

9. Does the bank fulfil your immediate needs?
a) Yes
b) No
10. Does your other credit source fulfil your immediate needs?
a) Yes
b) No
11. Do you recognize importance of bank in your life?
a) Yes
b) No

1. Name

Appendix 'B'

Questionnaire for Structure of Employees in a Locality

2. Occupation
a)Service (Hired Workers)**b)Self-employed****c)Worker (Casual Workers)**
3. If you are a service person, please tick your nature of organization.
a)Government**b)Private**
4. If you are a self-employed person, please tick your nature of business.
a)General Store**b)Electronics****c)Any other**
5. If you are a worker, please tick your nature of work.
a)Labour**b)Servant****c)Any other, Please specify:**
6. Do you satisfy with your work?
a)Service (Hired Workers): Yes/No **b)Self-employed: Yes/No**
c)Worker (Casual Workers): Yes/No

Appendix 'C'

Questionnaire for Consumers' Awareness towards a Good

1. Name:
2. Occupation :
- a)Service****b)Business**
- 3)Households' income per month :
 - Less than Rs. 20,000/-
 - Between Rs. 20,000/- to 30,000/-
 - Between Rs. 30,000/- to 40,000/-
 - More than Rs. 50,000/-
- 4)How much do you buy washing powder per month?
a)1 K.G.
b)2 K.G.
c)3 K. G.
d)4 K.G.
- 5)Which brands of washing powder do you buy?
a)Surf Excel**b)Ariel**
c)Tide **d)Any Other, Please specify:**
- 6)Do you buy this brand of washing powder?
a)Always**b)Sometimes****c)Once in a while****d)Never**
- 7)How important are brand names important to you?
a)Very Important**b)Important****c)Somewhat Important****d)Not Important**
- 8)Do you always buy branded products?
a)Yes
b)No
- 9)Who has the most affected source of information for buying this brand to you?
a)Friends **b)Advertisements****c)Offer on the Product like "Buy one get one free", "Buy one and get 50% off on the buy of second item", etc.?**
d)Any Others, Please Specify:
- 10)How often do you give preference to the offers given by the companies like "Buy one get one free", "Buy one and get 50% off on the purchase of second item", etc.?
a)Always**b)Most of the time****c)Once in a while****d)Never**
- 11)On what basis do you buy this brand of good?

a)Prefer a particular brand of a product	b)Easily available product in the market	c)Quality of the good	d)Price of the good
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- 12)Would you buy this brand of good in future also?
a)Yes**b)No**

ABSTRACT

Computation of National Income is one of the most important topics in class XII Economics Syllabus. Students have fair idea of the meaning of National Income that it is the final value of goods and services produced over a period of time and the net factor payments earned from abroad. They also have an understanding that it serves as an important indicator of growth of any nation. While teaching the Measurement of National incomes the students have to be given a thorough meaning and understanding of its various components. The present section contains some of the major items whether included or excluded in national income which you can discuss in classroom which will enable students to comprehend the NIA better with reason.

Computation of National Income is one of the most important topics in class XII Economics Syllabus. Students have fair idea of the meaning of National Income that it is the final value of goods and services produced over a period of time and the net factor payments earned from abroad. They also have an understanding that it serves as an important indicator of growth of any nation. While teaching the Measurement of National incomes the students have to be given a thorough meaning and understanding of its various components. The present section contains some of the major items whether included or excluded in national income which you can discuss in classroom which will enable students to comprehend the NIA better with reason.

National Income is the most important measure of economic activity. A steadily growing the GNP is taken as a sign of healthy economy and a decline/drop in the GNP means a recession..Computing National Income by different methods yield same results. How these differ and what is its relevance should be explained to students before introducing them with the arithmetical calculation of the same.

The three Methods of Measurement of National Income namely:

1. Value Added
2. Income Method
3. Expenditure Method

The comprehension of each item under the methods has to be first taken up by the teacher in the class instead of taking the direct formula approach. For example the concepts like Final Goods, Intermediate Goods, and Depreciation, Concept of Double Counting, Transfer Payments, Personal income, Personal Disposable Income Subsidy, and Indirect Taxes etc. have to be understood to avoid mere cramming of formulae.

You will find in the present section Diagrammatic presentation of computing National Income under each Method. After explaining all terms/components take up this presentation.

= Value of Output - Value of Intermediate Consumption

Relationship between Aggregates of National Income

Value Added and its Related Measures

= Gross Value added at MP - Consumption of Fixed Capital

= Net Value Added at MP - NIT

Net Value Added at Factor Cost

Net Value Added at Factor Cost

↘ = Total Factor Payments

Reconciling the Time Methods of Measuring GDP

Compensation of Employees
Operating Surplus (R+I+P)

Compensation of Employees
Operating Surplus (R+I+P)

Govt. Final Consumption Expenditure
Gross Capital Formation
Net Export of Goods & Services

Govt. Final Consumption Expenditure

Gross Capital Formation
Net Export of Goods & Services

Disposable Income Aggregate NDP_{FC}

NDP_{FC}

Less Income from property and entrepreneurship accruing to the Govt. administration departments Saving of non-departmental enterprises

Less

NDP_{FC} accruing to the Private Sector

Add Net Factor Income from Abroad

Add National Debt Interest

Add Current transfers from the Govt. Administration Deptt.

Add Net current transfers from the rest of the World

Private Income

Less Saving of the Private Corporate Sector (Net of retained earning of the

foreign companies)

Less Corporate Tax

Personal Income

Less Direct Taxes paid by households

Less Miscellaneous receipts of Govt. Administration Departments

Personal Disposable Income

Items to be Included or Excluded in National Income with Reasons

Some of the major items whether included or excluded in national income are as follows:

1. Construction of a new house.

Yes, it will be included in the national income as it is a part of capital formation and leads to production of goods and services in the economy.

2. Winning of a lottery prize.

No, it will not be included in the national income as it does not add to the flow of goods and services in the economy.

3. Increase in the prices of stocks lying with a trader.

No, it will not be included in the national income as it does not amount to any flow of goods.

4. National debt interest.

OR

Interest on public debt.

No, it is not included in the national income as it is the interest paid on loans taken by government to meet its consumption purposes.

5. Rent-free house given to an employee by an employer.

Yes, it is included in the national income by Income Method since it is a part of 'wages in kind' paid to employees.

6. Profit earned by foreign banks in India.

No, it is not included in the national income as it is a part of the factor income paid abroad. It is subtracted from domestic income to get national income.

7. Purchases by foreign tourists.

OR

Food purchased by a foreign tourist at a hotel in New Delhi.

Yes, purchases by foreign tourists are 'exports' and, therefore, they are included in the national income through the Expenditure Method.

