauty of these elements. Such elements help in improving the quality of life.

Carrying capacity of environment:

It refers to the capacity of environment under which it is able to perform the above functions without any interruption.

The environment is able to perform the functions till the demand for its resources lies under the carrying capacity. In other words, carrying capacity implies that resources extraction should not go above the rate of resource generation and the generation of wastes should remain within the absorption capacity of the environment.

Absorption capacity of environment: It refers to the ability of the environment to absorb degradation (waste).

Environment crises:

Increase in population and urbanization leads to heavy stress on environment. Due to the various resources has already becomes extinct while others are reducing day by day.

Some of the reasons of environment crises are as follows:

- **Increase in population:** One of the most important reasons of environment crises is the increase in population of humans. Increased population demand for an extra unit of resources which creates more amount of pressure on the environment.



- **Industrial revolution:** Increase in the amount of industries increases the amount of consumption of natural resources as raw material and also increases the amount of waste from these industries which ultimately result in environment crises.
- **Extraction of resources:** Extensive and intensive extraction of both renewable and non-renewable resources decreases the natural reserves of environmental resources due to which some vital resources are at the point of extinction.
- **Affluent consumption:** It refers to the spending of money on the acquiring of luxury goods and services to publicly display economic power of the income. Increase in the trend of affluent consumption of developed countries increases the amount of consumption which leads to a greater demand of resources.

Pollution

It refers to adding a substance in the environment which has harmful or poisonous effect. In other words, pollution refers to the introduction of harmful substance in air, water and land.

Basically pollution is of 4 types:

- **Air pollution:** Caused by Burning of fossil fuels, smoke of vehicles, smoke by industries etc.
- **Water pollution:** Caused by Dumping of chemical wastes of factories in rivers, Sewerage that flows from rivers, throwing of plastics in ocean etc.
- **Noise pollution:** Caused by sound of vehicles, aircraft noise, industrial noise, high volume equipment's etc.
- **Land pollution:** Caused by Deforestation, Urbanization, Industrialization etc.

Global warming:

It refers to the gradual increase in the average temperature of earth atmosphere.

It is caused by the man made increase in the amount of greenhouse gases (CO₂, CFCs, methane etc.) in the atmosphere through the burning of fossil fuels and deforestation.

Effects of global warming:

- Rise in sea level due to melting of polar ice
- Increase in tropical storms
- Many species becomes endangered.
- Increase in the incidence of tropical diseases (like malaria, dengue etc.)

Ozone depletion:

The ozone layer is a region of earth stratosphere (a layer of atmosphere) that absorbs most of the sun ultraviolet radiation. It contains high concentration of ozone in relation to other parts of the atmosphere. It protects the planet from direct contact of ultraviolet rays.

Ozone depletion refers to the destruction of ozone in the ozone layer due to presence of high level of CFCs (Chlorofluorocarbons) and bromine compounds in the atmosphere.

CFCs is used as cooling substance in AC and Refrigerators

Effects of ozone depletion:

Depletion of ozone layer allows more ultra violet radiation to come o earth which causes various problems to living organism such as skin cancer, eye cancer and damage of immune system, hampers the growth of other living elements etc.

Challenges of Indian Environment:

- The priority issues of India's environment are as follows:
- Deforestation or Degradation of land
- Land Degradation



- Soil erosion
- Biodiversity loss
- Air pollution
- Management of fresh water

Deforestation or Degradation of land:

It refers to the removal of a forest or stand trees from land which is then converted into non-forest use.

In other words, it refers to cutting, clearing and removal of rainforest where land is thereafter converted to a non-forest use.

One of the main priority issue of environment is deforestation. Industries improves the quality of life by providing variety of goods and services but on other hand it disturbs the whole ecological system, as industrialization leads to urbanization and urbanization requires more amount of land which ultimately leads to deforestation. More and more amount of forest are for the purpose of development of cities and towns.

Chipko Movement/ Chipko andolen – hug the tree:

- The Chipko movement (in north) or appiko movement (in south) was a forest conservation movement in India.
- It was begun in 1970.
- In early 1970s, when the felling of trees by the authorities has started in sirsi district, 160 men, women and children hugged the trees. And forced the woodcutters to leave.

Land Degradation:

It refers to the decrease/ decline in the productive capacity of the land. In other words, it refers to a decline in the overall quality of soil, water and vegetation condition commonly caused by human activities. Factors responsible for land degradation.

- Deforestation
- Forest fires
- Improper crop rotation
- Indeterminate use of fertilizers and pesticides
- Improper planning and irrigation systems
- Non adoption of adequate soil conservation measures

Soil erosion: It refers to the removal of upper layer of the soil which contains the majority of nutrients which are essential for the growth of plant. Soil erosion is caused by strong winds and floods. Plantation of more trees can stop the process of soil erosion as trees holds the layer of soil and protects them from winds and floods.

Biodiversity loss: Biodiversity refers to the variety of plant and animal life in the world or in a particular habitat. Biodiversity boosts ecosystem productivity wherein each species, whether small or large layer an important role. Biodiversity loss refers to the extinction of species (plant or animal) worldwide, and also the local loss of species in a certain habitat.

Sustainable development: The development of our present generation without hampering the development of future generation is known as Sustainable development. The basic motive of sustainable development is to ensure that the present generation should gives a quality of life to the next generation, which is not less than what the present generation inherits.

Achieve sustainable development:

In order to achieve sustainable development, following things are to be done:

- **Limiting population:** In order to make the consumption of resources under the carrying capacity of the environment, the most important thing that is to be done is the control of growth rate of population.



- **Careful use of renewable resources:** Here, careful use refers to the pace of consumption in which the extraction of resources should not exceeds the regeneration.
- **Substitution of non-renewable resources:** In order to achieve sustainable development, non-renewable resources must be substitute with renewable resources. Moreover, the rate of depletion of non- renewable resources must not exceeds the rate of creation of renewable resources.
- **Pollution control:** Here pollution does not only means air pollution, it includes all type of pollution (such as land, air, water, sound). In order to achieve sustainable development, the discharge of pollution should be limited to the absorption capacity of the environment.
- **Input efficient technology:** There is a need of such production technology which is input efficient and not input consuming i.e., more amount of production in same amount of resources input.

