

III sem 5 yrs

B.A.LL.B Model

Answer

ECONOMICS-4

ECONOMIC DEVELOPMENT OF INDIA

Q. No.1. Define Planning? Explain the achievements and failures of Indian Planning System?

Planning may be defined as the conscious and deliberate choice of economic priority by some public authorities.

Achievements of the planning:

- a) Growth in national income and per capita income – An important objective of planning is to increase output of all goods and services i.e. to increase national income. As a direct result of planning, India's National Income and Per Capital Income went up.
- b) Progress in Agriculture:- As a result of this plan expenditure of 22% on agriculture and irrigation agricultural production increased considerably. The area and product of all the crops had more than doubled or even trebled since 1966 the main emphasis has been on the introduction of new technology for raising the agricultural productivity. This work was first undertaken under the intensive.
Agricultural Area Programme: This was followed by the Hyvprogramme.
- c) Progress in industry:- More impressive the growth of agriculture has been the increase in the field of industry. The growth of steel, aluminium, engineering goods, chemicals, fertilizers and petroleum products is specially important with the growth these industries many other industries started.

d) Growth of Public Sector:- The Public Sector in this country with all its limitations has reached the commanding heights and thus contributes

a lot to economic growth. At the time of independence its size was quite small. During the planning period approximately 45% of the total investments have been made in the public sector.

Failures of Planning in India:-

- a) Failure to Abolish Poverty:- The growth of per Capital Income is very low. The impact of the plan on reduction of poverty was only marginal. Though the percentage of people living below poverty line had come down, there is still more than 26% under poverty line.
- b) Failures in providing employment:- Unemployment is on the increase despite planning programmes. The number of unemployed persons was over 5 million at the end of the First Plan and now it is 10.6 millions in the Ninth Plan.
- c) Failure in the reduction of inequalities of Income and Wealth:- During the last five decades of planned economic development, inequalities of income have increased, redistribution of income in favour of the less privileged classes has not taken place. The rich are clearly becoming richer, there is growing of income and wealth in hands of the propertied classes.
- d) Failure of Land Reforms:- The decision to fix ceiling of land holdings and transfer surplus land to small peasantry has not been properly implemented. The rich and unsaddle formers have become very powerful by using all the benefit that govt. has provided them. Under the plans – as for Eg. The irrigation facilities, the improved seeds, the subsidized fertilizers etc.

Q. No. 2 What is Agricultural Productivity? Explain its causes and measures of the low productivity in India?

Agricultural Productivity relates to land productivity, i.e. yield per hectare. It is expressed in physical production rather than on value concept. We take into account the quality of the produce and not its value causes:-

- a) Overcrowding in agriculture:- Indian agriculture is overcrowded by the people. This had led to decline in the per capita land area. Subdivision and fragmentation of land holdings distinguished unemployment and negative marginal productivity.
- b) Lack of finance, storage and marketing facilities:- Agricultural Productivity in India has suffered in the initial stages due to the non-availability of finance, storage and marketing facilities. The provisional made under planning are inadequate.
- c) Lack of improved seeds, manure and plant protection:- The Indian farmers selects his seeds indiscriminately and often hastens to buy them from the grocer's shop when the sowing season is on. Poor quality of Crops. Failure of applying the chemical fertilizers and applying the pesticides at proper time in the cause for the low productivity.
- d) Weaknesses in policy perceptions:- Recent research studies have drawn attention to this factor. Owing to a number of economic and political compulsions, the Indian strategy for agricultural growth remained preoccupied.
- e) Uneconomical size of holdings:- India is a poor country consisting of small farmers. Every farmer, owns a bund. More than 70% of the total land holdings are small in size. Not only the land holding are small, but they are scattered. The application of modern science and technology to agriculture has becomes a difficult task. The small size of holdings has contributed to the low productivity of agriculture.
- f) Poor technique of production:- Primitive and poor techniques of production, inadequate and obsolete nature of implements and failure to apply modern science and technology to our agriculture have been the contributory factors for the low productivity of agriculture in India. Our farmers having been entangled by the victions circle of poverty have continued agricultural operations with old methods.

