

Economics All India (Set 2)

General Instructions:

Read the following instructions very carefully and strictly follow them:

- (i) Question paper comprises two Sections – A and B. All questions are compulsory.
- (ii) Question number **1 – 10** and **18 – 27** are very short-answer questions carrying **1** mark each. They are required to be answered in **one** word or **one** sentence each.
- (iii) Question number **11 – 12** and **28 – 29** are short-answer questions carrying **3** marks each. Answer to them should not normally exceed **60 – 80** words each.
- (iv) Question number **13 – 15** and **30 – 32** are also short-answer questions carrying **4** marks each. Answers to them should not normally exceed **80 – 100** words each.
- (v) Question number **16 – 17** and **33 – 34** are long answer questions carrying **6** marks each. Answers to them should not normally exceed **100 – 150** words each.
- (vi) Answer should be brief and to the point also the above word limit be adhered to as far as possible.
- (vii) There is no overall choice. However, an internal choice has been provided in **2** questions of **one** mark, **2** questions of **three** marks, **2** questions of **four** marks and **2** questions of **six** marks. Only **one** of the choices in such questions have to be attempted.
- (viii) In addition to this, separate instructions are given with each section and question, wherever necessary.

Question 1

_____ is the agent and adviser to the Government of India.
(Fill in the blank with correct answer)

Solution:

Reserve Bank of India is the agent and advisor to the Government of India.

Question 2

State whether the following statement is true or false :
"To reduce inflation, the Central Bank should reduce Cash Reserve Ratio (CRR)."

Solution:

False, in order to reduce inflation, the money supply should fall. For this, the Cash Reserve Ratio should increase.

Question 3

Define Aggregate Demand.

Solution:

Aggregate demand implies the total demand of final goods and services by all the people in an economy. It can be defined as the actual aggregate expenditure incurred by all the people in an economy on different goods and services.

Question 4

Government expenditure incurred on defence items is a type of _____ expenditure in the Government Budget.

(Fill in the blank with correct answer)

Solution:

Government expenditure incurred on defence items is a type of **capital** expenditure in the government budget.

Question 5

A car purchased by a household is a _____.

(Choose the correct alternative)

- (A) single use capital good
- (B) single use consumer good
- (C) durable consumer good
- (D) semi-durable consumer good

OR

GNP deflator is represented by which of the following formulae?

(Choose the correct alternative)

(A) $\frac{\text{Nominal GNP}}{\text{Real GNP}} \times 100$

(B) $\frac{\text{Real GNP}}{\text{Nominal GNP}} \times 100$

(C) $\frac{\text{Real GNP}}{\text{Change in Rate of Inflation}} \times 100$

(D) $\frac{\text{Change in Rate of Inflation}}{\text{Real GNP}} \times 100$

Solution:

A car purchased by a household is a **durable consumer good**. Hence, the correct answer is option (c).

OR

GNP deflator is represented by: $\frac{\text{Nominal GNP}}{\text{Real GNP}} \times 100$

Hence, the correct answer is option (a).

Question 6

If the Government establishes a new university, this expenditure incurred in the Government Budget will be a type of _____ expenditure.

(Fill in the blank with the correct answer)

Solution:

If the government establishes a new university, this expenditure incurred in the government budget will be a type of capital expenditure.

Question 7

If the entire additional income of an economy is consumed, the value of investment multiplier will be _____. (Choose the correct alternative)

- (A) zero (0)
- (B) not defined (∞)
- (C) one (1)
- (D) ten (10)

Solution:

If the entire additional income of an economy is consumed, the value of investment multiplier will be not defined (∞). This is because if entire additional income is consumed, then MPC would be 1, and we know, $k = 1/(1-c)$. So, $k = 1/(1-1) = 1/0$. Hence, the correct answer is option (b).

Question 8

Suppose in a hypothetical economy, the income rises from ₹ 500 crores to ₹ 600 crores. As a result, the consumption expenditure rises from ₹ 400 crores to ₹ 500 crores.