Strategies for sustainable development:

Here is the list of various strategies that can be adopted for sustainable development

- **Use of cleaner fuels:** In place of smoke emitting fuels like coal and petroleum such fuels are to be taken into consideration which does not produce pollution, for example – Liquefied petroleum gas (LPG), Compressed natural gas (CNG), gobargas in rural areas etc.
- **Use of non-conventional sources of energy:** The sources of energy which comes into existence in the recent past are known as non-conventional sources of energy. In other words, it refers to the sources of energy which has been discovered just because of modern technology (used just from past few years) For example – winds power, solar energy etc. Use of such energy is beneficial for environment as well as for human beings as these sources of energy are termed as green sources i.e., they does not pollute environment and can also be treated as the substitute of conventional sources of energy.
- **Public means of transport:** In order to reduce the consumption of petrol and to decrease the amount of air pollution public transport must be taken into consideration. As it reduces the amount of traffic and consumption of petrol which reduces sound and air pollution. For example – metro in Delhi
- **Traditional knowledge and practice:** India is considered to be a environment friendly country. From ancient period, the people of India are very close to the environment, our agriculture system, transport, household have been environment friendly. While shifting from our tradition system to the western system we ignore the pride and environment friendly culture of our country. There is a need to develop Indian culture in the heart of Indian public. Example – AYUSH (Ayurvedic, Yoga and Naturopathy, Unani, Siddha and Homeopathy) treatment in India.
- **Organic farming:** It is a process of producing food naturally; under such farming the use of chemical fertilizers and high yielding variety of seeds is totally prohibited. Increase in the trend of organic farming reduces the use of chemical fertilizers and pesticides which ultimately reduces the land degradation. Moreover, agriculture through natural process increases the quality of food.
- **Management of waste:** In order to control water pollution, proper management of industrial and household waste must be done. This waste should not enter into river and shall be systematically managed. Wastage of household can be recycled into compost and used as manure for organic farming.
- **Mini-hydel plants:** It refers to the plants which are used to generate electricity through the power of flowing water. There are plenty of small rivers and streams in mountain regions, hydro power plants must be installed in those areas through which electricity can be generated. Moreover, these plants are environment friendly and are capable of meeting local demands.

Summary:

- Biotic elements – Living beings – bird, plants and humans etc.
- Abiotic elements – non-living elements – air, water, land etc.
- Functions of environment



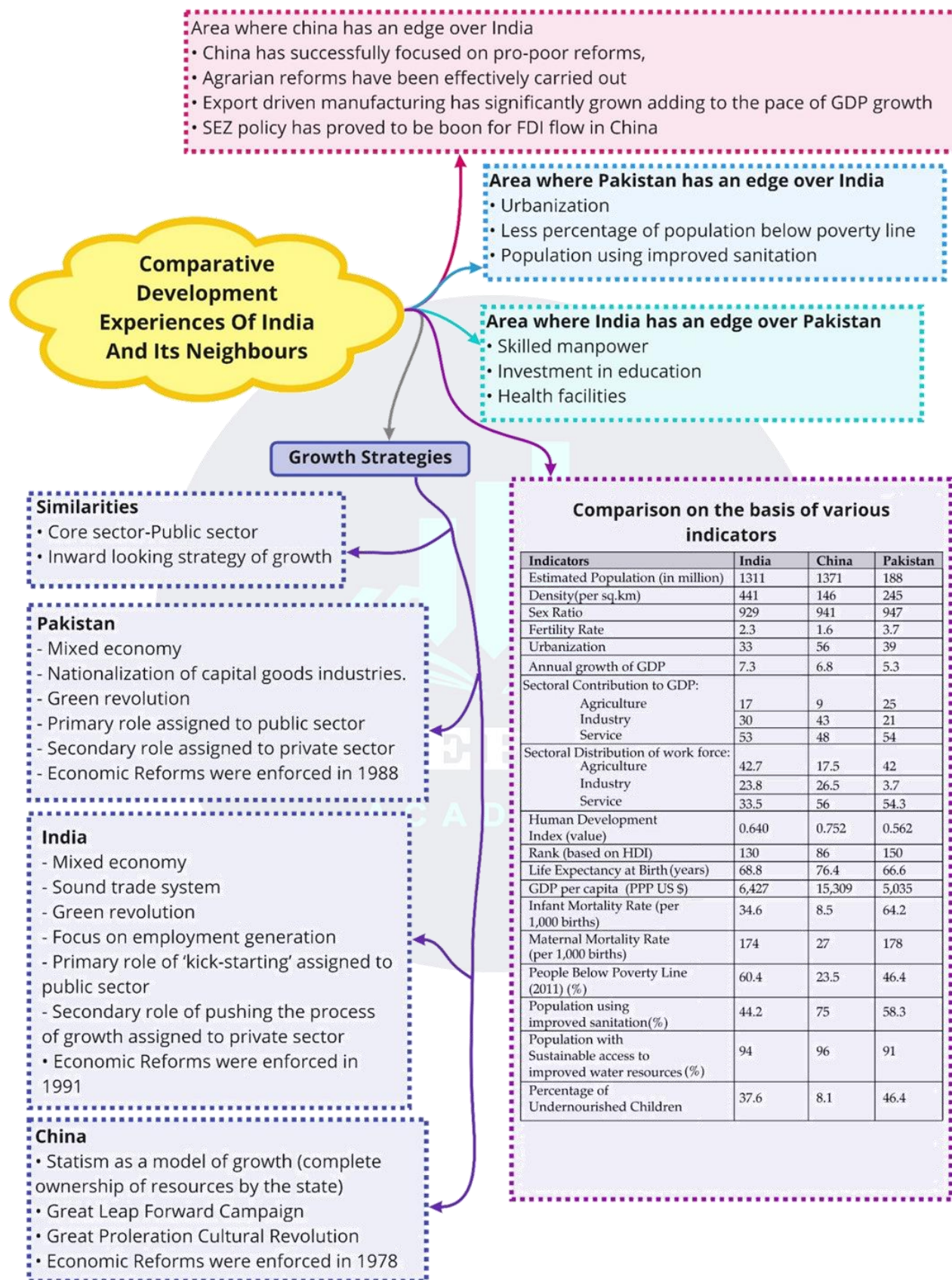


- Supplies resources
- Environment assimilates waste
- Sustains life
- Enhance the quality of life
- Carrying capacity of environment
- Absorption capacity of environment
- Environment crises
- Increase in population
- Industrial revolution
- Extraction of resources
- Affluent consumption
- Pollution
- Global warming
- Effects of global warming
- Ozone depletion
- Effects of ozone depletion
- Challenges of Indian Environment
- Deforestation or Degradation of land
- Land degradation
- Soil erosion
- Biodiversity loss
- Air pollution
- Management of fresh water
- Sustainable development
- Strategies for sustainable development