- g) Lack of Research:- Low level of research is also one of the factors responsible for the low productivity of agriculture in India.

Remedial Measures:

- a) Programme for the balanced regional development.
- b) Vitalize and modernize the motives of rural people.
- c) Improving the agricultural practices.
- d) Effective and proper implementation of land reforms policy.
- e) Encouragement for adult literacy programme.
- f) Foster collective bargaining among farmers.
- g) Supply of Hyv seeds, chemical fertilizers etc.

Q. No. 3 Define industrialization? Explain the industrial policy 1991?

Industrialization means development of industries, mining, power, plants transport etc. it is a continuous process of creation and growth of factories, mills, mines, power plants etc.

The new industrial policy was announced on July 24, 1991. It has been designed to achieve the following objectives.

- a) To correct distortions in the pattern of industrial growth.
- b) To maintain a sustained growth in productivity and employment.
- c) To attain technological dynamism and international competitiveness.

The salient features of the industrial policy 1991 are;

- 1) Abolition of Industrial Licensing:- The Industrial licensing will be abolished for all projects except for those, which are important for security, strategic, social and environmental reasons and items of elite consumption, with this almost 85% of industry has been taken out of the licensing compulsory. There are coal, alcohol, petroleum, sugar, cigarettes hazardous chemicals, dungs and

pharmaceuticals, asbestos, paper and newsprint, plywood and other based products, entertainment electronics animals fats and oils tanned or dressed fur skins, electronics etc.

- 2) Automatic Clearance of imports of capital goods:- If the foreign exchange availability is ensured through foreign equality or f CIF value of imported capital goods is less than 25% of the total value of plant and equipment up to a maximum value of 2 crores,, the automatic clearance of import of capital goods will be given.
- 3) Abolition of registration schemes:- All existing registration schemes such as relicensed registration, exempted industries registration will be abolished.
- 4) Automatic approval for foreign investment:- Approval will be given for direct foreign investment up to 51% foreign equity in 34 high priority industries provided foreign equity covers the foreign exchange requirements of capital goods.
- 5) Public Sector role deluted:- The number of industries reserved for the public sector since 1956 was 17. This number has now been reduced to 6 (1) arms and ammunitions, defence aircrafts and worship (2) Atomic energy, (3) Coal and lignite, (4) mineral oils, specified to the atomic energy, (5) minerals, (6) rail transport.
- 6) Industrial location policy liberalized:- In a departure from the prevailing location policy for industries, the new industrial policy provides that in locations other than 23 cities of more than 1 million population. There will be no requirement of obtaining industrial approvals from the centre, except for industries to compulsory licensing.
- 7) MRTP limit goes:- Under the MRTP Act, all firms with assets above a certain size were classified as MRTP firms. Such firms were permitted to enter selected industries only.

Q. No. 4 What is Foreign Trade? Explain the composition and Direction of India's foreign trade?

The Trade which is carried on within a nation is called internal trade. But foreign trade means the trade between different nations of the world. It is the exchange of goods and services between different sovereign nations.

Composition of exports:-

- a) Increased in manufactured items and broad based expansion:- The very special feature of increase in our exports is that the exports of unconventional goods, etc.
- b) Primary commodities:- They consist of agricultural and allied products and ores and minerals. They include coffee, tea, oil cake, tobacco, cashew, kernels, species, sugar etc.
- c) Manufactured goods:- the manufactured goods have become very important items of India's exports in recent years cotton yarn, readymade garments, coir yarn, leather and leather goods, jute etc.
- d) The other Principal exports are textile fabrics engineering goods. Handicrafts, jute items, chemicals etc.

Direction of India's exports:-

Before independence Britain had a major share. But now India is exporting goods to developed nations such as America, Japan, Russia, West and Eastern European countries and also various countries of Asia and Africa. Major part of our exports go to a few countries. Nearly half of our exports are made to Asia and other oceanic countries. The second most important source of export is Western European region and third important source is American Countries.

Composition of Imports:-

- a) Industrial Imports:- India's imports are of two types: 1) Developmental imports and 2) Maintenance Imports.