8. Rent received by Indian residents on their buildings rented out to foreigners in India.

Yes, it will be included in the national income as it is a part of the factor income from abroad.

9. Payment of fees to a lawyer engaged by a firm.

It is an intermediate expenditure for the firm because it involves purchase of services by one production unit (firm) from another production unit (lawyer). So, it

is deducted from the value of output of the firm to arrive at the value added. So, it is not included in national income.

10. Free medical facilities by the employer.

OR

Free boarding and lodging provided to a domestic servant.

Yes. It will be included in national income as these free services are part of compensation to employees.

11. Gifts received from abroad.

OR

Gift received from employer.

National income as gifts received are transfer incomes.

12. Profits of Reliance Industries from its chemicals business in Australia.

Yes, it will be included in the national income as it is a part of the factor income from abroad.

13. Salaries received by Indian residents working in Russian Embassy in India.

Yes, it will be included in the national income as it is a part of factor income from abroad.

14. Subsidized lunch served to workers in a factory.

OR

Firm incurred expenditure on medical treatment of employee's family.

Yes, it is a part of the compensation of employees and, therefore, it will be included in the national income.

15. Old age pension

No, it will not be included in the national income as it is a transfer payment made by the government and a transfer income for the receiver.

Old age pension must not be confused with retirement pension. Old age pension is not included in national income as it is a transfer payment. On the other hand, retirement pension is included in national income as it is a part of COE.

16. Durable goods purchased by a household.

OR

Purchase of car by a household.

Yes, it will be included in the national income as it is a part of the private final consumption expenditure.

17. Profits earned by an Indian bank from its branches abroad.

Yes, they will be included in the national income as they are a part of the factor income from abroad.

18. Earnings of shareholders from the sale of shares.

No, it will not be included in the national income as it is a financial claim and does not contribute to any

productive activity.

19. Expenditure on advertisement by a firm.

OR

Commodities used in scientific research.

No, it will not be included in the national income as it is a part of intermediate consumption expenditure.

20. Financial help received by flood victims.

No, it will not be included in the national income as it is a transfer income.

21. Purchase of a machine by a factory. {CBSE, All India Comptt. 2006}

OR

Purchase of a new taxi by a taxi-driver.

Yes, it will be included in the national income as it is a part of the gross domestic capital formation.

22. Royalty

Yes, it will be included in the national income as royalty is a productive income.

23. Commission on sale of second-hand goods.

OR

Brokerage payment on sale of shares.

Yes, it will be included in the national income as it is the income of a middleman for his productive services to various parties.

24. Dividend received by an Indian from his investment in shares of a foreign company.

{CBSE, Delhi 2010} Yes, it will be included in the national income as it is factor income from abroad.

25. Purchase of raw materials by a production unit.

OR

Milk purchased by a Sweet shop to make milk-cake.

No, it will not be included in the national income as it is a part of the intermediate consumption expenditure.

26. Earnings of a self-employed doctor having a clinic at his own residence. Yes, it will be included in the national income as it is a mixed income.

27. Money received from sale of second-hand goods.

OR

Money received by government from sale of a public sector firm to a private owner.

No, it will not be included in the national income because receipts from the sale of second-hand goods are by virtue of transfer of an already existing object.

28. Imputed rent of self occupied houses.

Yes, it will be included in the national income as people living in such houses enjoy housing services similar to those in rented houses.

29. Contribution to provident fund by employer.

OR

Value of interest foregone on loans provided by employer to employee.

Yes, it will be included in the national income as it is a part of the compensation to employees.

30. Wheat grown by a farmer but used entirely for family's consumption.

Yes, it is included in the national income because it adds to the current flow of goods and services. Therefore, its imputed value should be included.

31. Expenditure on the construction of a flyover by the government.

Yes, it will be included in the national income as it is a part of gross domestic capital formation.

32. Growing vegetables in a kitchen garden of the house.

No, it will not be included in the national income as it is difficult to estimate the value of production (It is a non-market transaction).

33. Services rendered by family members to each other

No, it will not be included in the national income as it is difficult to determine the value of services provided by family members to each other.

34. Expenditure by government in providing free education.

OR

Expenditure on free services provided by government.

Yes, it will be included in the national income as it is a part of the government final consumption expenditure.

35. Insurance premium paid by employees.

OR

Fees received from student.

Yes, it is included in the national income as it is a part of the private final consumption expenditure.

36. Mineral wealth of a nation.

It is a part of National wealth and is not included in national income. However, that part of mineral wealth which has been extracted during the current year will be included in national income under the product method.

37. Value of wood purchased for manufacturing a table.

OR

Expenditures on the purchase of cold drinks by a school canteen from the manufacturer.

OR

Transport expenses by a firm.

No, it will not be included in the national income as it is a part of intermediate consumption expenditure.

38. Purchase of equipment's for installation in a factory.

Yes, it will be included in the national income as it is a part of capital formation.

39. Payment of wealth tax.

OR

Payment of Death duty.

No, it will not be included in the national income as it is a compulsory transfer payment to the government.

40. Entertainment tax received by the government.

No, it will not be included in the national income as it is an indirect tax and a compulsory transfer payment received by the government.

41. Salaries paid to Russians working in Indian Embassy in Russia.

No, it is not included in the national income as it is a part of the factor income paid abroad. It is subtracted from domestic income to get national income.

42. Capital gains to Indian residents from sale of shares of a foreign company.

No, capital gains will not be included in the national income as they do not add to the current flow of goods and services in the economy.

43. Destruction of building due to an earthquake.

No, it will not be included in the national income as it will not affect national product directly.

44. HP uses its own new Laptops in its office for self-consumption.

Yes, it is included in the national income as it adds to current flow of goods and services. Therefore, imputed value of laptops should be included.

45. Purchase of a truck to carry goods by a production unit.

Yes, it will be included in the national income as it is a part of the gross domestic capital formation.

46. Earning from a part time job in McDonalds by a student.

Yes, it is included in the national income as it is an income received for productive services.

47. Receipt from sale of property, inherited from a relative.

No, it will not be included in the national income as receipt from sale of such property is by virtue of transfer of an already existing object.

48. Entertainment allowance to an employee for entertaining business guests.

No, it will not be included in the national income as it is intermediate consumption expenditure of the business.

49. Expenditure on the purchase of shares of a new company.

OR

Sale of bonds by a company.

No, it will not be included in the national income as it is a financial claim and does not contribute to any productive activity.

50. Goods lying within the production boundary.

No, such goods will not be included in national income as goods lying within the production boundary are intermediate goods.

51. Money received by a family in India from relatives working abroad.

No, it will not be included in the national income as it is a transfer receipt.

