

## Economics Delhi (Set 2)

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### 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

\_\_\_\_\_ deficit includes interest payment by the Government on the past loans.  
(Fill up the blanks with correct answer.)

### Solution:

Fiscal deficit includes interest payment by the Government on the past loans.

### Question 2

To reduce credit availability in the economy, the Central Bank may \_\_\_\_\_.

(Choose the correct alternative)

- (a) buy securities in the open market.
- (b) sell securities in the open market.
- (c) reduce reserve ratio.
- (d) reduce repo rate.

**Solution:**

To reduce credit availability in the economy, the Central Bank may sell securities in the open market.

Hence, the correct answer is option B.

**Question 3**

State, whether the following statement is true or false:

'Purchase of machinery by a producer is an intermediate good.'

**Solution:**

False, purchase of machinery is a capital good and it is a final good.

**Question 4**

In case of an underemployment equilibrium, which of the following alternative is not true?

(Choose the correct alternative)

- (a) Aggregate demand is equal to Aggregate supply.
- (b) There exist excess production capacity in the economy.
- (c) Resources are not fully and efficiently utilised.
- (d) Resources are fully and efficiently utilised.

**Solution:**

The resources are fully and efficiently utilised is not true in case of an underemployment equilibrium.

Hence, the correct answer is option D.

**Question 5**

Which of the following is not a 'factor payment?

(Choose the correct alternative)

- (a) Free uniform to defence personnel.
- (b) Salaries to the Members of Parliament.
- (c) Rent paid to the owner of a building.
- (d) Scholarship given to the students.

**Solution:**

Scholarship given to students is not a factor payment. It is a transfer payment. Hence, the correct answer is option D.

### Question 6

Combined factor income, which can't be separated into various factor income components is known as \_\_\_\_\_.

(Fill up the blanks with correct answer).

### Solution:

Combined factor income, which can't be separated into various factor income components is known as **Mixed-Income of Self Employed**.

### Question 7

State, whether the following statement is true or false : 'All financial Institutions are banking institutions.'

### Solution:

False, all financial institutions are not banking institutions. They also include insurance companies, investment dealers, etc.

### Question 8

Net Domestic Fixed Capital Formation + Change in Stock = \_\_\_\_\_.

(Fill up the blank with correct answer)

**OR**

When Nominal Gross Domestic Product (GDP) is ₹ 840 crores and price Index is 120, then the Real Gross Domestic Product (GDP) will be \_\_\_\_\_.

(Fill up the blank with correct alternative)

- (a) ₹ 700 crores
- (b) ₹ 900 crores
- (c) ₹ 800 crores
- (d) ₹ 500 crores

### Solution:

Net Domestic Fixed Capital Formation + Change in Stock = **Net Domestic Capital Formation**.

**OR**

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{Price Index of Current Year}} \times 100 = \frac{840}{120} \times 100 = 700$$

So, Real GDP = 700 crores

Hence, the correct answer is option A.

### Question 9

If Marginal Propensity to Save (MPS) is 0.25 and initial change in investment is ₹ 250 crores, then the final change in income would be \_\_\_\_\_.

(Choose the correct alternative)

- (a) ₹ 1,000 crores
- (b) ₹ 1,200 crores
- (c) ₹ 500 crores
- (d) ₹ 3,500 crores

**Solution:**

$$\text{Investment Multiplier, } k = \frac{1}{s} = \frac{1}{0.25} = 4$$

$$k = \frac{\text{Change in income}}{\text{Change in Investment}} = \frac{\Delta Y}{\Delta I}$$

$$\Delta Y = k \Delta I = 4 (250) = \text{Rs. } 1,000 \text{ crores}$$

Hence, the correct answer is option A.

### Question 10

Which of the following statement is incorrect ?

- (a) Gross Domestic Product (GDP) at Market price = GDP at factor cost plus Net Indirect taxes.
- (b) Net National product (NNP) at Market price = (NNP) at factor cost.
- (c) Gross National Product (GNP) at Market price = GDP at Market price Plus Net factor income from abroad.
- (d) Net National Product (NNP) at factor cost = National Income.

**OR**

If the Real Gross Domestic Product (GDP) in an economy is ₹ 520 crores and Nominal Gross Domestic Product (GDP) is ₹ 650 crores, calculate the price Index.