- b) Capital intensive goods:- After Independence India is importing several goods such as non-electrical machinery. Equipments, electrical machinery metal manufacturing goods etc.
- c) Petroleum Products:- Petroleum Products are eating away major share of our foreign exchange in the list of our imports. They are imported on a large scale in order to meet internal demand.
- d) Capital goods, pearls and precious metals fertilizers, edible oils etc. are our other imports.
- e) Other items:- The other important items are medicines, chemicals, different metals, paper, crude oil, raw cotton bronze, newsprint, raw rubber etc.

Direction of Imports:-

- a) Large source of imports:- Since independence the number of countries from which we are importing has been increasing significantly. In the beginning our imports were only with few countries including Britain. But after independence there is a drastic change. India is having the trade relation with countries like America, Japan, West Germany and Britain.

The first important source of our imports is the Asia and Oceanic region. The second important source of our imports is the European region. The next place in our imports goes to American nations.

Q. No. 5 What is Public Debt? Explain the causes and measures of public debt?

Public debt refers to all types of borrowings by the govt. from among the institutions organizations and the public.

Causes of Public Debt:

- a) Development Plans:- After Independence India implemented economic plans to accelerate the growth rate of economy. The govt. is required

to invest huge amount of capital to implement development plans. But, the financial resources mobilized through tax sources is insufficient. Therefore, the govt. is forced to borrow heavily.

- b) Removal of temporary deficit:- When the expenditure of the govt. exceeds its revenue temporary deficit may arise. To remove this temporary deficit the govt. is forced to borrow as a result, public debt mounts up.
- c) Limits of taxation:- Taxes are our important source of revenue to the Govt. but taxes are to be levied in such a way as to avoid any burden on the people. the taxable capacity of the people in India is very low.
- d) Control of Inflation:- In India, public debt is used as tool to control inflationary trends in the economy. Due to larger investment and money supply the prices are increasing.
- e) Low taxable capacity:- As stated above the taxable capacity of the people in India is very low. The govt. cannot mobilize required funds through taxation consequently, the govt. is forced to borrow from the public.
- f) Higher govt. interference:- In a socialistic pattern of society the govt. is expected to promote social welfare and work for the well of the people. Due to the increased govt. interference in economic matters. The expenditure has increased.
- g) Mounting defence expenditure:- The defence expenditure of the country has increased over the years. The growing defence expenditure could not be met out of normal revenues. The central Govt. as a result is forced to resort to heavy public borrowing.

Measures or repayment of debt:-

- a) Repudiation of debt:- It means simply that the govt. does not recognize its obligations and refuses to pay the interest as well as the principle. Normally a govt. does not repudiate its debt.

- b) Conversion of loans:- The govt. convert an old loan into a new loan.
- c) Serial bond redemption:- The govt. may decide to pay every year a Certain portion of the bonds issued previously. This system enables a portion of the debt to be paid off every year.
- d) Buying up loans:- The govt. may redeem its debts through buying up loans from the market.
- e) Sinking Fund:- The Govt. creates the sinking fund and contributes to that fund every year to repay back the debts every year from that fund.

Q. No. 6
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What is balance of payment? Explain the causes and measures of disequilibrium in B.O.P?

Balance of payments is an important concept in international trade. It refers to the difference between total value of visible and invisible exports and the total value of visible and invisible imports in a given period of time.

Causes of adverse balance of payments:-

- a) Despite an encouraging rate of growth of exports the pressure on the balance of payments has increased since we started with a large volume of imports, even a smaller percentage growth of imports was able to asset a larger growth rate of exports and thus the deficit in balance of trade n absolute terms because higher.
- b) A major factor responsible for larger in flow of imports is due to the policy of import liberalization introduced by the Govt. By Rajiv Gandhi.
- c) There has been an increase in import intensity due to the pattern of industrial development promoted during the seventh plan which catered to the demands thrown up by the upper income groups of the population.

- d) The relative steep depreciation of the rupee, other currencies also led to an increase in the value of imports.
- e) Lastly, the Gulf war was responsible for the sharp declaration of inward remittance of Indian's working in the Gulf region.