52. Dividend received by a foreigner from investment in shares of an Indian company.

No, it is not included in the national income as it is a part of factor income paid abroad. It is subtracted from domestic income to get national income.

53. Expenditure by father on marriage of his daughter.

No, it will not be included in the national income as it does not add to current flow of goods and services.

54. Expenditure on the purchase of an old house.

OR

Purchase of house by the tenant.

OR

Purchase of rented factory building by the factory owner.

No, it will not be included in the national income because payment for purchase of second-hand goods is due to transfer of an already existing object.

55. Insurance money received from Oriental Insurance due to destruction of factory due to fire.

No, it is not included in the national income because it is a transfer receipt.

56. Interest paid by banks on deposits by individuals.

OR

Payment of interest by a government firm.

OR

Payment of interest by a firm Yes, it will be included in the national income as such interest is paid on loan taken for productive purpose. It is a factor payment by a producer.

57. Interest received on loans given to a friend for purchasing a car.

OR

Interest payment on loan taken by an individual to buy a motor cycle.

OR

Payment of interest on a loan taken by an employee from the employer.

No, it will not be included in the national income because it is a non-factor receipt as the loan is not used for production but for consumption.

58. Interest received on loan given to a foreign company in India.

Yes, it will be included in national income as it is a part of factor income from abroad.

59. Interest received on debentures.

Yes, it will be included in the national income as such interest received is a factor income because debenture is a sort of loan taken by a production unit.

60. Expenditure on improvement of fixed capital asset.

OR

Expenditure on construction of a house.

OR

Expenditures on adding a floor to the building.

Yes, it will be included in the national income as it is a part of capital formation.

It must be noted that any expenditure on repairs of fixed assets will not be included in national income.

61. Scholarship given to Indian students studying in India by a foreign company.

OR

Expenditure by the Government on scholarships to students.

No, it will not be included in the national income as it is a transfer payment.

62. Value of bonus shares received by shareholders of a company.

No, it will not be included in the national income as such bonus shares are mere paper claims and do not contribute to the production of goods and services.

63. Pension paid after retirement.

Yes, it is a part of the compensation of employees and, therefore, it will be included in the national income.

64. Expenditure on maintenance of building.

OR

Expenditure on maintenance by a firm.

No, it will not be included in the national income as it is a part of intermediate consumption expenditure.

65. Family members working free on farm owned by family.

Yes, Imputed salaries of these members will be included in national income.

66. Payment of bonus by a firm.

Yes, it will be included in the national income as it is a part of the compensation to employees.

67. Purchase of tractor by a farmer.

Yes, it will be included in the national income as it is a part of the capital formation or investment by the farmer.

68. Expenditure on fertilizers by a farmer.

No, it will not be included in the national income as it is intermediate cost for the farmer and deducted from value of output while arriving at national income.

69. Purchase of furniture by a firm.

Yes, it will be included in the national income as it is a part of the capital formation or investment by the firm.

70. Expenditure on education of children by a family.

Yes, it is included in the national income as it is a part of the private final consumption expenditure.

71. Payment of electricity bill by a school.

No, it will not be included in the national income as it is intermediate cost for the school and deducted from value of output while arriving at national income.

72. Payment of excise duty by a firm.

No, it will not be included in the national income as it is an indirect tax paid by the firm.

73. Festival gift from an employer.

No, it will not be included in the national income as it is merely a transfer payment.

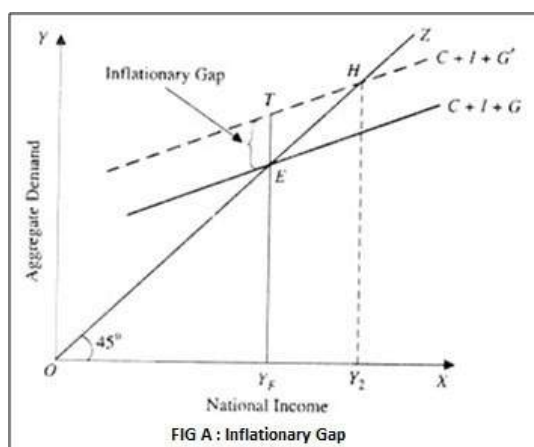
74. Contribution to provident fund by employees.

No, it is not included in the national income because such contribution is made by the employees from compensation of employees only. So, it is not separately included in the estimation of national income.

Inflationary Gap

It is useful and important to understand the concept of inflationary gap because with it we are able to know the main cause of the rise in general level of prices. The equilibrium of an economy is established at the level of full-employment when aggregate demand or total expenditure is equal to the level of income corresponding to full-employment. This happens when the amount of investment is equal to the saving gap corresponding to full-employment level of income.

Consider **Fig. A** where OY_F is national income corresponding to the level of full-employment. Equilibrium at national income OY_F would be established only when aggregate demand or total expenditure ($C + I + G$) is equal to Y_F (Y_F is equal to OY_F).



Real national income cannot increase beyond OY_F because when all means of production including labour are fully employed, there is no possibility of further rise in production or real national income. Thus when aggregate demand is greater than the aggregate demand Y_F which is required to establish the equilibrium at OY_F level of national income, the equilibrium would not be established at OY_F .

It would be seen from **Fig. A** that aggregate demand $Y_F T$ is greater than aggregate demand $Y_F E$ which is required to maintain the equilibrium at OY_F . Thus with the level of aggregate demand ($C + I + G'$), which is obtained by adding expenditure ET to the aggregate demand curve $C + I + G$, equilibrium would not be established at OY_F which

corresponds to full-employment level of income. The actual aggregate demand being greater than Y_{FE} by the amount ET the level of national income would be greater than OY_F .

Since OY_F is full-employment level of national income, actual production cannot increase beyond that but there would be rise in prices which would raise the money value of OY_F production. The amount by which the actual aggregate demand exceeds the level of national income corresponding to full employment is known as inflationary gap because this excess of aggregate demand causes inflation or rise in prices in the country.

In **Fig. A** this excess of aggregate demand or inflationary gap is equal to ET . It would be seen from **Fig. A** that the aggregate demand curve $C + I + G'$ intersects 45° line (OZ line) at H so that equilibrium level of national income would be OY_2 .

It should be carefully understood that there is no difference between OY_F and OY_2 in terms of real income or actual production; only as a result of rise in price level, national income has increased from OY_F to OY_2 in money terms. Inflationary gap represents excess demand in relation to aggregate production or supply of output which brings about demand-pull inflation.