**Solution:**

Net National product (NNP) at Market price = (NNP) at factor cost is incorrect. NNP at market price is equal to NNP at factor cost plus net indirect taxes.

Hence, the correct answer is option B.

**OR**

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

$$\text{Price Index} = \frac{650}{520} \times 100 = 125.$$

Hence, the Price Index is 125.

### Question 11

'Subsidies to the producers should be treated as transfer payments.' Defend or refute the given statement with valid reason.

**OR**

Explain circular flow of income in a two sector economy.

### Solution:

No, subsidies are different from transfer payments. Transfer payments refer to those payments in exchange of which no factor services are employed. That is, such payments are made with the mere motive of transferring the purchasing power to a specific section of the society such as old persons, students, destitute women, etc.

Some of the example of transfer payments are old age pension, unemployment allowance, etc. are transfer payments. Such payments are excluded in the estimation of National Income.

Whereas, subsidy is a form of financial or in kind of support extended to an economic sector or institution, business etc generally with the aim of promoting economic and social policy.

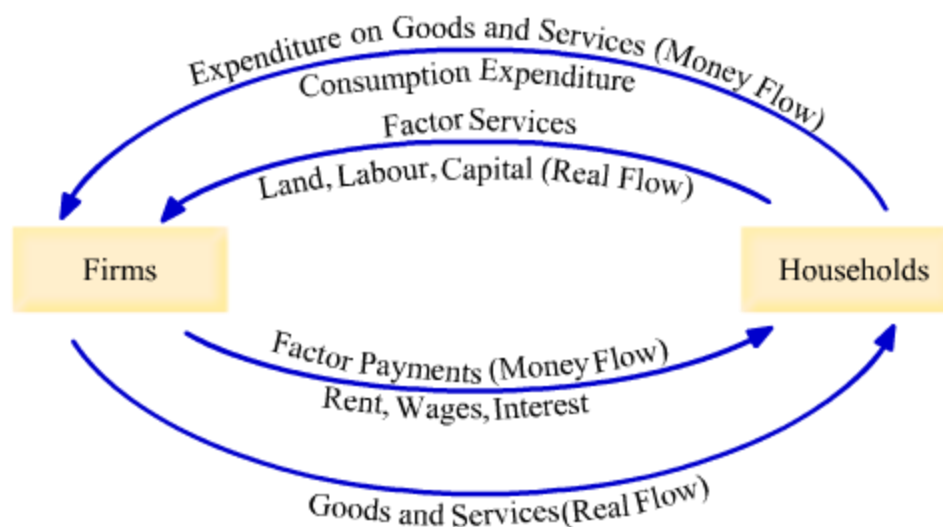
**OR**

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.

The inner arrow in the upper part of the diagram shows that the household sector provides factor services in the form of land, labour and capital to the firms. In return of the factor services provided, they receive factor payments from the firms in the form of rent, wages and interest (as shown by the upper most arrow). With the income received, households incur consumption expenditure on the goods and services provided to them by the firms (as shown by the lower most arrow).

**With the help of this circular flow model, we can estimate the national income for the economy.** National income can either be measured by aggregating the income of all the factors of production (inner arrow of the lower part) or by aggregating the expenditure incurred by all the sectors (upper most arrow).

In this simple two-sector model, we observe that the **aggregate spending of the economy (consumption expenditure) equals the aggregate income earned by the factors of production (factor payments).**

## Question 12

Calculate Net Value Added at factor cost from the following data :

|  | Particulars | (₹ in lakh) |
|--|-------------|-------------|
|--|-------------|-------------|

|       |   |    |
|-------|---|----|
| (i)   | Durable producer goods (with a life span of 10 years) | 10 |
| (ii)  | Single use producer goods                             | 5  |
| (iii) | Sales   | 20 |
| (iv)  | Unsold Goods (Stock)                                  | 2  |
| (v)   | Goods & Services Tax (GST)                            | 1  |