Methods of solve:-

- a) Export promotion measures:- The govt. of India has tried to increase India's exports both in traditional items and in new items. The govt. has set up institution to boost exports, such as export promotion councils for different commodities, Trade Development Authority etc.
- b) Restrictions of imports:- There are strict import controls in the country to prevent and even ban the imports of non essential items or those goods which are being produced within the country.
- c) Foreign exchange Control:- The govt. has been enforcing strict exchange controls even from the beginning of second world war. The Govt. encourages the earnings of foreign exchange, it puts all types of restrictions on Indian Nationals in spending foreign currencies.
- d) Encouragement to inward remittances:- Known as inward remittances, started picking up in a significant manner only from the middle of 1970s when the govt. tightened its control on foreign exchange operators and smugglers.

Q. No. 7 Define Poverty? Explain the poverty alleviation and employment generation programs in India.

Poverty may be defined as the inability to secure the minimum consumption requirements for life, health and efficiency. It is the hopelessness resulting from an acute lack of life's necessities. The major poverty alleviation and employment generation programmes are:

- a) PradhanMantriGramodayaYojana PMGY was launched 2000-01 in all states and union territories in order to achieve the objective of sustainable human development at the village level. PMGY had five

components that is primary health, primary education, rural shelter, rural drinking water and nutrition.

- b) SwarajayantiGramswarozgarYojana:- SGSY was launched in 1999 and is the only self employment program currently being implemented. The schemes are being implemented on a 75:25 cost sharing between center and states.
- c) SampoornaGrammenRozgarYojana:- The SGRY was launched in Sept. 2001. The objective of the programme is to provide additional wage employment in the rural areas as also food security along with the creation of durable community, social and economic infrastructure in rural areas.
- d) PradhanMantri Gram SadakYojana:- The PMGSY was launched in Dec. 2000 to provide road connectivity to 1.6 lakh unconnected habitations with population of 500 persons or more in rural areas by the end of the Tenth Plan Period. it is being executed in all the states and six union territories.
- e) Antyodaya Anna Yojana:- AAY was launched in Dec. 2000. Under the scheme 1 crore of poorest among the BPL families covered under the targeted public distribution system are identified. 25 kilograms of food grains were made available to each eligible family at a highly subsidized rate of Rs.2 per kg. wheat and 3 per kg for rice.
- f) ValmikiAmbedkarAwasYojana:- VAMBAY was launched in Dec. 2001. The scheme has the primary objective of facilitating the construction and upgradation of dwelling units, for slum dwellers and providing healthy and enabling urban environment through community toilets under Nirmal Bharat Abhiyan a component of the scheme.

Q. No. 8 Short Notes:-

a) **EXIM Policy**

The govt announced the Exim policy for the 5 year period on 2002-07 and 2004-09, which aimed at doubling of India's percentage share in global merchandise trade. For this purpose, India's exports should grow at the annual average growth rate of 26%. Key strategies to achieve the object :

- i) Unshackling of controls.
- ii) Creating an atmosphere of limit and transparency.
- iii) Simplifying procedures and bringing down transactions costs.
- iv) Adopting fundamental principle that duties and levies should not be exported.

Special focus Initiatives:-

- 1) Handlooms and Handicrafts:- A new handicraft special economic zone shall be established. Duty free imports of handlooms and handicrafts sectors has been increased to 5%.
- 2) Gems and Jewelry:- Import of gold of 18 carrot and above shall be allowed under the replenishment scheme.
- 3) Leather and Foot wear:- Duty free import of specified items for leather goods sector increased to 5%.
- 4) Export promotion scheme:- A new scheme to accelerate growth of exports called Target plus has been introduced.
- 5) Service exports:- For service exports which ear foreign exchange of Rs.10 lakh would be eligible for duty free credit entitlement of 10% of total foreign exchange earned by them.