J. M. Keynes in his revolutionary book "General Theory of Employment, Interest and Money" did not discuss the concept of inflationary gap because he was then preoccupied with the analysis of the state of depression and deflation. During the Second World War when the problem of inflation cropped up, then Keynes applied his macroeconomic analysis to explain inflation as well and in this connection he put forward the concept of inflationary gap.

Deflationary Gap

In the theory of income and employment, the concept of deflationary gap occupies an important place, since in a capitalist economy unemployment and depression occur due to this gap. According to Keynesian theory of income and employment, equilibrium at the level of full-employment is established when aggregate demand consisting of consumption demand plus investment demand plus government demand ($C + I + G$) is equal to the national income at the level of full-employment.

This happens when investment and government demand is equal to the saving gap at full-employment level of national income. If aggregate demand is less than the full-employment level of national income, i.e., when investment and government demand is less than the saving gap at full-employment level of income, the deficiency of aggregate demand occurs due to which national income and employment will fall below the full-employment level causing unemployment and depression in the economy.

The concept of deflationary gap is illustrated in **Fig. B** in which along the X-axis national income is measured and along the K-axis level of aggregate demand is measured. Suppose national income at the level of full-employment is equal to OY_F .

Now the equilibrium level of income and employment would be established at OY_F when aggregate demand (consumption demand plus investment demand) is equal to Y_{FE} (which is equal to national income OY_F). But in the real world if aggregate demand is less than the full-employment level of income OY_F or it is less than Y_{FE} , then the problem of deficiency of aggregate demand will arise.

Therefore, EK in **Fig. B** represents deflationary gap. Hence, deflationary gap represents the difference between the actual aggregated demand and the aggregate demand which is required to establish the equilibrium at full-employment level of income.

It should be carefully understood that due to the deflationary gap EK , the level of national income and employment will decline. The decline in national income and employment will not only be equal to the deflationary gap EK but it will be much greater than this. The decline in national income is determined by the value of the multiplier.

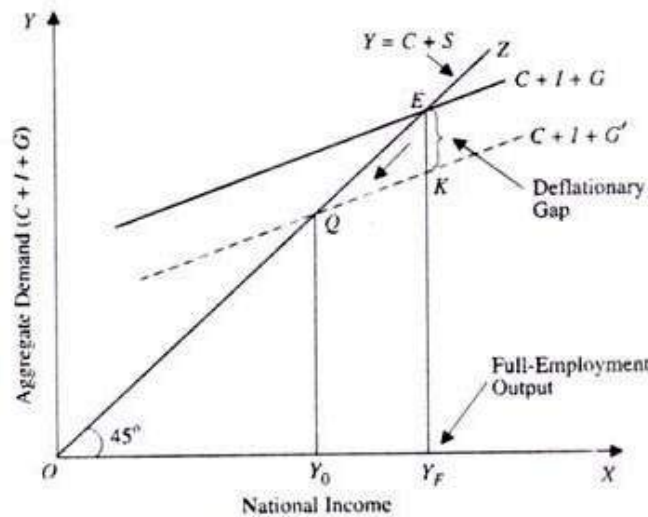


FIG B : Deflationary Gap

In Fig. B when aggregate demand curve is $C + I + G'$ deflationary gap is equal to EK. The aggregate demand curve $C + I + G'$ (dotted) which cuts the 45° line at point Q as a result of which equilibrium is established at OY_F level of national income. It will be seen from Fig. B that OY_0 is less than full-employment level of income OY_F . Deflationary gap represents the situation of deficient demand in the economy.

This deficiency in aggregate demand causes fall in national output and level of employment. As a result, involuntary unemployment in the economy emerges. The depression of 1929-33 in capitalist countries was caused by the emergence of deflationary gap or by demand deficiency in these economies.

- Q1. When $AD > AS$, what can you say about the economy? How does self correction take place?
- Q2. "If $AD = AS$, then the economy is at full employment" do you agree? Why or why not?
- Q3. Even though there is massive unemployment in India, it is still dealing with the problem of inflation. Site possible reasons for the above.
- Q4. What will be impact of increased savings on the equilibrium of the economy like India?
- Q5. What according to you is the idea behind launching of the insurance schemes for all by the government? How will it affect the aggregate demand – aggregate supply situation of our economy?
- Q6. Explain the effect of imposition of a lump sum tax on the equilibrium in case of inflationary gap.
- Q7. Explain the role of government spending for correcting the situation of disequilibrium.
- Q8. Explain the economic and welfare motive of the Government of the increased taxation on tobacco products.
- Q9. What is the difference between market demand and aggregate demand?
- Q10. Evaluate the impact of the "Make in India" campaign launched by the government of the Indian economy.

BUDGET

Introduction

In modern world every economy tries to follow the concept of welfare state, It promotes huge requirement to develop infrastructure, economic and welfare activities. All these activities require heavy expenditure to be incurred. An appropriate planning and resource management can be helpful to attain the goal of welfare state. ***This financial resource management by the government is known as budget.***

Government budget is a statement of the estimates of the Government Receipts and Government Expenditure during the period of the financial year.

Objective of teaching Budget

1. To develop the understanding how does Government arrange the resources for the welfare of the economy?
2. Through budget how does government solve the current challenges like poverty, inequality of income, unemployment, inflationary, deflationary situation etc.

3. To understand the justification of imposing tax by the Government and the role of Government spending for the development of economy and smooth running of welfare policies.
4. Knowledge about budget deficit and its implications on the economy.

Meaning of Government Budget

A Government budget is an annual financial statement showing item wise estimates of expected revenue and anticipated expenditure during a fiscal year. The budget is the most important informative document of the government because Government implements its plans and programmes through the budget.

Budget Deficit

It refers to a situation when estimated budget expenditure of the Government is greater than the estimated budget receipts.

Types of Budget Deficit

1 Revenue Deficit :- It refers the situation when revenue expenditure of the Government is greater than the revenue receipts.