**Solution:**

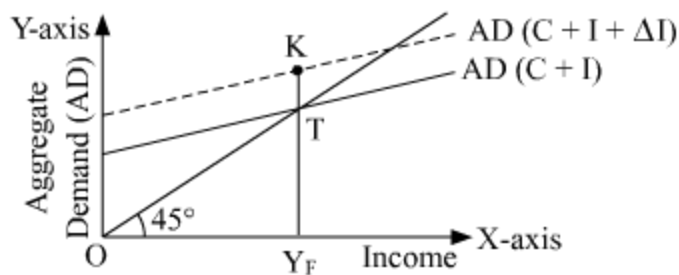
$$NVA_{fc} = \text{Sales} + \text{Change in Stock} - \text{Single use producer goods} - \text{Depreciation} - \text{GST}$$

$$NVA_{fc} = 20 \text{ lakh} + 2 \text{ lakh} - 5 \text{ lakh} - 1 \text{ lakh} - 1 \text{ lakh} = 15 \text{ lakh}$$

(Depreciation = Value of durable goods/life span = 10,00,000/10 = 1,00,000)

**Question 13**

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



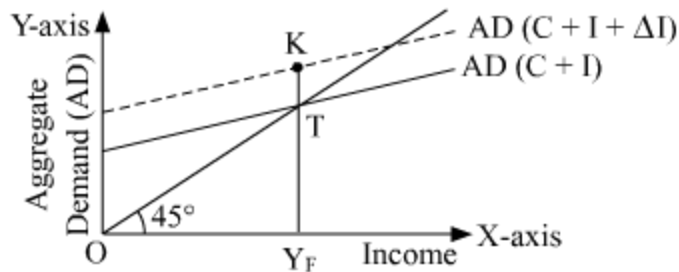
**OR**

Explain how the 'Reverse Repo Rate' helps in correcting excess demand.

**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.

**OR**

Reverse Repo Rate is the rate at which **RBI borrow funds from the commercial banks**. To combat the situation of excess demand ( $AD > AS$ ), RBI increases the reverse repo rate. The rise in the reverse repo rate will decrease the money supply. This is because commercial banks have more incentives to lend their funds to the RBI, and hence decreases the money supply in the market.

**In case of excess demand, the reverse repo rate is increased and the excess demand will be wiped out from the market.**



#### Question 14

'Taxation is an effective tool to reduce the inequalities of income.' Justify the given statement with valid reasons.

#### Solution:

Yes, '**Taxation is an effective tool to reduce the inequalities of income.**' The government through its **budgetary policy** attempts to promote fair and right distribution of income in an economy. This is done through **taxation and expenditure policy**. On one hand, through its taxation policy, **the government taxes the higher income group and on the other hand, through the expenditure policy (subsidies, transfer payments, etc.), it transfers the purchasing power in the hands of the poor sections of society.** With the help of these policies, the government aims at **fair distribution of income in the society.**

#### Question 15

Explain the 'bank of note issue' function of Central Bank.

#### Solution:

The central bank of a country has the **exclusive authority to issue the currency (notes + coins).** **The currency issued by the central bank is known as 'legal tender money' i.e. the value of such currency is backed by the central bank.** However, the currency issued by the central bank is its monetary liability. In other words, the central bank is obliged to back the currency issued by it by assets of equal value such as gold coins and bullions, foreign exchange.

In addition to issuing currency to the general public, the central bank also issues currency to the central government of the country. That is, the central government if required, can sell its securities to the central bank and in return gets the required cash currency.

#### Question 16

Answer the following questions based on the data given below :

- (i) Planned Investments = ₹ 100 crore.
- (ii)  $C = 50 + 0.50 Y$
- (a) Determine the equilibrium level of income.
- (b) Calculate the value of Savings at equilibrium level of National Income.
- (c) Calculate the value of Investment Multiplier.

OR

Discuss the working of the adjustment mechanism in the following situations :

(a) If Aggregate demand is greater than Aggregate supply.

(b) If Ex-Ante Investments are less than Ex-Ante Savings.