Marginal propensity to consume in such a case would be _____.
(Choose the correct alternative)

- (A) 0.8
- (B) 0.4
- (C) 1.0
- (D) 0.6

Solution:

Suppose in a hypothetical economy, the income rises from ₹ 500 crores to ₹ 600 crores. As a result, the consumption expenditure rises from ₹ 400 crores to ₹ 500 crores. Then, the change in income would be ₹100 cr and change in consumption would be ₹100 crores. So, the MPC (i.e. $\Delta C/\Delta Y$) would be 1.0. Hence, the correct answer is option (c).

Question 9

'Charity from Abroad' will be recorded on _____ (credit/debit) side of the Balance of Payment accounts. (Fill in the blank with correct answer)

Solution:

'Charity from abroad' will be recorded on the **credit** side of the Balance of Payment accounts since it leads to an inflow of foreign exchange.

Question 10

Give any two examples of non-tax revenue receipts.

Solution:

Examples of non-tax revenue receipts are license fees and escheat.

Question 11

"Gross Domestic Product (GDP) is not the best indicator of the economic welfare of a country." Defend or refute the given statement with valid reasons.

Solution:

GDP is not the best indicator of welfare. The following observations can be made in this regard.

1. **Income Patterns-** It is possible that even with the rise in the GDP, the welfare of the people might not increase. The increase in the GDP may be a result of the increase in the income of a few individuals. On the other hand, the majority of people remain deprived of the benefits of the rise in the GDP. Hence, a rise in national income may lead to false interpretation of the social welfare.

2. **Composition of Output.** To know whether with the rise in GDP reflects a rise in the welfare of the economy, one need to consider the composition of the output produced that has led to the rise in the level of GDP. For example, the production of goods such as guns, narcotic drugs and high-end luxurious goods increases the monetary value of the production, but they do not add to the welfare of the majority of population.

3. **Non-Monetary Exchanges:** GDP does not take into account those transactions that are not expressed in monetary terms. In less developed countries, there are various

non-monetary exchanges, particularly in the rural areas and household sector. Consequently, such transactions remain outside the domain of GDP leading to underestimation of the value of GDP. Thus, GDP cannot be regarded as an index of economic welfare, as it ignores the household and the volunteer sectors.

Question 12

Discuss the working of the adjustment mechanism if, Aggregate Supply is greater than Aggregate Demand.

OR

If in an economy :

Marginal propensity to save (MPS) = 0.2

Change in initial investment (ΔI) = ₹ 2,000 crores

Find the value of the following:

- (a) Investment multiplier (K)
- (b) Change in final income (ΔY)

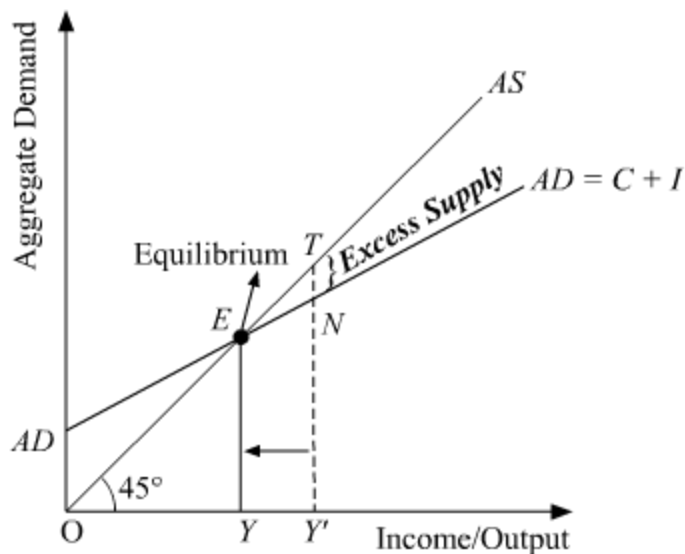
Solution:

In case, if $AS > AD$, then it implies a situation, where the total supply of goods and services is more than the total demand for the goods and services.

This implies a situation of deficit demand. Due to the deficit demand, the producers experience piling-up of stock of unsold goods, i.e. inventory accumulation.

This would force the producers to cut-back the production, thereby results in the reduced employment of factors of production.