Class : 12th Economics (Indian Economic Development)
Chapter-9 : Environment And Sustainable Development



Important Questions

Multiple Choice Questions:

1. The government set up the Central Pollution Control Board to control
 - (a) noise pollution
 - (b) air pollution
 - (c) deforestation
 - (d) land pollution
2. Sustainable development can be achieved by
 - (a) controlling pollution
 - (b) controlling the growth of population
 - (c) restricting use of renewable resources
 - (d) all of these
3. Which of the following is an impact of global warming?
 - (a) Deforestation
 - (b) Rise in sea level
 - (c) Waste generation
 - (d) Rapid increase in population
4. In which of the following layers of the atmosphere is ozone shield found?
 - (a) Troposphere
 - (b) Exosphere
 - (c) Stratosphere
 - (d) Mesosphere
5. Which of the following is a consequence of ozone layer depletion?
 - (a) Skin cancer in humans
 - (b) Lower production of phytoplankton
 - (c) Hampers growth of terrestrial plants
 - (d) All of these
6. When was the Central Pollution Control Board (CPCB) set up?
 - (a) 1964
 - (b) 1974
 - (c) 1984
 - (d) 1994
7. How many industrial categories have been identified as significantly polluting by the CPCB?
 - (a) 17
 - (b) 25
 - (c) 27
 - (d) 31
8. Which of the following is the modern concept of development?
 - (a) Economic development
 - (b) Economic growth
 - (c) Sustainable development
 - (d) Human development
9. Use of which of the following has resulted in a significant reduction in Delhi's pollution?
 - (a) LPG at homes
 - (b) Solar cells for electricity
 - (c) Thermal power plants
 - (d) CNG in public transport
10. Which of the following is a conventional source of energy?
 - (a) Sun
 - (b) Wind
 - (c) Dried dung
 - (d) Tides
11. From the following which is a cleaner and greener energy source:
 - (a) Thermal power
 - (b) Hydro power
 - (c) Wind power
 - (d) None of the above
12. For sustainable development, environment damage rate environment recovery rate.
 - (a) should be greater than the
 - (b) should be exponentially greater than the
 - (c) should be same as the
 - (d) should be lesser than the



13. Which of the option is not incorporated as sustainable development parameters?
 - (a) Gender disparity and diversity
 - (b) Inter and Intra-generation equity
 - (c) Carrying capacity
 - (d) None of the above
14. South Africa is leading exporter of which mineral?
 - (a) Copper
 - (b) Diamond
 - (c) Silver
 - (d) Gold
15. The first airport powered by solar energy was
 - (a) Bangalore
 - (b) Cochin
 - (c) London
 - (d) Frankfurt

Very Short Questions:

1. Give two examples of biotic elements.
2. Name any two greenhouse gases.
3. What causes skin cancer in humans?
4. Name the important mineral reserves in India.
5. List the major contributors to air pollution in urban India.
6. Write two features of sustainable development.
7. How can solar energy be converted into electricity?

Short Questions:

1. Distinguish between renewable and non-renewable resources.
2. State some long-term impacts of global warming.
3. State some long-term impacts of global warming.
4. Write short notes on the following:
 - (i) Solar energy
 - (ii) Mini-hydel plant
5. How does thermal power plant cause pollution?
6. How do animals help in biopest control?

Long Questions:

1. Define the term 'Global Warming'? What are its main causes?
2. Suggest some measures to prevent environmental degradation.

3. Differentiate between economic development and sustainable development.
4. Explain the objectives of sustainable development.

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

In recent years, awareness of the harmful effect of chemical-based fertilizers and pesticides on our health is on rise. Conventional agriculture relies heavily on chemical fertilizers and toxic pesticides etc which enter the food supply and penetrate the water resources, harm the livestock, deplete the soil and devastate natural eco systems. Efforts in evolving technologies which are eco-friendly, are essential for sustainable development and one such technology which is ecofriendly is organic farming. In short, organic agriculture is a whole system of farming which restores, maintains and enhances the ecological balance. There is an increasing demand for organically grown food to enhance food safety throughout the world.

Questions:

1. In context of sustainable development, which of the following is/ are strategies to achieve it?
 - (a) use of sustained methods of farming
 - (b) use of bio pest
 - (c) use of natural manure
 - (d) all the above
2. Green Revolution was a major reason of rise in productivity of farming. What are the advantages of conventional farming methods?
 - (a) higher output
 - (b) cost effective
 - (c) wider range
 - (d) all of these
3. _____ is more popular non-farm activity after farming.
4. _____ helps in maintaining ecological balance.
2. Read the following hypothetical text and answer the given questions: -

Sustainable development is one which is directly concerned with increasing the material standards of living of the poor at the grass-root

level. This can be quantitatively measured in terms of increased income, real income, educational services, health care, sanitation, water supply etc. In more specific terms, sustainable development aims at decreasing the absolute poverty of the poor by providing lasting and secure livelihoods that minimise resource depletion, environmental degradation, cultural disruption and social instability.

Questions:

1. The concept of sustainable development is related to:
 - (a) Rural development
 - (b) Growth rate of GDP
 - (c) Human development
 - (d) Environment
2. _____ means the ability of the environment to observe degradation. (Absorptive capacity/supplies resources)
3. The economic development that we have achieved so far has come at a very heavy price that is environment pollution. (true/ false)
4. What happens when the rate of resource extraction, exceeds that of their regeneration?

Assertion Reason Type Question-

1. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**
 - a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)

- b. Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is True but Reason (R) is False
- d. Assertion (A) is False but Reason (R) is True

Assertion: Presently, global atmosphere is warming up.

Reason: The depletion of the stratospheric ozone layer has resulted in an increase in ultraviolet radiation reaching the earth.

2. **In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.**

- a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is True but Reason (R) is False
- d. Assertion (A) is False but Reason (R) is True

Assertion: In India, land suffers from different types of degradation.