**Solution:**

(i) Planned Investments = Rs. 100 crore (given )

(ii)  $C = 50 + 0.5 Y$  (given)

(a) Equilibrium level of Income

$$Y = C + I$$

$$Y = 50 + 0.50 Y + 100$$

$$Y = 150 + 0.50 Y$$

$$Y - 0.50Y = 150$$

$$0.50Y = 150$$

$$Y = 150/0.5$$

$$Y = 300$$

Equilibrium Level of Income = Rs. 300 crore

(b) Equilibrium level of savings

$$Y = C + S$$

$$300 = 50 + 0.50 (300) + S$$

$$300 = 50 + 150 + S$$

$$300 = 200 + S$$

$$S = 300 - 200 = 100$$

Hence, savings = Rs. 100 crore

(c) Investment Multiplier =  $1/1-c$

MPC,  $c = 0.5$  (given)

$$\text{Investment Multiplier (k)} = 1/1 - 0.5 = 2$$

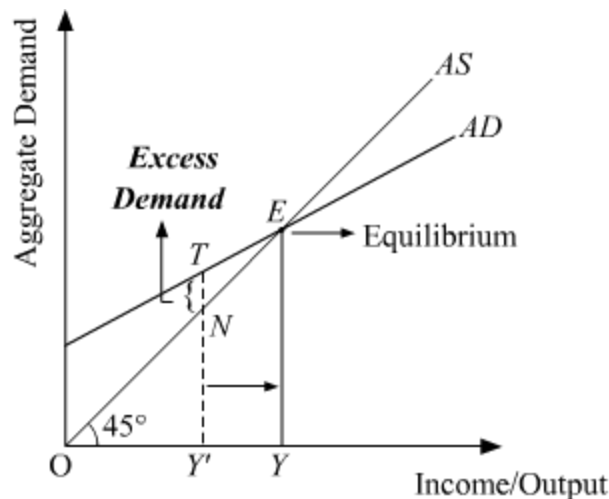
**OR**

**(a) If Aggregate Demand is greater than Aggregate Supply**

In case, if  $AD > AS$ , then it implies a situation, where the total demand for goods and services is more than the total supply of the goods and services. This implies a situation of excess demand. Due to the excess demand, the producers draw down their inventory and increase production.

The increase in production requires hiring more factors of production, thereby increases employment level and income. Finally, the income will rise sufficiently to equate

the AD with AS, thus the equilibrium is restored back. This process of adjustment mechanism is explained below graphically.



In the figure,  $AD$  and  $AS$  represent the aggregate demand and aggregate supply curves. Let us suppose that the equilibrium is operating at a situation, where aggregate demand exceeds aggregate supply, i.e.  $AD > AS$ .  $TY'$  represents the aggregate demand of output by the economy but the aggregate supply is only of  $NY'$ .

Hence, the economy is facing excess demand equivalent to  $TN$  (i.e.  $TY' - NY'$ ). Due to the excess demand, the producers draw down their inventories and hire more factors of production. This results in increase in the production and employment.

The income, output and employment will continue to rise, until all the excess demand is wiped-out. This happens at equilibrium point  $E$ , where  $AD$  and  $AS$  intersect each other. At the equilibrium,  $OY$  represents the equilibrium level of output.

### (b) If Ex-Ante Investments are less than EX-Ante Savings

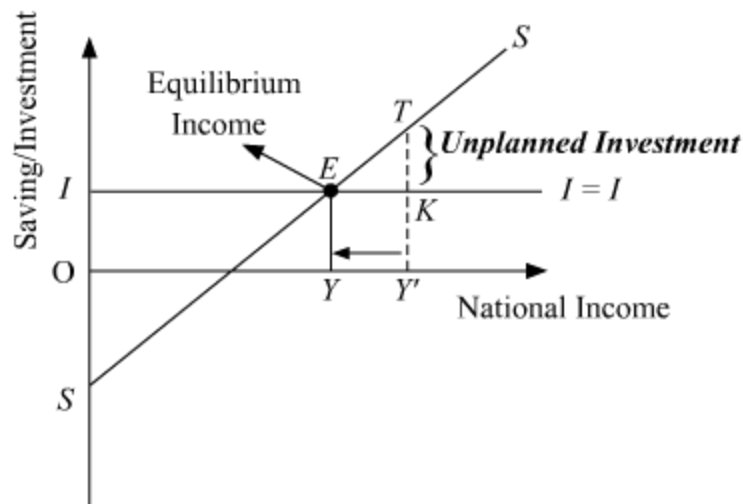
The situation when  $S$  exceeds  $I$  i.e. when withdrawal from the income is greater than injections into the circular flow of income, then it implies that total consumption expenditure is less than what is required to purchase the available supply of goods and services.

In other words, we can understand this as high saving implies low consumption, which means that the required output is less than the planned output. Thus, a portion of the supply remains unsold, which leads to unplanned inventory accumulation.