- 6) Duty free import under export promotion capital goods:- Capital goods imported under EPCG for agriculture would be permitted to be installed anywhere in agri export zone.
- 7) Export Oriented Units:- They shall be exempted from service tax in proportion to their exported goods and services.
- 8) Bio technology Parks:- They would be granted all facilities of 100% EOUS.
- 9) Import of second hand capital goods:- Import of second hand capital goods shall be permitted without any age restriction.
- 10) Free trade and warehousing zone:- A new scheme to establish free trade and warehousing zone has been introduced to create trade related infrastructure to facilitate the import and export of goods and services with freedom to complete trade transaction in free currency.

Q. No. 8 b) Industrial Disputes

If there are conflicts or disputes between the employers and the workers in industries, the conflicts are known as industrial disputes.

Causes of industrial disputes:-

- 1) Demand for higher wages and allowances:- This has been a major cause of industrial disputes especially because of continuously rising prices, the purchasing power of wages falls, lower the standard of living of workers etc.
- 2) Demand for bonus:- This is another major cause of industrial disputes. Labour naturally wants to have a share in the profits to which they feel they have contributed.
- 3) Victimization:- The employers sometimes adopt a vindictive attitude and punish, demote or dismiss some leaders of workers. This is resented and leads to a strike.

- 4) Long working day:- The workers demands for shortening working hours and the same is resisted by the employers and thus arise a dispute.
- 5) Question of leave:- Question of leave and holiday sometimes creates trouble and leads to strike.
- 6) Demand for better working conditions:- Facilities such as more safety measures in the factory, canteen facilities, holidays and leave etc. is another cause of industrial disputes.
- 7) Refusal to recognize a Union:- Some times, a strike may ensue because the management refuses to give recognition or dilly – dallies in giving recognition to the trade union formed by workers.
- 8) Opposition to rationalization:- The workers resist rationalization of the union being attended by the management.
- 9) Political reasons:- Strikes of political nature are also not unknown.

Q. No. 8 c) Green Revolution

Green Revolution in India contributed for the commercialization of agriculture. It contributed for the increase of the agricultural output, which leads for marketable surplus.

Green revolution in India refers to the technological break through in Indian agriculture by the development and use of high yielding varieties of seeds, minor irrigation, use of fertilizers, regular plant protection and mechanization of agriculture.

Green revolution is resulted from the application of modern technology. The modern technology is based on a package of improved inputs. The technological lead forward in the country's agriculture is composed of a package. Chiefly of four improvements, improved variety of seeds, increased use of fertilizers, improved water supply and better cultural practices.

The main features are:-

- 1) The high yielding varieties:- The HYV programmes has accelerated the green revolution improved strain of seeds are essential for increasing agricultural production.
- 2) Multiple cropping:- The new multiple cropping plan was taken up in 1967-68. It aims at the development of short duration varieties of rice, wheat, maize, jawar, bajra, barley, ragi oil seeds potato and vegetables for new crop rotations.
- 3) Minor irrigation:- It also constitutes an important component of the new strategy of agricultural development. It ensures better use of land and ground water through multiple cropping pattern.
- 4) Use of fertilizers:- The increase in the consumption of fertilizers is more significant. The use of chemical fertilizers is now widely accepted as one of the key elements in the strategy for accelerating the growth of agricultural output, especially in the short run.
- 5) Plant protection:- Another important aspect of green revolution is plant protection by using pesticides and other such devices.
- 6) Other features of green revolution are modern equipment and machinery support prices, processing, storage and marketing facilities, improved credit policy.

Q. No. 9 Answer the following

a) Explain the Demographic features of Indian Economy.

The demographic features of Indian Economy are:

- 1) Density of population:- The density of population refers to the average number of persons per square kilometer. The figure of the density is arrived at by dividing the total population of a country by its area. It refers to the land-man ratio. In the international sphere, India is a country with the medium density of population. Density of

population that can be supported in any country depends upon the availability of natural resources and the extent of the use of technology to exploit the resources.