Reason: In India, there are appropriate management practices to avoid land degradation.

Answers Key

MCQ answers:

1. (b) air pollution
2. (d) all of these
3. (b) Rise in sea level
4. (c) Stratosphere.
5. (d) All of these
6. (b) 1974
7. (a) 17
8. (c) Sustainable development
9. (d) CNG in public transport
10. (c) Dried dung
11. (c) Wind power
12. (d) should be lesser than the
13. (d) None of the above
14. (d) Gold
15. (b) Cochin



Very Short Answers:

1. Examples of biotic elements include air, land, water, etc.
2. **Answer:** Carbon dioxide and methane are greenhouse gases.
3. **Answer:** Exposure to ultraviolet (UV) radiation causes skin cancer in humans.
4. **Answer:** The important mineral reserves in India are bauxite, copper, chromate, diamonds, gold, lead, lignite, manganese, zinc, uranium, etc.
5. **Answer:** The major contributors to air pollution in urban India are:
 - (i) Vehicles
 - (ii) Industries
 - (iii) Thermal power plants
6. **Answer:** Features of sustainable development are:
 - (i) It increases real per capita income and quality of life.
 - (ii) It helps in reducing pollution.
7. **Answer:** Solar energy can be converted into electricity with the help of photovoltaic cells.

Short Answers:

1. **Answer:** The following are the points of difference between renewable and non-renewable resources:

Renewable Resources	Non-renewable Resources
1. Renewable resources are those which can be used without the possibility of the resource becoming depleted or exhausted.	1. Non-renewable resources are those which get exhausted with extraction and use.
Examples: Trees, fish, water, etc.	Examples: Petroleum, coal, iron-ore, etc.

2. **Answer:** Some long-term impacts of global warming are:
 - Melting of polar ice
 - Rise in sea level

- Frequent coastal flooding and tropical storms
- Disruption of drinking water supplies
- Extinction of species
- Increased incidence of tropical diseases

3. **Answer:** Some long-term impacts of global warming are:

- Melting of polar ice
- Rise in sea level
- Frequent coastal flooding and tropical storms
- Disruption of drinking water supplies
- Extinction of species
- Increased incidence of tropical diseases

4. **Answer:**

- (i) Solar energy can be converted into electricity with the help of photovoltaic cells. These cells use semi-conductive materials to capture solar energy and then convert the energy into electricity. It is a pollution-free technology, which is extremely useful for such places where power supply through grid or power lines is either not possible or very costly.

- (ii) Mini-hydel plants use the energy of perennial streams to move small turbines. These turbines generate electricity, which can be used locally. Mini-hydel power plants are environment-friendly source of energy generation. Such plants are capable of generating enough power to meet local demands.

5. **Answer:** Thermal power plant cause pollution in the following ways:

- Emission of large quantities of carbon dioxide, which is a greenhouse gas
- Production of fly ash, which can cause land, air and water pollution, if not used properly

6. **Answer:** Snakes prey upon rats, mice and various other pests. Similarly, birds such as owls and peacocks prey upon vermin and pests. If these are allowed to dwell around the agricultural areas, they can kill variety of pests, including insects. Lizards also help in reducing the insect population in the soil. It is important to know the value of these animals and save them.



Long Answers:

1. **Answer:** Global warming is a gradual increase in the average temperature of the earth's lower atmosphere as a result of the increase in greenhouse gases since the advent of industrial revolution.

Following are the main causes of global warming:

- (i) **Buildup of Carbon Dioxide:** Increase in the level of carbon dioxide in the atmosphere due to burning of fossil fuels is the most significant human cause of global warming.
- (ii) **Deforestation:** Deforestation means clearing the forest to make the land available for other uses. All living plants store carbon. As forest and grassland are cleared for use, enormous amount of carbon dioxide is released back into the atmosphere.
- (iii) **Methane's Impact:** When we consider the effects of methane within a single decade, it is 100 times as powerful as carbon dioxide as greenhouse gas. Methane's has the potential to have significant impacts on the future of global warming.
- (iv) **Increased Use of Fertilisers:** With the advent of green revolution, the use of chemical fertilisers and machines to produce food has increased significantly. One of the primary components of the green revolution is nitrogen fertilisers, which have 300 times more heat trapping capacity per unit of volume than carbon dioxide. Hence, these contribute towards global warming.
- (v) **Other Causes:** Chlorofluorocarbons (CFCs) and hydro chlorofluorocarbons (HCFCs) used in refrigerator are also powerful greenhouse gases. These gases occur in lower concentration in the atmosphere but as they are so comparatively more potent than carbon dioxide, they contribute to global warming as well.

2. **Answer:** The following measures are needed to prevent environmental degradation:

- (i) **Population Control:** Rising population is a threat to the country. Therefore, it is absolutely essential to check the rising population if environment is to be protected.
- (ii) **Proper Implementation of Environment Conservation Acts.** In India the Environment Protection Act was passed in 1986. The objective of this Act is to check degradation in the quality of environment Therefore, this Act should be strictly implemented.
- (iii) **Social Awareness:** Social awareness must be spread among the people to understand the dangerous consequences of pollution. This will ultimately save the environment.
- (iv) **Afforestation Campaign:** Plantation should be done on a large scale for the protection of environment.
- (v) **Water Management:** For the protection of environment, provisions must be made to supply clean drinking water to the people. A so river water should be made clean.
- (vi) **Improvement in Housing:** For the protection of environment living places of the people should be made neat and clean. Slums must be replaced by airy and well-lighted dwelling houses.
- (vii) **Solid Waste Management:** Solid waste management in a planned way is very essential in the country. Solid waste should be treated chemically. In this connection, rural garbage must be converted into compost for the protection of environment.

7. **Answer:** The following are the points of difference between economic and sustainable development:

Economic Development	Sustainable Development
1. Economic development refers to the longterm increase in real per capita income and economic welfare.	In sustainable development, besides the increase in real per capita income, the welfare of the present and future generation is taken into consideration.