In response to this situation, for clearing this unsold stock, the producers plan a cut in the production in the next period. Therefore reduce the employment of labourers. The reduced employment leads to fall in aggregate income in the economy, consequently,

lesser aggregate saving.

The saving will continue to fall, until, it becomes equal to the investment. At point, where saving and investment are equal, equilibrium is achieved. This process of adjustment mechanism is explained below graphically.



In the figure,  $S$  and  $I$  represent the Saving and Investment curves. Let us suppose that the equilibrium is facing a situation, where saving ( $TY'$ ) exceeds investment ( $KY'$ ).

Consequently, the aggregate consumption expenditure is lower than what is required to buy all the goods and services. Therefore, there exists unplanned inventory accumulation of unsold stock equal to  $TK$  (i.e.  $TY' - KY'$ ) and the producers respond by reducing the production by reducing employment.

Due to reduced employment, the income of the factors of production (of the people) falls. Subsequently, the saving will fall due to reduced income. Hence, the saving will continue to fall, until, saving equates investment at point  $E$ . The economy achieves equilibrium at point  $E$ , with saving equal to investment and  $OY$  level of national income (or output).

### Question 17

- (a) 'Recently Indian Rupee (₹) has depreciated significantly. This has lead to distress for Indian importers.' Defend or refute the given statement with valid reasons.  
 (b) Distinguish between 'trade deficit' and 'current account deficit'.

### Solution:

- (a) Yes. We do agree with the statement that depreciation in Indian Rupee lead to distress for Indian Importers. The value of rupee falls in foreign exchange market with

the depreciation which implies that Indian currency becomes **less expensive** in terms of foreign currency. So, in order to buy goods in foreign market, Indian importers need to pay more for foreign goods as purchasing power of rupee has fallen.

(b) Difference between Trade Deficit and Current Account Deficit

| Basis of Difference | Trade Deficit  | Current Account Deficit   |
|---------------------|--|---|
| Meaning             | If the export of goods falls short of the imports of goods then Trade Account balance is in <b>deficit</b> . | If the export of goods and services falls short of the imports of goods and services, then the Current Account balance is in <b>deficit</b> . |
| Formula             | Imports – Exports  | Imports of Goods and Services- Imports of Goods and Services  |

### Question 18

Define "Quota".

#### Solution:

Quotas refer to a restriction on the amount or quantity of goods that can be traded/imported.

### Question 19

Which of the following countries initiated its process of Economic Reforms in the year 1991.

(Choose the correct alternative)

- (a) Pakistan
- (b) India
- (c) Russia
- (d) China

#### Solution:

India initiated economic reforms in 1991.  
Hence, the correct answer is option B.

### Question 20

Greater proportion of women workers are found in (urban/rural) areas as a component of Indian work force.

(Choose the correct alternative)

**Solution:**

Greater proportion of women workers are found in rural areas as a component of Indian work force.

**Question 21**

State whether the following statement is true or false :  
"GATT was established in 1923 with 48 member countries."

**Solution:**

False, GATT was established in 1948 with 23 members.

**Question 22**

'GLF' with respect to the People's Republic of China referred to as \_\_\_\_\_.

(Choose the correct alternative).

- (a) Giant Leap Forward
- (b) Great Lead Forum
- (c) Great Leap Forward
- (d) Giant Lead Forum

**Solution:**

'GLF' with respect to the People's Republic of China referred to as **Great Leap Forward**.  
Hence, the correct answer is option C.

**Question 23**

Policy of 'Import Substitution' was targeted to protect \_\_\_\_\_ industries.  
(Fill up the blank with correct answer)

**Solution:**

Policy of import substitution was targeted to protect the domestic industries.

**Question 24**

Which of the following is not used as a strategy for Sustainable Development ?  
(Choose the correct alternative)

- (a) Use of bio-gas
- (b) Use of solar power

- (c) Use of thermal power
- (d) Use of hydel power 1

**Solution:**

Thermal power is not used as a strategy for sustainable development.  
Hence, the correct answer is option C.

**Question 25**

Maternal Mortality Rate is high in \_\_\_\_\_ (China/Pakistan).  
(Fill up the blank with correct alternative)

**Solution:**

Maternal mortality rate is high in Pakistan.

**Question 26**

State whether the following statement is true or false :  
"As per the Human Development Report, 2018, India was ranked at 180<sup>th</sup> position."