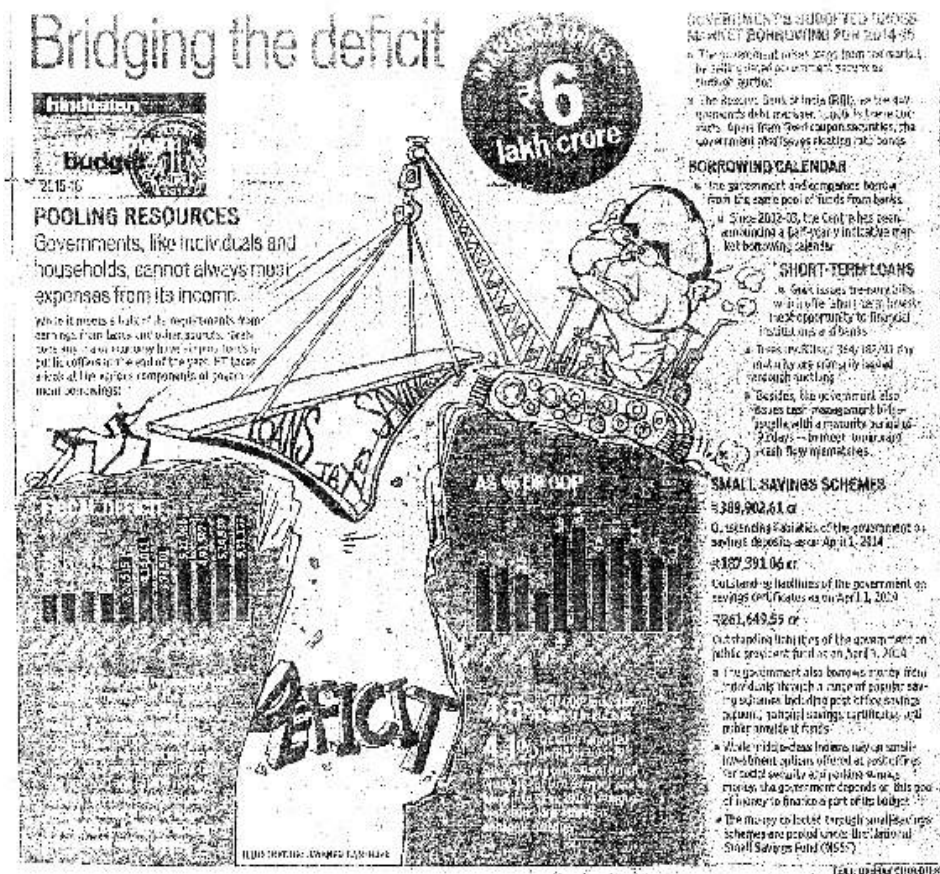
2 Fiscal Deficit :- It is estimated as the excess of government expenditure over government receipts (other than borrowings) during a financial year. It is equal to the borrowings of the government.

$FD = BE (RE + CE) > BR (RR + CR \text{ other than borrowings})$

3 Primary Deficit :- It refers the net difference between fiscal deficit (borrowings) and interest payment.

Implications of Budget Deficit/Fiscal deficit

- 1 It creates debt trap in economy.
- 2 It increases money supply and inflationary gap.
- 3 It increases foreign dependence of the economy.
- 4 It creates mounting debts for future generations.



Suggested Activity

***Taking help of Newspaper cuttings Govt. policies regarding budget and its related concepts can be discussed in the classroom.**

Questions for discussion in Classroom Que 1 Supply of food grain(Rice & Wheat)at cheap rice to the people below poverty line, under Government initiated programme" Antyodaya Yojna". This programme has increased the fiscal deficit. How can you justify this contradiction?

Ans: To fulfill the objective of equality of income and concept of welfare state.

Que 2:- Government creating an awareness against the use of Drugs like Liquor, Tobacco, Cigarette through campaign. But why Government do not ban the production of these Social harmful goods ?

Ans. Government received a huge revenue receipts through indirect taxes on the production and sale of these goods.

Que 3:-Expenditure on defense is a revenue expenditure it increase fiscal deficit of an economy. Despite of it Indian Government has incurred heavy expenditure on defense transactions.

Explain the contradiction.

Ans:- (1) Defense expenditure is very essential to maintain peaceful environment and external and internal security.

(2) Safe and secure environment promote production and industrial activities. (3) Safe environment attract foreign investment.

Que 4 - Budget deficit creates disequilibrium in each economy but in developing countries. Why does government depend on it?

Ans: Tax receipt of the Government in under developing countries are not sufficient due to low per capita income and poverty but on the other hand government has to incur heavy public expenditure for the development of economy.

Que 5:- "Budget can be use by the government as a powerful weapon against inflationary gap/ Excess demand". Give your argument in favour of this statement.

Ans:- Excess money supply emerges inflationary gap in economy government can impose heavy tax to reduce purchasing capacity of public and cut down the public expenditure to control money supply.

Que 6:- Also discuss following concepts with students because these concepts increase Revenue Expenditure and fiscal deficit.

- A. Subsidy on necessary good like LPG, Fertilizers, Medicine, Petrol.
- B. Concept of welfare state.
- C. Welfare Scheme like old age pension scholarship.
- D. Compensation to Natural Calamities victims

Ans:- All are necessary to fulfill the objective of social welfare and equality of income.

4. The total Plan Outlay for 2015-16 is ₹465277 crore. Despite a higher devolution, the Plan Outlay has been kept nearly at the level of RE 2014-15.
5. Higher devolution to States of the divisible pool implies that the fiscal space for the Centre shrinks in the same proportion. Despite these constraints, the current Central Plan outlay for; Agriculture, Rural Development, Animal Husbandry, Dairying and Fisheries, Minority Affairs, Women and Child

Budget at a Glance shows Budget estimates in broad aggregates to facilitate easy understanding. The document shows receipts and expenditure as well as the revenue deficit, the effective revenue deficit, the fiscal deficit and the primary deficit. Central and State Plan Outlays are shown in brief. The document also gives the highlights of the Central Plan for Financial Year 2015-2016.

3. Budget 2015-16 marks the dawn of 'Co-operative federalism' and empowerment of the States. The creation of National Institution of Transforming India (NITI) and acceptance of 14th Finance Commission's (FFC) recommendation of substantially higher devolution of Union taxes to States are landmarks in this direction. This Budget marks the beginning of the award period (2015-2020) of the FFC during which States will be devolved 42% of the divisible pool of Union taxes from existing 32%. This enhanced untied resource available to the States would enable them to address their specific needs through flexibility in design, implementation and financing of Programmes and schemes. This is expected to bring in high growth and faster development of different regions of the country contributing to overall National growth. The idea is to build 'Team India with stronger States'. The Government firmly believes that "India grows when States grow".

8. Central Government will continue certain

7. The enhanced financial empowerment on account of higher devolution also entails greater responsibility to States in using these resources for Socio-economic development. States will have greater flexibility in designing and running Programmes and Schemes as per local requirements and conditions. Government has decided that it will continue to support State Plans of national priorities especially those which are targeted towards Poverty Alleviation and upliftment of socially disadvantaged groups. Centre will play a catalytic role in Socio-economic development by contributing resources to these Programmes.

10. It is proposed that only 8 Centrally Sponsored Schemes be delinked from support from the Centre. The list of such schemes is given in *Annexure - III*.