2. It does not account for the exploitation of natural capital.	Sustainable development emphasises on rational utilisation of natural resources.
3. It is generally used in the context of undeveloped economies.	It is used for developed, developing as well as underdeveloped economies.
4. It lays special stress on the structural technical and institutional changes in the economy.	It does not lay such stress on the structural, technical and institutional changes in the economy.
5. It does not emphasise on environmental protection.	It gives main emphasis on environmental

8. **Answer:** The objectives of sustainable development are:

- (i) **Sustained Rise in Real per Capita Income and Quality of Life:** The main objective of the sustained development is to maintain the remarkable level of real per capita income and the quality of life.
- (ii) **Reduction in Pollution:** Sustainable development aims to discard those activities which prove to be detrimental to the natural resources and environment. Thus, reduction in the pollution at any cost is its main objective.

(iii) **Rational Use of Natural Resources:** Its means that people should avoid excessive or unnecessary exploitation of natural resources.

(iv) **Fulfilling the Requirements of Future Generation:** Sustainable development aims to minimise environmental problems and meet the needs of the present, generation without compromising the ability of the future generation to meet their own needs.

Case Study Answer-

1. **Answer:**

1. d) all the above
2. d) all of these
3. Pisciculture
4. Organic food.

2. **Answer:**

1. d) Environment
2. Absorptive capacity
3. true
4. The environment fails to perform its third and vital function of life substance and this results in an environmental crisis. This is the situation today all over the world.

Assertion Reason Answer-

1. b) Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
2. c) Assertion (A) is True but Reason (R) is False



Comparative Development Experiences of India with Its Neighbors 10

Comparative Development Experience of India with its Neighbors:

Comparative Development Experience of India with its Neighbors refers to a situation in which an individual is unable to fulfill the basic necessities of life. In other words, it is the ability of a individual to fulfill the minimum requirement of life like food, clothing, shelter, education and health facilities etc.

In this chapter we will study about a comparative study between the 3 countries (India, Pakistan and China) and look after the outcomes of their policies after Independence.

All the 3 countries started their path of development at the same time, India and Pakistan got independence in 1947 whereas the republic of China (commonly known as China) was established in 1949.

All the 3 countries started their planning in similar ways. India has announced its first five year plan in 1951, China in 1953 and Pakistan in 1956.

India and Pakistan has adopted mixed economy whereas China has adopted 'Statism' (Public sector is assigned a key role in all the three economies).

Statism refers to a political system in which the state has substantial centralized control over social and economic affairs.

(also known as central planned economy)

Development strategies:

China:

After the establishment of republic of China in 1949, China adopted these strategies to proceed in the path of development.

- **Government control:** The first and most important decision which builds the economy of China is to brought all the sector of the economy, enterprises and lands owned and operated by the individuals under government control.
- **Great leap forward:** In 1958, Great leap forward campaign was launched by the government of China for the process of industrialization. This campaign aims at modernizing the economy by rapid industrialization. Peoples were encouraged to set up industries in the backward areas. This process of industrialization aids to the growth rate of the economy of China.
- **Great proletarian cultural revolution (by Mao tse tung):** In 1965, Mao tse tung the chairman of the communist party of China has introduced Great proletarian cultural revolution (1966-76). According to this revolution, Students and professionals were sent to work and learn from rural areas. This help the people of China to understand the basic problem of the economy and to help others in the path of development.



- **Reforms in Phases:** The government of China has introduced reforms in 2 different phases. In initial phase, reforms were initiated in agriculture, foreign trade and investment sectors. It includes allocation of land to general public who were allowed to keep all the income from the land after paying certain minimum taxed. In the later phase, reforms were initiated in industrial sector. Under this, private firms and village enterprises are allowed to produce goods.
- **Dual pricing system:** According to this system, the farmers and the industrial units are obliged to buy and sell fixed quantities on inputs at the price fixed by the government and rest were sold and purchase at market price.
- **Special economic zones (SEZs):** In order to attract foreign investors, special economic zones were set up. It refers to a region that has economic laws different from countries economic laws. **Example:** cheap labor, lower rate of tax, subsidized rate of electricity etc. These zones are set-up with the aim to increase foreign investment.

Pakistan:

India and Pakistan both gets its independence in 1947, the pathway of development of Pakistan after independence is as follows

- **Mixed economy:** As like Indian economy, Pakistan also adopted the concept of mixed economy for the path of development. It is a type of economy in which both private and public sector are participating in productive activities. The allocation of resources is made by the government for removing the central problem of economy with the help of private sector. Since, Private sector is guided for maximizing their profit.
- **Green revolution:** The green revolution was started in 1953 in Pakistan. Green revolution refers to the sudden and spectacular increase the production of food grains. Increase in public investment on infrastructure and green revolution gives rise to the production of food grains in Pakistan.
- **Development policies:** After independence, Pakistan introduced various policies to protect the domestic traders and to grow the economy. Pakistan introduced import substitution, tariff protecting for manufacturing of consumer goods and so on.
- **Role of private sector:** After 1987, Pakistan realized that private sector plays an important role in the development of any economy and hence in 1988 structural reforms were implemented. The thrust areas were denationalized and encouragement to private sector.
- **Financial support:** Pakistan received financial support from western nations and remittances from emigrants to the middle countries. It boost the growth of the economy. Comparative study of India, Pakistan and China.

Demographic indicators:

(Relating to the structure of the population)

- **Population:** China is regarded as the country with highest population in the world, India ranks at number 2 whereas Pakistan is far behind both of them.
- **Population growth rate:** Population growth rate is highest in Pakistan (2% per year) followed by India (1.1%) and China (0.6%). China has the lowest population growth rate among India and Pakistan due to the policy of Single child norm (One Child Policy) which was introduced in China in 1979.
- **Sex ratio:** It refers to the ratio of males to females in a population. In other words, Number of females over 100 males. All of the 3 countries has low sex ratio which represents the son prevailing mentality of the economy. It is estimated to be 940 in India, 950 in China and 952 in Pakistan.
- **Population density:** It refers to the number of people per unit of area, usually quoted per square kilometer or square mile. Due to huge area and single child norm the population density of China is very low (138 persons sq.km) in comparison to India (358 persons per sq.km) and Pakistan (193 persons per sq.km).



Gross Domestic product and sectors:

- The average growth rate of China is about 9.5% which was highest in all the 3 countries, whereas the rate of growth in India is 5.8% and Pakistan is 4.1%.
- Agriculture contributes 9% in gross domestic product in China with 37% of its workforce engagement and in Pakistan it is 21% with engagement of 45% of population.
- After independence, China has been shifting employment and output from agriculture to manufacturing and then to services. In India and Pakistan, the shift is taking place directly to service sector.