This leads to fall in the income and output. Finally, the income and output will fall sufficiently to equate the AD with AS , thus the equilibrium is restored back. This process of adjustment mechanism is explained below graphically.



OR

Given, $MPS = 0.2$

Change in Investment (ΔI) = ₹2,000 crores

Investment multiplier (k) = $1/s = 1/0.2 = 5$

Also, we know $k = \Delta Y / \Delta I$

So, we can write:

$$5 = \Delta Y / 2,000$$

$$\Delta Y = 10,000 \text{ crores}$$

Question 13

How does the Central Bank control the credit with the help of 'Bank Rate'? Explain.

OR

Elaborate any two instruments of credit control, exercised by the Reserve Bank of India.

Solution:

Bank rate refers to the rate at which the central bank provides loans to the commercial banks. This instrument is a key at the hands of RBI to control the money supply. Changes in the bank rate change the cost of borrowings, thereby affect the money supply.

An increase in the bank rate increases the cost of borrowing for the commercial banks from the central bank. The commercial banks in turn, increase the lending rate for their customers. However, this increase in the lending rate reduces the borrowing capacity of the public, thereby, discourages loans and credit.

This depresses the multiplier process and thus, decreases the value of money multiplier. Hence, the total money supply decreases. A decrease in the bank rate will have the reverse effect and will increase the money supply.

OR

The following are the two instruments through which the central bank controls credit or money supply.

(i) **Cash reserve ratio (CRR)**- It refers to the minimum proportion of the total deposits that the commercial banks has to maintain with the central bank in form of reserves. An increase in the CRR, would mean that banks would be required to keep a greater portion in form of deposits with the central bank. This implies that the commercial banks are left with lesser amount of funds to lend out. Hence, the lending capacity of the banks reduces, leading to fall in the money supply. On the contrary, a fall in CRR will lead to an increase in the money supply.

(ii) **Statutory Liquidity Ratio (SLR)**: Statutory Liquidity Ratio (SLR) is defined as the minimum percentage of assets to be maintained by the commercial banks with themselves in the form of either fixed or liquid assets. The flow of credit is reduced by increasing this liquidity ratio and vice-versa. A rise in SLR will restrict the banks to pump money into the economy, thereby leading to fall in the money supply. On the other hand, a fall in the SLR allows the commercial banks to lend greater volume of credit into the economy, hence, increase the money supply.

Question 14

"The Government Budget of a country cannot have fiscal deficit without the existence of revenue deficit." Defend or refute the given statement.

Solution:

The government budget cannot have fiscal deficit without having revenue deficit. We refute the statement due to the following reason:

We know,

$$\text{Revenue Deficit} = \text{Revenue Expenditure} - \text{Revenue Receipts}$$

$$\text{Also, Fiscal Deficit} = \text{Capital Expenditure} + \text{Revenue Expenditure} - \text{Capital Receipts (except borrowings)} - \text{Revenue Receipts}$$

Now, it can happen that the government budget have fiscal deficit without having revenue deficit when although revenue expenditure is less than revenue receipts (means although there is a revenue surplus), however, the capital expenditure is over and above Capital Receipts (except borrowings) plus Revenue Receipts. In such a case, the fiscal deficit can exist without having revenue deficit.

Question 15

"US dollar has recorded a jump of 0.75 paise per dollar (p/\$) in the last one month; this situation might bring smiles and sorrows to different types of traders (exporters and importers)." Justify the given statement.

Solution:

A jump in the US dollar might bring smiles and sorrow to different people such that a jump in US dollar reflects the appreciation in US dollars and depreciation in the domestic currency. So, this will be good news for the exporters of the domestic country since now the domestic products will become cheaper in the market and they will be able to sell more.

On the other hand, it will bring sorrow to the importers as now the imports will decline. This is because with an appreciation of US dollars, the foreign goods will become more expensive. So, all in all the exports will increase and the imports will decline.

Question 16

Using the following data of an imaginary economy, calculate and compare the Real Gross Domestic Product (GDP) for the given years :

Year	2015-16	2016-17
Nominal GDP Rate	9%	8%
GDP deflator	150	160

OR

- (a) "Circular flow of income in a two-sector economy is based on the axiom that one's expenditure is other's income." Support your answer with valid reasons.
 (b) Distinguish between 'value of output' and 'value added'.