11. वर्ष 2013-14 के आंकड़े अंतिम हैं।

11. Actual for 2013-14 are provisional.

11. व्याज भुगतान					
12. पूंजी खाते पर					
13. आयोजना व्यय					
14. राजस्व खाते पर					
15. पूंजी खाते पर					
16. कुल व्यय (9+13)					
17. राजस्व व्यय					
(10+14)					
18. जिसमें, पूंजी					
परिसम्पत्तियों के					
सृजन हेतु अनुदान					
19. पूंजी व्यय					
(12+15)					
23. प्राथमिक घाटा (22-11)					
	22. Fiscal Deficit				(2.0)
	{16-(1+5+6)}				
		502858	531177	512628	555649
					(4.4)

बजट का सार *Budget at a Glance*

	2013-2014 वास्तविक	2014-2015 बजट	2014-2015 संशोधित	2015-2016 बजट				
	Actuals	अनुमान Budget Estimates	अनुमान Revised Estimates	अनुमान Budget Estimates				
21. प्रभावी राजस्व घाटा (20-18)	357048 (3.1)	378348 (2.9)	362486 (2.9)	394472 (2.8)				
					21. Effective Revenue Deficit (20-18)			
		210244	230588	283921				

***The section deals with select Questions based on Text for discussion in classroom.**

Class XI

CHAPTER-1 : INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

Very short answer Questions :

Q1. State the growth of aggregate real output and per capita output during the 1st half of the 20th Century.

Ans. Growth of aggregate real output was less than 2% per annum and per capita output was around .5% per annum.

2. What percentage of people were living in villages and deriving their livelihood from Agriculture during British period?
3. When was the Tata Iron and Steel Company incorporated in India and where?
4. Which is the year of Great Divide in India's population history?
5. What was the Mortality Rate of India during British rule?
6. When was India's 1st official census operation undertaken?

Short answer questions :

Q1. State the two fold motive behind the de-industrialisation by the Colonial Govt. in India.

Ans. Britishers systematically destroyed Indian handicrafts industries and no modern industrial base was allowed to come up. The primary motive of the Colonial Govt. was two fold.

1. To get raw materials from India at cheap rates and reduce India to only being an exporter of raw materials to British industries.
2. To sell British manufactured goods in India at a higher price. In this way they exploited India through two way exploitation.

Q2. Why was agricultural productivity low during British rule?

Q3. How was the Land Tenure System an important cause of agricultural stagnation during British period?

Q4. What were the two main drawbacks of industrial sector during colonial rule? Q5. How did British rule's policy adversely affect the foreign trade of India?

Q6. How did the export surplus prove to be a drain on economic resources during British rule?

Q7. Mention the important features of India's occupational structure during British period?

Q8. Briefly mention the effects of the development of railways on Indian Economy. Q9. Why could Indian shipping companies not succeed during British period?

Long answer questions:

Q1. What were the main causes of India's agricultural stagnation during the Colonial period?

Ans. The Indian economy during the British rule was primarily an agricultural economy. Almost 85% of the country's population lived in villages during that time and derived its livelihood directly and indirectly from Agriculture. During the British period agriculture sector continued to experience stagnation and deterioration. The main cause of stagnation of the agricultural sector was as follows: The land tenure system introduced by the British rule in India and Zamindari was the main system of economy. The Revenue settlement was responsible for adopting harsh measures by Zamindars. Britishers used to fix the rate for depositing specified sums of revenue, failing which the Zamindars were to lose their ownership right.

In the Zamindari system, the profit accruing out of the agricultural sector went to Zamindars instead of the cultivator. The main interest of Zamindars was only to collect rent, regardless of the economic conditions of the cultivators. This caused immense misery and social tension among the cultivators. On one hand Zamindars and colonial govt. did nothing to improve the condition of Agriculture and on the other hand the cultivators did not have the will and capacity to invest in agriculture.

Besides this, low level of technology, lack of irrigation facilities and negligible use of fertilizers contributed to the low productivity in Agriculture.

Q2. State the level of income and economic development in India during British rule.

Q3. What were the motives behind the systematic de-industrialization by the British rulers in India? Describe briefly?

Q4. What was the state of development of industries in the colonial period?

Q5. What is meant by export surplus? How did export surplus during British rule lead to economic drain of Indian wealth?

Q6. Give a brief Quantitative and Qualitative demographic profile of India during the British period.

Q7. Briefly describe the state of infrastructural facilities during the British period.

CHAPTER-1 AND 2 : INTRODUCTION AND COLLECTION OF DATA Very Short Answer (1 Mark)

1. Define Statistics in the singular sense.

Ans. It is the collection, organization, presentation, analysis and interpretation of numerical data.

2. Define statistics in the plural sense.
3. Give two examples of qualitative data.

Long answers (6 Marks)

Q1. Explain Importance of statistics in economics.

Ans. It helps in solving the Central economic problem of what, how and for whom to produce.

a) What to produce ? Based on the statistical information, related to prices of goods, the producers decide what goods to produce.

b) How to produce ? - This is the problem of choice of techniques. The decision is based on the cost differences

between alternative techniques of production.

- c) For whom to produce? It is a problem of distribution analysing the data on the prices of factors of production we come to know how the income is distributed. There are 4 components of an individual's income viz. Land-rent, capital-interest, labour-wages and enterprise-profits. Income determines each individual's factor's share in the natural income.

Very Short Answer Questions (1 Mark each)

Q1. When was the Planning Commission set up? Q2. What are land reforms?

Q3. Define a small scale industry.

Q4. What are the common goals of our five year plans? Q5. Define GDP?

Q6. What is a subsidy?

Q7. Who is the Chairman of the Planning Commission?

Short Answer Questions (3/4 Marks)

Q1. Why did India opt for planning?
Q2. Explain the land reforms introduced by the Govt. after independence. Q3. Explain 'growth with equity' as a planning objective.

Q4. Why was it necessary for a developing country like India to follow Self-Reliance as a planning objective?

Q5. Explain how import substitution can protect domestic industry. Was it the right strategy to follow in the long run?

Long Answer Questions (6marks)

Q1. Explain the major policy initiatives of the Govt. in the agricultural sector.
Q2. While subsidies encourage farmers to use new technology, they are a huge burden on the Govt. Do you agree? Discuss.

Q3. Why was the Public sector given an important role to play in our economy after 1950. Evaluate the policy.

Q4. Explain the need and type of land reforms implemented in the agricultural sector of India.

Q5. Why is the small sector required in the Indian Economy? How is reservation for small scale sector essential for its growth?

Q6. What is the import substitution policy? Why was it adopted in the initial period of development in India? Discuss.