Human development indicators:

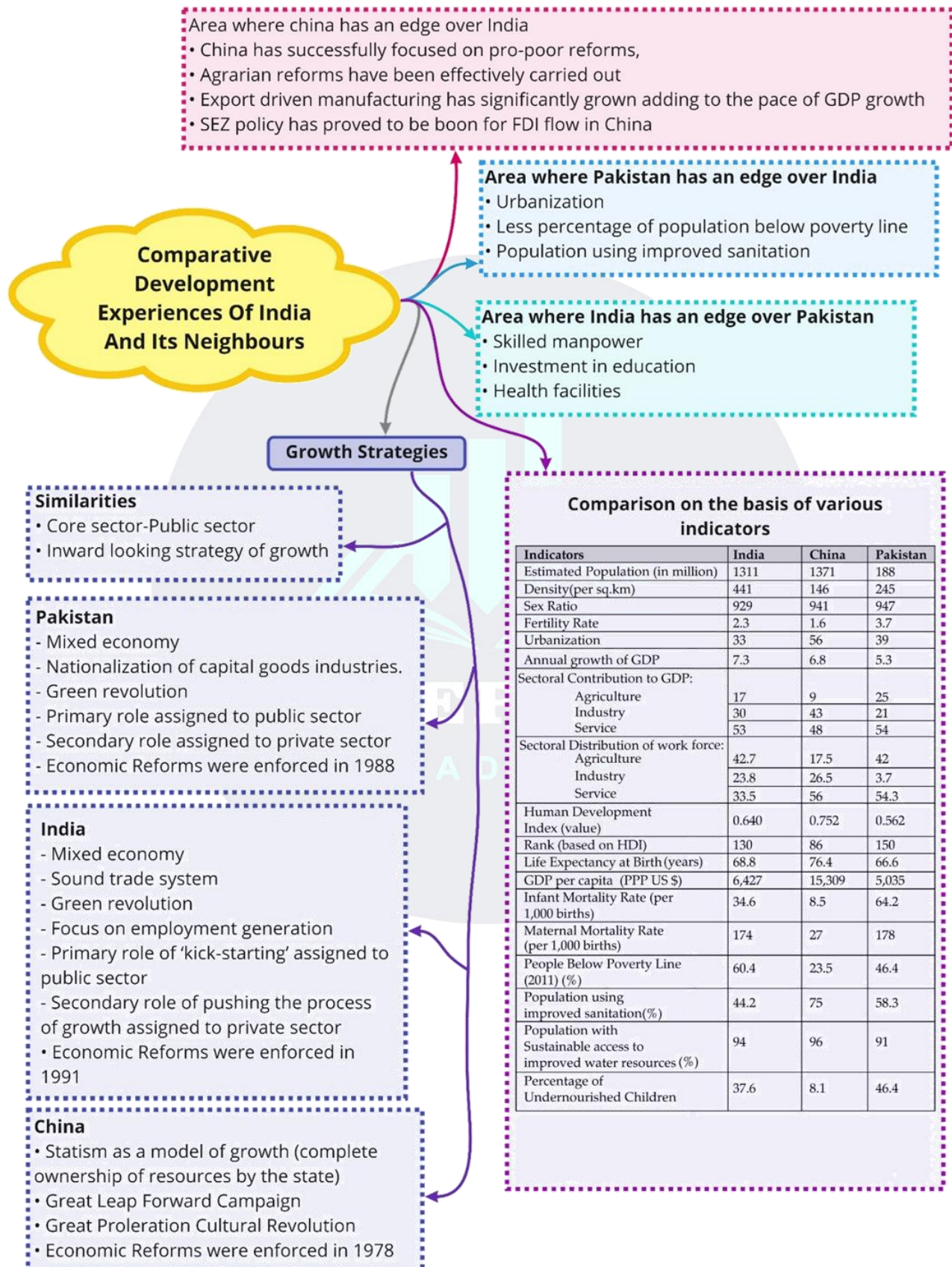
- **Human development index (HDI) – higher is better:** It is a statistic composite index of life expectancy, education and per capital income indicators, which are used to rank countries into four tiers of human development. The HDI of China is 0.752 whereas India and Pakistan is estimated to be 0.64 and 0.562 respectively.
- **Infant mortality rate – lower is better:** Infant mortality rate refers to the number of infants dying before the age of 1 year per thousand live births annually. The IMR is lowest in China with 11.8 per thousand, followed by India with 37.8 per thousand and Pakistan with 50.4 per thousand.
- **Sanitation:** In context of sanitation, China has the best performance among all with 76% of its population has access to improved sanitation compared with 39.6% in India and 63.5% in Pakistan.
- **Undernourished population – lower is better:** An undernourished person is one who consumes less than the required minimum amount of nutritious foods necessary for health and development. The percentage of undernourished population in China is 11% which is lower than India and Pakistan (both at 20%). By going through the above discussion, we can conclude that China has performed in much better way than the other 2 economies, it can be easily seen by growth rate and other indicators. After China the next economy which performed well the path of development is India, as the majority of people still depends upon agriculture and its rate of growth is increasing year after year. Moreover India has the maximum percentage of workforce in population across the globe which helps the economy to grown at much faster pace. At last, Pakistan won't be able to perform well after independence as the economy is primarily depends upon remittances and foreign loans moreover political instability also restricts its path of development.