Solution:

Using the given data, we can first find the Real GDP for the given time periods.

2015 – 16 :

$$GDP \text{ Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

$$150 = \frac{9}{\text{Real GDP}}$$

$$\text{Real GDP} = 1350$$

2016 – 17 :

$$GDP \text{ Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

$$160 = \frac{8}{\text{Real GDP}}$$

$$\text{Real GDP} = 1280$$

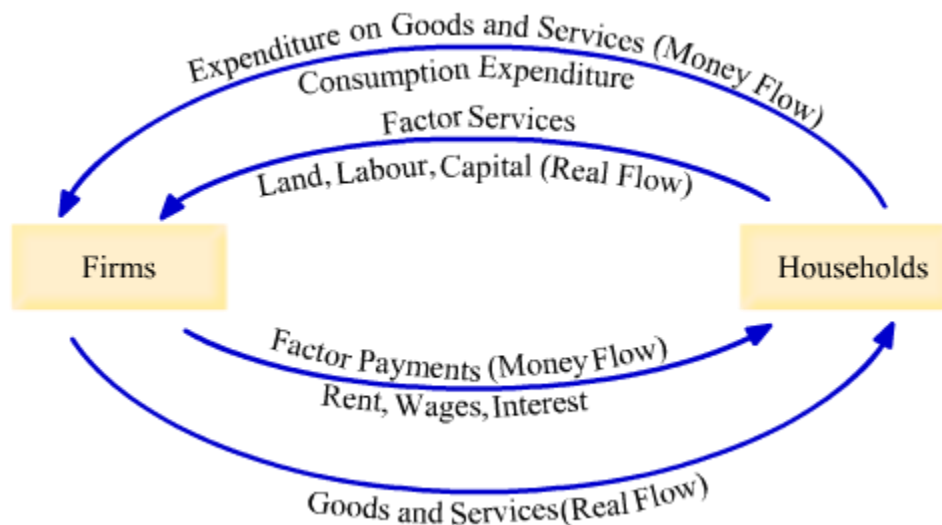
So, clearly, the Real GDP was higher in the year 2015-16.

OR

(a) The continuous flow of income and expenditure or the flow of goods and services among different sectors in the economy is called the circular flow of income.

The circular flow model in a two-sector economy is based on the following assumptions.

1. The economy consists of only two sectors namely, the households and the firms.
2. It is assumed that there is no government sector in the economy, so no taxes and transfer payments.
3. The economy considered is a closed economy i.e. it is assumed that there is no foreign sector. In other words, there is no external trade in the form of imports and exports.
4. The households spend the entire income received on the goods and services. In other words, it is assumed that there is no saving in the economy.

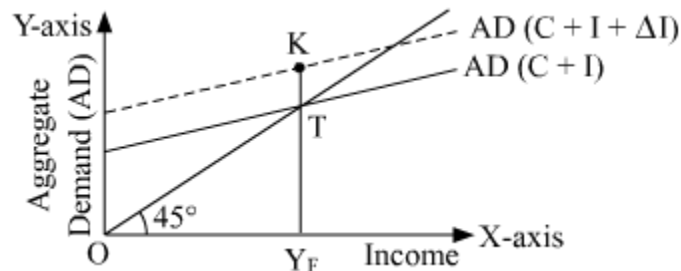


The above diagram depicts a two-sector circular flow model. As seen in the diagram, the axiom that one's expenditure is other's income stands true such that when the household spend on goods and services, it is earnings for the firms, whereas when the firm spends on factor incomes, it is earnings for the households.

(b) Value of output means the total production of goods that take place by all the firms in the economy. On the other hand, value addition means the addition to the production of goods by firms at every level of production. Where Value of Output is equal to total sales plus change in stock, the value addition is equal to Value of Output minus Intermediate Consumption.