Answers

Very Short Answers

1. Planning Commission was set up in 1950.

Short Answers

A1. After independence, the planners adopted an economic system which was based on a socialistic pattern but without its drawbacks, in which private sector would be allowed to exist. In this economy the Govt. was required to plan to achieve certain set goals and targets and the private sector was also encouraged to be a part of this effort. Private sector was supposed to operate within the parameters of a socialist economy.

Long Answers

A1. The Govt. introduced

1. **The Land Reform** - which were the changes in the land tenure system viz
a) Land Ceiling Measures b) Abolition of Zamindari System c) Tenancy reform d) Consolidation of land holdings.

However these reforms faced many hurdles eg :-

- a) Big landlords challenged the legislation
- b) This led to delays, during which they found numerous loopholes.

2. The Green Revolution

The New Technology in the form of 'The package approach' led to an increase in the production of primarily rice and wheat crops.

It also led to marketed surplus of the farmers and also allowed Govt. to maintain buffer stocks.

3. Subsidies were introduced by the Govt. especially to help the poor farmers to adopt the new technology.

Very Short Answer Questions (1 Mark each) Q1. When was the New Economic Policy announced?

Q2. Mention 2 reasons which lead to the formulation of the N.E.P.? Q3. What is Liberalisation?

Q4. What are the 2 variants of Liberalisation? Q5. What is meant by Privatization?

Short Answer Questions (3/4 Marks) Q1. Describe in brief the pre-reform scenario in India?

Q2. What is meant by the New Economic Policy? What were its main objectives? Q3. Briefly describe the main Industrial reforms.

Q4. Briefly discuss the rationale behind Privatization.

Q5 What is meant by globalization? What are its main components?

Long Answer Questions (6marks) Q1. What were the basic causes of the 1990-91 crisis in India? Q2. Briefly discuss the LPG policy.

Q3 What is Outsourcing? How is it affecting the Indian economy?

Q4. What is W.T.O.? How is the working of W.T.O. adversely affecting the interests of developing countries?

Q5. What were the main changes introduced for the Industrial sector under the New Economic Policy?

Q6. Evaluate the LPG policy.

Q7. What were the major drawbacks of the NEP? Which sector suffered the most and why?

Answers

Short Answers

1. In the pre-reforms period India was facing several problems.

a) Govt. expenditure was more than its revenue which had to be financed from borrowings.

b) Prices of essential goods rose sharply.

c) Imports grew at a very high rate compared to our exports.

d) Foreign exchange reserves fell to a very low level.

Long Answers

1. a) Inward looking policy of protection to industries through licensing and import tariffs discouraged competition and efficiency in the economy

b) Burden of foreign debts.

c) Financial excesses in the form of defence expenditure, subsidies etc.

d) Controls and Subsidies - controls on production, licensing restrictions did not foster growth in the industrial sector. Subsidies and concession had also increased costs and burden on the fiscal front of the economy.

Very Short Answers

1. The New Economic Policy was announced in the year 1991.

Very short answers (1 Marks) Define a) Ogives Ans. Ogives are cumulative frequency curves which are of 2 types

1) Less than type

2) More than type

(b) Histogram (c) Frequency polygons

(d) Name the different types of bar diagrams

(e) What are the three forms of presentation of data?

Short answers (3/4 Marks) Q1) What is a false base line? Why is it used?

Ans. Sometimes the data which is given is such that it begins far away from zero, that is, the minimum value is very high and variation present between subsequent values is small. In such a case, if we have to start from the origin and we take a scale on y-axis which suits the data, then there is hardly any difference between different points. If we are interested in magnifying this variation and saving on space, we use a false base line.

Q2) Diagrams and graphs help in analysis of data - Discuss.

Q3) How is a histogram different from a frequency polygon? Illustrate diagrammatically.

Q4) Briefly explain the various types of bar diagrams, with the help of suitable diagrams.

5) What is a time series graph?

Very Short Answer Questions (1 mark) Q1. Define Poverty.

Ans. Poverty is a situation in which a person is unable to secure even his basic requirements.

These requirements include food, clothing, shelter, education and health.

Q2. What is the term used for the number of poor people below the poverty line? Q3. What is meant by "food for work" programme?

Q4. Is it correct to say that poverty has shifted from Rural to Urban India? Justify your answer.

Short Answer Questions (3-4 Marks) Q5. What are the common features prevalent among the urban and rural poor?

Ans. The poor can be categorised in two groups - one living in **Urban** and the other in **Rural** areas

- Push cart, vendors, Street cobblers, women who string flowers, rag pickers, vendors and beggars *etc.* live in **Urban areas**.
 - They possess few assets and reside in 'Kutcha' hutments.
 - The poorest of them do not have even dwellings.
 - In the rural areas, many of them are landless. The little land possessed is dry and waste land.
 - Starvation and hunger are the key features of their lives.
 - They lack basic literacy and skills, hence have limited economic opportunities.
 - They also face unstable employment and have no regular, steady income.
- Q6. What are the different categories of Poverty? Illustrate with a diagram.

Q7. Write a short note on MNREGA.

Long Answer Questions (6 Marks) Q8. Were the poverty alleviation programmes successful? Give reasons for your answer.

Ans. Poverty alleviation programmes were not successful? due to the following reasons:

1. Due to unequal distribution of land and other assets the benefits from direct poverty alleviation programmes have been appropriated by the non-poor.
2. Compared to the magnitude of poverty, the amount of resources allocated is not sufficient.
3. The poverty alleviation programmes mainly depend on the Government. The officials are ill-motivated, inadequately trained and corrupt. So, they do not enforce these programs properly.
4. There is no participation by local level institutions e.g. Panchayati Raj, in the implementation of such programmes.
5. Government policies should address the vast majority of vulnerable people and the poor should participate in its implementation.
6. Moreover steps like mobilisation and encouragement of poor people will help them get empowered. This would increase their levels of income, skill development and health facilities *etc.*

The provision of infrastructure such as schools, roads, power, telecom, IT *etc.* and identification of poverty stricken areas will definitely help to alleviate poverty.

Q9. What should be done in your view to alleviate poverty in India?

Q10. Explain the three - dimensional approach to eradicate poverty in India. Q11. What are the basic causes of Rural and Urban poverty? Explain.

24. What objectives did the British intend to achieve through their policy of infrastructure development in India? (3)

- A. Under the British the state of infrastructure did improve, however the real motive behind this was to serve their own interest, without providing any basic facilities to the people.
- (i) The condition of roads was far from satisfactory as the main aim behind this construction was to mobilize the army and to transport raw materials from the country side to the nearest port on railway stations for further being sent to England.
 - (ii) The railways were introduced in 1850, in order to achieve commercialisation of agriculture which adversely affected the self sufficiency of village economy in India.
 - (iii) The introduction of post and telegraph was to maintain order and control in the country.