**Solution:**

False, India's rank was 130 in Human Development Report, 2018.

**Question 27**

If a construction site Manager hires two workers on daily wages basis, such a situation is covered under \_\_\_\_\_ (formal/informal) sector.

(Fill up the blank with correct alternative)

**Solution:**

If a construction site manager hires two workers on daily wage basis, such a situation is covered in informal sector.

**Question 28**

Discuss briefly the concept of 'Informalisation of workforce' in India.

**OR**

State any three challenges facing rural development in India.

### **Solution:**

Informalisation of workforce refers to the situation wherein there is a continuous decline in the percentage of workforce in the formal sector and a simultaneous rise in the percentage of workforce in the informal sector.

In India, informalisation of workforce 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

**OR**

Rural development involves the following key issues:

**1. Human capital formation:** Quality human capital is missing from rural areas. The reason for this is the absence of basic health and education facilities that are necessary for human capital formation. People in rural areas often have to resort to far-flung places for these facilities. This has the effect of reducing the quality of human capital. Thus, an important part of rural development is production of quality human capital out of the human resources available in rural areas. For this, it is important to invest in such areas as education, technical skills development through on-the-job training and healthcare.

**2. Development of productive resources:** Agriculture is the main occupation of people in rural areas. There is, thus, an excess burden on the agricultural sector. This sector also suffers from low productivity, lack of infrastructure and disguised unemployment. Hence, there is the need to develop productive resources to help generate alternative employment opportunities for the rural people. This would increase the productivity and income of the rural people and also reduce the strain on the agricultural sector. Therefore, creation of alternative sources of income via growth of productive resources is an important part of rural development.

**3. Development of rural infrastructure:** Infrastructure such as banking, credit societies, electricity, means of transport, means of irrigation and facilities for agricultural research are crucial to the development of rural areas. These facilities provide the necessary support to all production activities. Absence of these facilities makes economic growth



and social development a difficult task. Thus, infrastructure development is of critical importance in rural development.

### Question 29

Compare and analyse the given data of India & China, with valid reasons.

| Country | Annual Growth rate<br>of population<br>(2015) | Gender Ratio<br>(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 30

Discuss briefly any two salient features of India's pre-independence occupational structure.

**OR**

Discuss briefly, the rationale behind "equity with growth" as planning objectives for Indian Economy.

### Solution:

The salient features of occupational structure of India at the time of independence are as follows.

1. **Agriculture- The primary occupation**

At the time of independence, India was an agrarian economy. Nearly, 75% of the total workforce was dependent on agriculture to sustain livelihood. Such high dependence on agriculture indicates backwardness of Indian economy at the time of independence. However, despite being the major source of occupation, agriculture suffered from low production and low productivity.

The growth rate of the sector was at a meager 0.4%. The introduction of *Zamindari* system further worsened the situation. This sector suffered from lack of investment. The revenue earned by the peasants and cultivators was barely enough to sustain livelihood. Moreover, despite the low growth rate, the poor peasants and cultivators stuck to the occupation due to lack of alternative means of livelihood.

## **2. Industry and service -The bleak occupation**

In contrast to the agricultural sector, the manufacturing sector and the service sector accounted for only a small fraction of the total workforce. Merely 10% of the total workforce was engaged in the manufacturing and industrial sector. Similarly, the service sector accounted for only 15% of the total workforce. However, similar to the agriculture sector, the industrial sector also suffered from low growth rate. This was due to the lack of investment initiatives and unfavourable tariff structure as introduced by the British. The Indian industrial sector failed to contribute much to India's GDP. This indicated the underdeveloped state of Indian economy.

**OR**

Equity along with growth is an important objective of India's five year plans. While growth refers to a continuous increase in GDP over a long period of time, equity refers to an equitable distribution of GDP.

Equitable distribution implies that the benefits of higher economic growth are shared by all sections of population. In other words, this objective opposes the concentration of income in only few hands. Growth itself is desirable but it does not guarantee the welfare of people.

It may be possible that the goods and services that are produced do not reach the masses. Hence, growth along with equity becomes a desirable objective of planning. This objective ensures that the benefits of high growth are shared by all the people in the society equally. Thus, equity implies a reduction in the inequality of income and promotion of an egalitarian society.