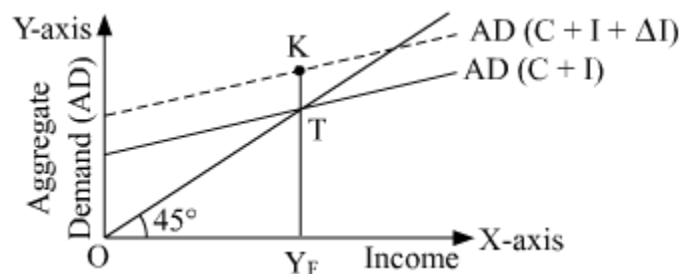
Question 17

In the given figure, what does the gap 'KT' represent ? State and discuss any two fiscal measures to correct the situation.



Solution:

The gap KT represents the inflationary gap. Due to the excess of aggregate demand, there exists a difference (or gap) between the actual level of aggregate demand and full employment level of demand. This difference is termed as inflationary gap. This gap measures the amount of surplus in the level of aggregate demand. Graphically, it is represented by the vertical distance between the actual level of aggregate demand (AD_E) and the full employment level of output (AD_F).



Fiscal policy refers the policy that is undertaken by the government to influence the economy through the process of its expenditure and taxation. This policy is also known as the budgetary policy of the government. The two fiscal measures used to correct the situation of inflationary gap are:

1. Government Expenditure

The Government of a country incurs various types of expenditure to enhance the welfare of the people and also to facilitate economic growth and development. The following are some of the important types of government expenditure.

In case of excess demand, the government reduces its expenditure in form of fresh investments. This reduces the level of economic activity, which further leads to a fall in the overall level of employment, thereby, income falls. The fall in the income subsequently reduces the aggregate demand sufficiently and excess demand is wiped out.

2. Taxation

Tax directly affects one's purchasing power and spending capacity, thereby influences the level of aggregate demand. In order to tackle a situation of excess demand, government aims at reducing the purchasing power of the people by increasing the tax rates and reducing transfer payments and subsidies. Increasing tax rates and reducing transfer payments enables the people with less disposable income and as a result, aggregate demand reduces.

Question 18

Which of the following is **not** an advantage of organic farming?
(Choose the correct alternative)

- (A) Cheap inputs
- (B) Attractive returns on investment
- (C) Greater possibilities for import
- (D) High nutritional value

Solution:

'Greater possibilities for import' is not an advantage of organic farming. Hence, the correct answer is option (c).

Question 19

Name the apex institution for rural financing in India.

Solution:

The apex institution for rural financing in India is NABARD.

Question 20

_____ is an example of a commercial source of energy.
(Choose the correct alternative)

- (A) Firewood
- (B) Coal
- (C) Agricultural waste
- (D) Dried dung cakes

Solution:

Coal is an example of commercial source of energy. Hence, the correct answer is option (b).

Question 21

Identify and match the correct sequence of alternatives of organisations given in *Column I* with their respective functions in *Column II*:

Column I		Column II	
a.	WTO	(i)	provides short-term loans to solve the Balance of Payments problem.
b.	RBI	(ii)	is a multilateral trade negotiating body.
c.	IMF	(iii)	facilitates lending for reconstruction and development.
d.	IBRD	(iv)	is the Central Bank of India.

Choose the correct alternative from the following:

- (A) a-(ii), b-(i), c-(iii), d-(iv)
- (B) a-(ii), b-(iv), c-(iii), d-(i)
- (C) a-(ii), b-(iii), c-(iv), d-(i)
- (D) a-(ii), b-(iv), c-(i), d-(iii)

Solution:

WTO is a multilateral trade negotiating body.

RBI is the central bank of India.

IMF provides short term loans to solve the Balance of Payments.

IBRD facilitates lending for reconstruction and development.

Hence, the correct answer is option (d).

Question 22

Which one of the following organisations regulates the health sector in India?
(Choose the correct alternative)

- (A) ICMR
- (B) UGC
- (C) AICTE
- (D) RBI

OR

In the year _____, the Indian Government made education free and compulsory for all children between 6 - 14 years. (Choose the correct alternative)

- (A) 2001
- (B) 2009
- (C) 2003
- (D) 2007

Solution:

The health sector of India is regulated by Indian Council of Medical Research (ICMR). Hence, the correct answer is option (a).