OR

"The British made no positive contribution at all to India's development," Do you agree with this statement? Why/Why not? (3)

OR

A. No we don't agree with the statement that "The British made no positive contribution at all to India's development".

Introduction of railways

The British introduced the railways in 1850 and it is considered as one of their most important contributions.

It provided a cheap and rapid transport system.

It broke geographical & cultural barriers and thus promoted national unity.

The British government also took measures for developing the inland trade and sea lanes.

The introduction of the expensive system of electric telegraph in India, served the purpose of maintaining law and order.

25. Distinguish between stabilisation and structural reforms. (3)

Ans. Stabilisation Structural Reforms

(i) There were short term measure (i) They were long term measures to to be achieved in a small period. achieved a long duration of time.

(ii) They were short term measures (ii) They were intended to improve intended to correct the adverse the efficiency of the Indian BOP and control the inflation. economy and increase its international competitiveness.

(iii) They were meant to bring (iii) They were meant to improve the immediate stabilisation to the overall structure of the Indian economy economy.

Q25. Monthly wages received by 50 labourers are given below. Taking a class interval of 5 construct a frequency distribution : (3)

61,	63,	48,	51,	50,	50,	49,	50,	69,	54,	68,
51,	61,	50,	42,	49,	53,	52,	40,	62,	55,	53,
41,	59,	54,	68,	60,	61,	56,	62,	52,	63,	56,
53,	48,	44,	48,	54,	66,	69,	62,	46,	64,	51,
47,	66,	69,	46,	54,	51					

Q27. Explain with 2 merits each : (4)

(i) Direct Personal interview (ii) Mailed Questionnaire method

OR

(i) Census Method

(ii) Sampling Method

I Very Short answer questions (1 mark)

T

Q1. Define working population ratio.

A1. Working population ratio is an indicator for analysing employment situation in India. This ratio is an indication of the proportion of population contributing to the production of goods.

Q2. What do you understand by the term 'disguised unemployment'? Q3. In which sector are the newly emerging jobs found?

Q4. Define seasonal unemployment.

Q5. What percentage of the Indian population constitutes the workforce?

II Short answer Questions (3-4 marks)

Q6. What do you understand by jobless growth?

A6. During the period 1960-2000, a wide gap between growths of GDP and employment was seen. This meant that the Indian economy was able to produce goods and services without generating employment. This phenomenon is called *jobless growth*.

Q7. Compared to urban women, more rural women are found working. Why?

Q8. Why are regular salaried employees more in urban areas than in rural areas? Q9. Analyze the recent trends in sectoral distribution in workforce in India.

Q10. Do you think that in the last 50 years, employment generated in the country is commensurate with the GDP growth in India? Why / Why not?

III Long answer questions (6 marks)

Q11. Comment on the Govt.'s role in employment generation.

A11. Recently, the govt. passed an act in Parliament known as the 'National Rural Employment Guarantee Act - 2005'. It promises 100 days of guaranteed wage employment to all adult members of rural household, who volunteer to do unskilled manual work. People living below poverty line are targeted under this programme.

The efforts of the govt. to generate employment can be classified as *direct* and *indirect*. Direct measures refer to direct production activity taken up by the govt. to generate employment. For e.g. setting up of a steel plant.

Indirect measures refer to incidental benefits which arise from these direct measures. For e.g. simultaneous development of private companies to supply inputs to the steel industry.

Besides this, the govt. has started many programmes for poverty alleviation through employment generation. At the same time, rural infrastructure also gets built which leads to all round development of rural areas.

Q12. Discuss the various types of unemployment found in rural and urban areas.

Q13. Do you think Rural and Urban unemployment arise from the same factors? What steps should be taken (other than NREGA) to generate employment for the entire year?

(HOTS compliant)

State true or false giving reasons.

1. More working population is found in urban areas than in rural areas.
2. Self employed and casual wage labourers are found more in rural areas than in urban areas.
3. Growth in GDP without generation of employment opportunities is casualisation of country.
4. Unorganised sector includes all private sector enterprises which employ less than 10 workers.
5. The NREGA 2005 promises 365 days of guaranteed wage employment to poor people.

Very Short Answer Questions

1. Explain the Term 'Infrastructure'

Ans. Infrastructure refers to such core elements of economic and social change which serve as a support system to production activity in the economy.

2. What are the two categories of infrastructure.
3. What encompasses Health Infrastructure?
4. What is GBD?

Ans. Global Burden of Disease is an indicator used by experts to gauge the no. of people dying prematurely due to a

particular disease as well as the no. of years spent by them in a state of disability owing to the disease.

5. What is morbidity?

Ans. It is the proneness to fall ill.

6. Which states lag behind in health care facilities? Ans. Bihar, MP, Rajasthan, UP.

Short Answer Questions

1. What is the importance of infrastructure?
2. What are the main drawbacks of our health care system?
3. What is the role of private health infrastructure in India? Is it sufficient?

4. **List the six systems of Indian Medicine AYUSH**

Ans. 1. Ayurveda

2. Yoga
3. Unani
4. Siddha
5. Naturopathy
6. Homeopathy

Long Answer Questions

1. Explain. how we can increase the effectiveness of health care programmes?
2. What should be done to enhance the health infrastructure in India? Answer with reference to the role of the public and private sector participation.
3. "A country which does not improve the healthcare facilities for women cannot develop fully." Comment.
4. Critically evaluate health infrastructure in India.

1 Mark Questions.

1. What is environment?
2. What are the two major environmental issues facing the world today?
3. Give two instances of misuse of environmental resources.
4. What is the major cause of air-pollution?
5. What is sustainable development as per UNCED?

3-4 Marks Questions.

6. Explain the functions of environment?
7. "The threat to India's environment poses a dichotomy." Explain
8. According to Herman Daly, what are the steps required to achieve sustainable development?
9. Mention some factors responsible for land degradation.
10. What are the issues concerning India's environment today?
11. Classify the following into renewable and non-renewable resources :
 - Trees • Fish • Petroleum.
 - Coal • Iron-ore • Water •Sunlight • Rocks • Forests•Fossil Fuel.

6 Marks Questions

12. Briefly explain the concept of sustainable development. Justify the need to study sustainable development.
13. What are the strategies devised to achieve sustainable development in India?
14. Mention in brief, the present state of India's environment. Also mention some of the recent trends in the state of the environment.
15. Explain the four factors under which the environment is not able to perform its functions?

Sample Answers. 1 Mark.

Ans1. Environment is defined as the total planetary inheritance and the totality of all resources taking into account the various biotic and abiotic factors. e.g: birds, fish, forest, sunlight etc.

-4Mark.