- 2) Sex composition of Population;- The number of females per 1000 males is called sex ratio. It is generally adverse to women in India. It has also declined over the years except in 1981 there has been a fall by 7 points and in 2001 there has been a rise by 6 points by raising to 933 from 927 in 1991. In India, the state of Kerala has a higher number of females than males, 1058 females for thousand males. A sex ratio of 950 and above can be considered favourable to females in India. Even though biologically women are more showing to withstand diseases than men, in India there is the predominance of the male population.
- 3) Age composition:- The age composition of the population helps us to find out the dependency ratio in the population of a country. It is expressed in terms of the percentage of the young population and the old population to the active working population of the country. The working population consists of the people in the age group of 15 to 60. This is also called workforce of the country.
- 4) Rural – Urban composition:- The rural Urban Composition of India's population reflects on the pattern of living of the country's population. As a matter of fact, the ratio of rural urban population of a country is an index of the level industrialization of that country. As the industries get momentum, ratio of urban population go on increasing. As India is predominantly agricultural country, ratio of urban population is less as compared to rural population.

Q. No. 9 b)What is agricultural Marketing? Explain the defects of agricultural Marketing in India?

Marketing is a process of bringing together the producer and the buyer and is essential to complete the process of production.

Defects:-

- 1) Lack of organization among Farmers:- The farmers do not have their own collective organization or association to facilitate them to sell their produce.
- 2) Forced sale:- The Indian farmers are forced to sell their produce at an unfavourable time and place and get unfavourable price. They sell their produce immediately after harvesting because of poverty and indebtedness.
- 3) Poor storage facilities in Villages:- The Indian farmer does not have facilities to store his produce properly.
- 4) Poor Transport conditions:- The transport conditions in rural areas are so bad that even rich farmers who have large amounts of surplus produced may not always be interested in going to the mandies.
- 5) Existence of too many middlemen:- The number of intermediates and middlemen between the farmers and the final consumer of Farm produce are too many and the margin going to them is too large.
- 6) Lack of adequate information:- The farmers do not ordinarily get information about the ruling prices in the big markets. They have no idea about marketing conditions and about the possible prices in the future.
- 7) Fraudulent Practices in the market:- In the unregulated markets, many malpractices are common such as arbitrary deductions from sale proceeds, discriminatory marketing charges etc.
- 8) Multiplicity of Weights and measures:- There was no common measure, throughout the country. There is a great scope for creating the farmers.
- 9) Absence of grading and standardization of agricultural produce:- In a country where there is excessive adulteration. One can simply think of the system of grading and standardization.

10) Lack of financial facilities:- For the finance required for agricultural operation the farmer has to depend upon the village traders. Because of the heavy indebtedness and high rate of interest, the farmers mortgage his crop in advance of production to the village traders. Because of the heavy indebtedness and high rate of interest, the farmers mortgage his crop in advance of production to the village trader for lower price.

Q. No. 9 c) Define SSUS? Explain the importance of SSUS?

Small scale units here defined by the Govt. as those units which employed less than 50 workers which using power or less than 100 workers without using power.

Importance:-

- a) Employment Generation:- A small scale industries are labour intensive they reduce the incidence of unemployment and underemployment. These industries provide the maximum employment per unit of capital invested. It is estimated that there are about two crore persons engaged in collage industries.
- b) Capital Saving:- Small scale industries need smaller amount of capital, as they require tools and small machinery. They make possible economical in the use of capital.
- c) Decentralization:- The small scale industries can be dispersed over all the country very easily and will bring about dispersal or decentralization of industries and will this promote the object of balanced regional development.
- d) Better distribution of income and wealth:- They enable people living in different parts of the country to increase. Their income and standard of living. They check the evils of Urbanization and localization. They conform to ideal society, equal distribution of income among all people and absence of exploitation of man by man.

- e) Mobilization of entrepreneurial skill:- A number of entrepreneurs are spread over small towns and villages of the country. Small scale industry provides industrial experience and serves as a training ground for a large number o small scale managers.
- f) Harmonious social relations:- The relations between the employers and employees in small scale unit seem to be harmonious. In the case of small scale industries, the question of disputes does not arise at all since the main form of labour in those industries is family labour.
- g) Overcoming territorial immobility by carrying the job to the worker. Small scale industries can overcome the difficulties of territorial immobility.