OR

In the year **2009**, the Indian Government made education free and compulsory for all children between 6 – 14 years. Hence, the correct answer is option (b).

Question 23

State whether the following statement is true or false :

"Land ceiling means fixing the minimum limit of land holding for an individual."

Solution:

False, land ceiling means fixing the maximum limit of land holding for an individual.

Question 24

_____ policy was implemented in the first seven five-year plans of India, to protect domestic industries.

(Fill in the blank with the correct answer)

Solution:

Import Substitution Policy was implemented in the first seven five-year plans of India, to protect domestic industries.

Question 25

State whether the following statement is true or false :

"Proportion of people living below poverty line is more in India as compared to Pakistan."

Solution:

True. Proportion of people living below poverty line is more in India as compared to Pakistan.

Question 26

"Name any one Navratan company."

Solution:

One of the Navratna companies is Container Corporation of India Limited.

Question 27

Mao initiated the 'Great Leap Forward' in the year _____.

(Choose the correct alternative)

- (A) 1951
- (B) 1955
- (C) 1958
- (D) 1962

Solution:

Mao initiated the Great Leap Forward in the year **1958**.

Question 28

"Recently the Government of India has decided to merge MTNL and BSNL on account of rising losses." Justify the steps taken by the Government of India.

Solution:

The merging of MTNL and BSNL by the government of India is justified since the two companies were incurring losses. So, in order to minimize the losses of the two loss-making PSUs, the government decided to merge them and also provide them funding for revival from their state, monetising their assets and giving VRS to employees so that the combined entity turns profitable in the coming years.

Question 29

"Power sector in India has major challenges to face." Discuss the given statement with valid reasons.

OR

"India has failed to implement the recommendations of Education Commission of 1964 - 66." Give valid arguments in support of the given statement.

Solution:

The problems faced by the power sector in India is as follows:

1. **Insufficient capacity:** Over the years, with growth and development, the demand for power has increased considerably. However, the installed capacity of India to generate electricity is not sufficient enough to meet an annual economic growth of 7%. India is able to add only 20,000 MW annually to its capacity as against the required 1,00,000 MW. Insufficient power capacity results in various problems such as long power cuts, frequent fluctuations in voltage, low voltage, etc.

2. **Transmission and distribution losses:** In addition to the low power generation capacity, the availability of power is further reduced due to the transmission and distribution losses. Transmission and distribution losses refer to the losses that occur in

transmission between the sources of supply and points of distribution.

In other words, the loss of power that arises due to the inherent resistance and transformation inefficiencies in the electrical conductors and distribution transformers respectively, are called transmission and distribution losses. Such losses account for almost 50% of the total power generation in India. In other words, approximately half of the power produced is wasted/lost due to the transmission and distribution losses.

OR

As per the recommendations of Education Commission, the expenditure on education was expected to be 6% of the GDP. However, India failed to implement the same and the investment in education system in India has seen to be a failure. This is because of the fact that, in 1952 we were spending a meager 0.6% of India's GDP on education that rose to only 4% in 2014.

This has fallen well short of 6% target as proposed by the Education Commission, 1964. Moreover, throughout this period the increase in education expenditure has not been uniform and there has been irregular rise and fall.

This shows the apathy of the government towards investment in the education system. One can imagine, if the recommended 6% p.a. of the GDP would have been spent properly the present education system would have reached unforeseen heights.

Question 30

Compare and analyse the given data of India and China with valid reasons:

Country	Annual growth rate of population (2015)	Sex ratio (per thousand males)
India	1-2%	929
China	0.5%	941

Source: World Development Indicators, 2015

Solution:

From the given data we analyse the given points:

1. The annual population growth rate in China is comparatively low i.e. 0.5% versus to India where the annual population growth rate is 1.2%. The main reason behind this can be said to be the One Child Norm Policy adopted by China which has helped them in controlling the population growth rate.
2. Based on data, it can be seen that the gender ratio is more skewed in India as against China. Again, the reason behind this can be attributed to the One Child Norm Policy adopted in China due to which the female to male ratio is better than in India. In

India, the reason behind skewed gender ratio can be attributed to female feticide and low socio-economic status of the women.