## **Question 31**

"Modernisation as a planning objective shows a dichotomy with employment generation." Justify the statement.

**OR**

State the two-fold motive for the systematic destabilisation of indigenous Indian industries in the British era.

**Solution:**

Modernisation refers to the increase in the level of technical know-how in the economy. The economy not only aims at increasing the production but the level of productivity should also increase. The increase in the productivity can be achieved with modernisation. Modernisation helps not just in increasing the quantity of output but also the quality of the output.

Besides, application of new and improved technology helps in achieving a lower cost of production. Modernisation should be an objective in not just the economic context but also in the social context.

Modern customs and beliefs must make a place in the society. With modernisation the overall perspective of the society changes for the better and thinking broadens. Evils such as gender inequality, superstition, religious conflicts, etc. get eradicated with modern beliefs.

However, the objective of modernization shows a dichotomy with employment generation. This is because, the modernization aims at being capital intensive such that more high-end technologies are used which reduces the need for labour. Thus, this creates a contracting situation with another important objective of planning that is employment generation.

**OR**

The British government followed the policy of **Systematic Deindustrialisation**. This policy had the following **two-fold motive**.

1. **Making India a supplier of raw materials:** The British government intended to reduce India to a mere supplier of cheap raw material for its own flourishing industrial base. India being rich in reserves of such natural resources like cotton, jute, etc., could have further provided the much needed fuel to the wave of industrialization in Britain. For instance, cotton was being exported to Britain for cheap prices to manufacture clothes, etc. thereby reducing the cost of production as a whole.

2. **Making India a market for finished goods:** Another important objective of the British government was to turn India into a virgin market for the machine made finished products produced by the British industries. This is because the Indian industries were highly primitive and labour intensive in their approach. Hence, it provided them with an opportunity to sell their products.

### Question 32

State and discuss any two problems faced by power sector in India.

#### Solution:

The two 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.

### Question 33

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

OR

(a) "Ujjawala Yojana has been a game changer for rural India." State any three conventional fuels being targeted under the Ujjawala Yojana.

(b). "Economists believe that India should spend atleast 6% of its GDP on Education for achieving desired results."

Justify the statement with valid reasons.

#### Solution:

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'.

OR

(a) The three fuels which are targeted are coal, oil resources, fuel wood, petroleum.

(b) 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 34

(a) Discuss the need for on-the-job training for an employee.

(b) Discuss the role played by horticulture in the direction of rural development in India.

**Solution:**

(a) Training refers to the act of acquiring skills, knowledge and competency required to perform a particular job efficiently and effectively. On-the-job training is the most effective kind of training to a trainee, imparting him the technical skills and know-how at the actual work site.

In this type of training, a trainee is assisted (or hands on) and trained by a trainer (usually by an experienced employee) when the trainee is actually doing the job. This helps the trainee not only to acquire the theoretical and practical skills simultaneously but also enables him to learn from the experiences of his trainer and, thereby, can increase his efficiency and productivity.

This is the most common type of training program because the returns in terms of increased productivity far exceed the cost of the training. Thus, the expenditures on such training improve the quality of human capital by enhancing its productivity, efficiency and income earning capacity.

(b) Horticulture is fast emerging as an important source of livelihood in rural areas. Horticultural crops include fruits, vegetables, and medicinal and aromatic plants and flowers. Presently, India is the second largest producer of fruits and vegetables, which include mangoes, bananas, coconuts, cashew nuts and a variety of spices.

Consequently, the income levels of families engaged in horticultural production have risen considerably. The increase in horticultural production has lowered the vulnerability of small and marginal farmers. Activities such as flower harvesting, nursery maintenance, hybrid-seed production, food processing and propagation of fruits and flowers have provided a gateway of employment opportunities to women.

Horticulture generates employment for 19% of the total rural labour force in India. The term "Golden Revolution" is used to refer to the period between 1991 and 2003. During this period, there was a tremendous increase in the production of various fruits, vegetables, spices and other horticultural products.

The growth of the horticultural sector has created a major problem for the country. The bulk of the area under horticulture has expanded at the cost of the area under pulses. As a result, the production of pulses has reduced considerably. Horticulture suffers from lack of infrastructural facilities such as cold storage, transportation and modern technology. Thus, efforts are required in this area to fully utilise the potential of horticulture.