Summary:

- Development strategies
- China
- Pakistan
- India
- Comparative study of India, Pakistan and China
- Demographic indicators
- Population
- Population growth rate
- Sex ratio
- Population density
- Gross Domestic product and sectors
- Human Development indicators
- Human development index (HDI) – higher is better
- Infant mortality rate – lower is better
- Sanitation
- Undernourished population – lower is better



Class : 12th Economics (Indian Economic Development)
Chapter-10 : Comparative Development Experiences Of India And Its Neighbours



Important Questions

Multiple Choice questions-

1. Introduction of Economic Reform in Pakistan took place in
 - (a) 1978
 - (b) 1980
 - (c) 1988
 - (d) 1991
2. With which of the following concepts is the commune system associated?
 - (a) Industrialisation
 - (b) Human rights
 - (c) SEZs
 - (d) Equal distribution of land
3. Which of the following is not an indicator of human development?
 - (a) Density of Population
 - (b) GDP per capita
 - (c) Literacy rate
 - (d) Life expectancy at birth
4. Which of the following is a feature pertaining to the Indian economy?
 - (a) One child norm
 - (b) Growth due to manufacturing sector
 - (c) High degree of urbanization
 - (d) Growth due to service sector
5. When did China announce its first five-year plan?
 - (a) 1951
 - (b) 1956
 - (c) 1953
 - (d) 1961
6. Which of the following countries ranks first in the development experience?
 - (a) India
 - (b) China
 - (c) Pakistan
 - (d) None of these
7. What was the fertility rate in Pakistan as in 2018?
 - (a) 1.6
 - (b) 2.6
 - (c) 3.6
 - (d) 3.6
8. Which of the following countries ranks first in the development experience?
 - (a) India
 - (b) China
 - (c) Pakistan
 - (d) None of these
9. What was the fertility rate in Pakistan as in 2018?
 - (a) 1.6
 - (b) 2.6
 - (c) 3.6
 - (d) 3.6
10. Which of the following countries has introduced the one-child norm?
 - (a) China
 - (b) India
 - (c) Pakistan
 - (d) Bangladesh
11. Which of the following countries was faster in shifting its workforce from agriculture to the service sector?
 - (a) India
 - (b) Pakistan
 - (c) China
 - (d) Both (a) and (b)
12. Which of the following is not an indicator of human development?
 - (a) Density of population
 - (b) GDP per capita
 - (c) Life expectancy at birth
 - (d) Literacy rate
13. With which of the following concepts is the commune system associated?
 - (a) Industrialisation
 - (b) Human rights
 - (c) Equal distribution of land
 - (d) Special Economic Zones
14. How many people died in the devastating earthquake that took place in Pakistan in 2005?
 - (a) 45,000
 - (b) 55,000
 - (c) 65,000
 - (d) 75,000



15. started their developmental program at the same time.

- (a) China and Pakistan
- (b) Pakistan, china and India
- (c) India and Pakistan
- (d) China and India

Very Short:

1. Name the largest democracy of the world.
2. When did China announce its first Five Year Plan?
3. What was the objective of the Great Proletarian Cultural Revolution introduced by Mao?
4. What are the government-owned enterprises known in China?
5. When were reforms initiated in Pakistan?
6. Which country is the most populated in the world?
7. Arrange India, China and Pakistan in terms of their HDI ranks.
8. Which sector contributes the most in the India's GDP?
9. What is the density of population in India, Pakistan and China?
10. Which country has largest share of poor among India, China and Pakistan?

Short Questions:

1. Write a brief note on the commune system in China.
2. State the factors which created a conducive environment for new investments in Pakistan.
3. What were the problems faced by the Great Proletarian Cultural Revolution in China?
4. What are special economic zones? Why were these established in China?
5. Compare China with India and Pakistan on the basis of demographic trends.
6. Compare the position of India with China and Pakistan on the basis of sectoral development?
7. Critically assess pre and post-reform period in China.
8. State the outcome of reforms in Pakistan.
9. Discuss the sources of foreign exchange in Pakistan.

Long Questions:

1. Give a brief account of developmental path of India, China and Pakistan.
2. Bring out the comparison between the economic growth of India, China and Pakistan.
3. Assess the performance of India, China and Pakistan over the last three decades.

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

The 1960s, Chinese Communist Party leader Mao Zedong came to feel that the current party leadership in China, as in the Soviet Union, was moving too far in a revisionist direction, with an emphasis on expertise rather than on ideological purity. Mao's own position in government had weakened after the failure of his "Great Leap Forward" (1958-60) and the economic crisis that followed. Chairman Mao Zedong gathered a group of radicals, including his wife Jiang Qing and defense minister.

Questions:

1. The Great Leap Forward (GLF) campaign initiated in ____.
2. Great Leap Forward (GLF) campaign:
 - (a) aimed at trading on a massive scale
 - (b) aimed at agriculture on a massive scale
 - (c) aimed at industrialising the country on a massive scale
 - (d) None of the above.
3. Who introduced the Great Proletarian Cultural Revolution?
4. In the Great Proletarian Cultural Revolution (1966-76) under which students and professionals were sent to work and learn from the countryside. (State whether true or false)
2. Read the following hypothetical text and answer the given questions: -

China has been the fastest growing economy in the world since the 1980s, with an average annual growth rate of 10% from 1978 to 2005, based on government statistics. Its GDP reached \$USD 2.286 trillion in 2005. Since the end of the Maoist period in 1978, China has been



transitioning from a state dominated planned socialist economy to a mixed economy. This transformation required a complex number of reforms in China's fiscal, financial, enterprise, governance and legal systems and the ability for the government to be able to flexibly respond to the unintended consequences of these changes. This transformation has been accompanied by high levels of industrialization and urbanization, a process that has influenced every aspect of China's society, culture and economy.

Questions:

- a. Reforms in China were introduced in the year ____.
- b. Which type of economic system is followed in China?
 - (a) Mixed economy
 - (b) Socialist economy
 - (c) Capitalist economy
 - (d) None of these
- c. Name the sectors where reforms were initiated in the initial phase in China.
- d. In the late phase, enterprises owned by the government were made to face competition. (T/F)

Assertion Reason Type Question-

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
 - a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)

- b. Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is True but Reason (R) is False
- d. Assertion (A) is False but Reason (R) is True

Assertion: the aim of the Great Leap Forward campaign initiated in China was to transform the agrarian economy into a modern economy through rapid industrialization.

Reason: Under the Great Leap Forward campaign, students and professionals were sent to work and learn from the countryside.

2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

- a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is True but Reason (R) is False
- d. Assertion (A) is False but Reason (R) is True

Assertion: The major policy initiatives, i.e. land reforms and green revolution helped India to become self-sufficient in food grain production.

Reason: The proportion of people depending on agriculture did not decline as expected.