Question 31

Comment upon any two salient features of demographic conditions of India on the eve of Independence.

Solution:

On the demographic front, the condition of India was very poor.

(i) India was experiencing very high birth rate as well as high death rate. Birth rate stood at 48 per thousand while death rate stood at 40 per thousand. Such high birth rate and high death rate at the time of Independence indicate that the population growth was stagnant.

(ii) Moreover, India performed badly in terms of social indicators of infant mortality rate and life expectancy. Infant mortality rate was as high as 218 per thousand. Life expectancy was only 32 years. Another indicator of poor demographic profile was the low level of literacy rate. Literacy rate was at a low level of 16%. The female literacy rate was still lower at 7%.

Question 32

Discuss briefly, how institutional reforms (land reforms) have played a significant role in transforming Indian agriculture.

OR

"Import restrictions were imposed in India with the dual objective to save foreign exchange reserves and to be self-sufficient." Justify the given statement with valid arguments.

Solution:

Land reforms or the institutional reforms were the most important reforms in the agriculture sector. The following steps under land reforms played a significant role in transforming Indian agriculture.

1. **Abolishing intermediaries:** The prime focus of land reforms was to abolish intermediaries such as zamindars, jagirdars, etc. Many steps were undertaken to make the actual tillers of the farm as the owners of the land. The abolition of intermediaries brought the tenants in direct contact with the government. Thus, it protected the tenants from exploitation. However, the system suffered from certain loopholes.

2. **Regulation of rent:** The zamindars used to charge high rents from the tenants who cultivated on their land. Thus, reforms were undertaken to regulate the rents. In the first five-year plan, the maximum rent fixed was one-fourth or one-fifth of the total farm produce. The regulation of rent not only reduced the burden from the tenants but also

enabled them with greater portion of finance to invest on farm.

3. **Consolidation of holdings:** As the land holdings were small and also fragmented, modern techniques of production (such as, tractors) could not be used. As a result, the production and productivity remained low. So, the farmers were given consolidated holdings equal to the total of the land in their various fragmented plots. This enabled them to benefits from the large scale production and to improve the production and productivity.

4. **Land ceilings:** There was huge inequality in the holdings of land. To promote equality in the ownership of the landholdings, the reforms introduced the system of land ceilings. Land ceiling refer to the legislated fixed amount of land that an individual may hold.

OR

The policy of import substitution (import restriction) was an integral part of the industrial policy of India. This policy implies discouraging the imports of those goods that could be produced domestically. By discouraging the imports, a protective environment could be provided to the domestic producers.

Protection was achieved by imposing various barriers in the form of tariffs and quotas on the imports of goods. This strategy not only emphasised on reducing the dependence of Indian economy on the foreign goods but also had dual objectives of saving the foreign exchange and to be self-sufficient.

To serve this purpose, the government of India also provided various financial encouragements, incentives and licenses to the domestic firms in order to produce the imported substituted goods. This helped in improving their competitiveness in the market and enabled them to survive and compete with their foreign counterparts.

Moreover, the reduction in imports helped in saving the scarce foreign exchange reserves. The following are the basic highlights of the import substitution policy.

- (a) Insulated domestic industries from facing stiff competition from the foreign industries.
- (b) Provided domestic industries a protected environment to grow.
- (c) Helped to conserve scarce foreign exchange.
- (d) Provided enough scope to initiate industrialisation process in India.
- (e) Facilitated India to attain self-sufficiency and self-reliance, thereby reducing foreign dependence.

So, we can say that the policy restrictions on imports under the import substitution policy helped in saving the foreign exchange as well as helped in being self-sufficient.

Question 33

Define the following :

- (a) Poverty Line
- (b) Human Capital
- (c) Self-Help Groups
- (d) Green Revolution

Solution:

a. **Poverty Line:** Poverty line refers to the cut-off point in terms of per capita expenditure incurred by the people to satisfy the basic needs. The people lying below this cut-off point are considered as poor. For example, if the per capita expenditure of Rs 500 per month is taken as a cut-off point, then those surviving on a monthly income of less than Rs 500 are considered as poor. On the other hand, those having monthly expenditure of more than Rs 500 will be regarded as comparatively non-poor vis-a-vis those below the cut-off point. Dadabhai Naroji first coined the concept of poverty line.

b. **Human Capital:** The stock of such skills and expertise of nation at a particular point of time is called as human capital. In other words, it is the sum total of skills and expertise of all persons engaged in the process of production. Human resource (population) becomes a human capital when it is endowed with education, training, skill and health. It is the human capital and not the human resource that contributes to the production process and thereby, to the economic growth.

c. **Self-Help Groups:** Self-help groups (SHGs) are small groups of people (especially from rural areas) who pool their resources and individual savings together. It is from this pool that loans are given to those members who are in urgent need of money. The loans provided by SHGs are at very nominal interest rates, which is lower than that charged by the informal sector. If the SHG functions well for over a year, then it becomes eligible for loans from banks. Such loans are then used for creating self-employment opportunities for the poor. It is with this bank loan that self-employment is created for the members of the group and their families, thereby increasing their standard of living.

d. **Green Revolution:** The word 'Green Revolution' comprises of two words 'Green' that is associated to crops and 'Revolution' that is associated to the substantial increase. Green Revolution was introduced by 'Norman Borlaug' who introduced the concept of HYV seeds which made drastic improvements in the productivity and output. Under this revolution, the government introduced the use of HYV seeds, modern techniques and inputs like fertilisers, irrigation facilities and subsidised credit. These steps are collectively known as Intensive Area Development Programme (IADP).

Question 34

- (a) Comment upon the informalisation of labour force in India.
- (b) Define the worker-population ratio.

OR

Critically examine the results of Poverty Alleviation Programmes implemented in India since independence.

Solution:

- (a) Informalisation of labour force refers to the situation wherein there is a continuous decline in the percentage of labour force in the formal sector and a simultaneous rise in the percentage of labour force in the informal sector.

In India, informalisation of labour force is a recent phenomenon. Growth and development generally leads to a rise in the number of individuals employed in the formal sector and a fall in the number of individuals employed in the informal sector. However, in India, there has been a reversal of this trend.

Estimates reveal that nearly 93% of the workers in India are engaged in the informal sector, while only 7% are engaged in the formal sector. Some argue that this increase in the extent of informalisation is a result of the reforms of 1991 which transformed India from a “socialist” economy to a “market” economy.

To conclude, we can say that the workforce in India is increasingly becoming informalised.

- (b) Worker–population ratio refers to the proportion of population that actually contributes towards the production of goods and services. It is estimated as the ratio of total workforce and total population.

This ratio acts as an indicator for assessing the employment levels in a particular country at any point of time. The higher the worker–population ratio, the higher is the engagement of people in productive activities, and vice versa. Worker–population ratio is also known as “Rate of participation”.

OR

The absolute decline in the percentage of population below poverty line and increase in wages that helped in increasing the nutritional level of poor are the commendable achievements of PAPs. However, despite these achievements, the PAP’s can be regarded as unaccomplished due to the below mentioned reasons:

1. **Improper planning and management.** The poverty alleviation programmes require a comprehensive and complex management system. In the absence of proper planning and accountability, the administration and staff could not work efficiently. Insufficient man power made the follow-up of plans difficult.

2. ***More inclined towards rich:*** These PAPs were often influenced by the rich and elite people to suit their own motive at the cost of the needy poor population.

3. ***Difficulty of reach:*** The benefits of PAPs did not reach the population living in the far-flung and remote areas. That is, the programs were not accessible by the people in these areas. As a result, the overall impact of PAPs remained diluted.

4. ***Lack of Support:*** PAPs did not receive full support from the institutions such as banks, panchayats, etc. Such institutions failed to provide facilities such as marketing and credit to the needful.

5. ***Lack of Participation of people:*** These programmes lacked the participation of the local people as these were largely government sponsored programmes.

6. ***Undue advantage by non-poor:*** The non-poor section of the population took undue advantage of these programmes due to the absence of any specific definition of the 'poor'.