Answers Key

MCQ answers:

1. **Answer:** (c) 1988
2. **Answer:** (d) Equal distribution of land
3. **Answer:** (a) Density of Population
4. (d) Growth due to service sector
5. (c) 1953
6. (b) China
7. (c) 3.6

8. (b) China
9. (c) 3.6
10. (a) China
11. (b) Pakistan
12. (a) Density of population
13. (c) Equal distribution of land
14. (d) 75,000
15. (b) Pakistan, china and India

Very Short Answers:

1. **Answer:** India is the largest democracy of the world.
 2. **Answer:** China announced its first Five Year Plan in 1953.
 3. **Answer:** Under the Great Proletarian Cultural Revolution, students and professionals were sent to work and learn from the countryside.
 4. **Answer:** The government owned enterprises are known as State Owned Enterprises SOEs in China.
 5. **Answer:** Reforms were initiated in 1988 in Pakistan.
 6. **Answer:** China is the most populated country in the world.
 7. **Answer:** The three nations are arranged in terms of their HDI ranks
 - (i) China
 - (ii) India
 - (iii) Pakistan
 8. **Answer:** Service sector contributes the most in the India's GDP.
 9. **Answer:** The density of population in India, Pakistan and China is 441, 245 and 146 persons per sq. km. respectively.
 10. **Answer:** India has the largest share of poor among the three countries.
- Growing remittances from Pakistani workers in the Middle-east
3. GLF campaign faced many problems. These were:
- (i) A severe drought caused havoc in China which killed around 30 million people.
 - (ii) Russia had conflicts with China. As a result, Russia withdrew its professionals who were sent to China to help in the industrialisation process.
4. Special Economic Zones (SEZs) are regions that are granted special economic policies and flexible governmental measures. Such policies and measures provide special tax incentives to foreign investment institutions. SEZs were created by the People's Republic of China to attract and utilize foreign capital investments.
5. The table below shows the comparison of China with India and Pakistan on the basis of demographic trends (2015):
- | Country | Estimated Population (in million) | Annual Growth of Population (%) | Density (per sq. km) |
|---------|-----------------------------------|---------------------------------|----------------------|
| India | 1311 | 1.2 | 441 |
| China | 1371 | 0.5 | 146 |

Short Answers:

1. **Answer:** Commune system was started in the rural areas of China, under which people collectively cultivated lands. Commune lands were divided into small plots. These plots were allocated to individual households for cultivation, not ownership. Households were allowed to keep all income from the land after paying specified taxes. In 1958, there were 26,000 communes covering almost all the farm population. The commune system resulted in more equitable distribution of food grains in China.
2. Following factors created conducive environment for new investments in Pakistan:
 - Adoption of green revolution
 - Shift of the orientation of nationalisation policy to denationalisation and encouragement to private sector

- Financial support from western nations
- Growing remittances from Pakistani workers in the Middle-east

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- (i) A severe drought caused havoc in China, which killed around 30 million people.
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5. The table below shows the comparison of China with India and Pakistan on the basis of demographic trends (2015):

Country	Estimated Population (in million)	Annual Growth of Population (%)	Density (per sq. km)
India	1311	1.2	441
China	1371	0.5	146
Pakistan	188	2.1	245

It is clear from the table that although China ranks first in population in the world, its population growth rate is much less than that of India. Density of population in China is also less than India and Pakistan. That day is not far behind when India will overtake China in world population.

6. Sectoral comparison of India, China and Pakistan is shown in the table below:

Contribution to GDP (2015-17)			
Sector	India	China	Pakistan
Agriculture	17	9	25
Industry	30	43	21
Service	53	48	54
Total	100	100	100

Sectoral contribution of India and Pakistan stands on the same ground. Service sector contributes significantly towards India's and Pakistan's GDP, followed by industrial sector. On the contrary, the industrial and services sectors contribute nearly equally in China's GDP.

The process of economic growth has led to a tremendous shift in the sectoral share of output and employment. All three nations have undergone structural transformation from primary to industrial and service sectors.

7. Pre-reform period

- (i) There was massive establishment of infrastructure in the areas of education and health
- (ii) Extensive land reforms were introduced to bring about changes in the ownership of land holdings and encourage equity.
- (iii) Development of small enterprises was promoted on a large scale.

Post-reform period

- (i) Reforms in agriculture brought about prosperity to a vast number of poor people.
- (ii) Reforms created conditions for the subsequent phenomenal growth in rural industries.
- (iii) Strong support base was built up for more reforms.

8. The reform process led to worsening of all the economic indicators as stated below:

- (i) The growth rate of GDP and its sectoral constituents have fallen in the 1990s compared to 1980s.
- (ii) The official data of Pakistan indicates that the proportion of poor in 1960s was more than 40 per cent. It declined to 25 per cent in 1980s, which again started rising in 1990s.

9. The sources of foreign exchange in Pakistan include:

- remittances from Pakistani workers in the Middle-east;
- payment in exchange for exports of highly volatile agricultural products; and
- loans from foreign countries.

Long Answers:

1. **Answer:** India, Pakistan and China have followed almost similar path for development. All the three nations started towards their developmental path at the same time. India and Pakistan became independent nations in 1947 while People's Republic of China was established in 1949. India announced its first Five Year Plan for 1951-56, Pakistan announced its first five year plan in 1956 and China announced its First Five Year Plan in 1953. India and Pakistan adopted similar strategies such as creating a large public sector and raising public expenditure on social development.

China was the first among the three nations to adopt reforms in its agricultural and industrial sectors. All the three countries had similar growth rates and per capita incomes till the 1980s.

2. **Answer:** The comparison between the economic growth of India, China and Pakistan is discussed below:

- (i) **National Income:** The national income of China in 2017 was \$12,206.5 billion. The national income of India in the same year was \$2,597.5 billion and that of Pakistan was only \$321.6 billion. Thus, in terms of national income, China's position is much better than India and Pakistan. In this context, we can say that India's position in comparison with Pakistan is much better.

- (ii) **Gross National Income in PPP (Purchasing Power Parity):** GNI of China in PPP in the year 2017 (Comparative Development Experiences of India and Its Neighbours) was \$23,241.5 billion. The GNI of India in PPP in the same year was \$9,448.7 billion and that of Pakistan was only \$1,148.4 billion. Thus, in terms of GNI in PPP also, China's position is much better than India and Pakistan.

- (iii) **Per Capita Income:** Human Development Report, 2018 depicts that the per capita income of China is \$ 15,309 while that of India and Pakistan are \$6,427 and \$5,035 respectively. Although India and Pakistan are at par in terms of per capita income, China is far ahead of both of these countries.

