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**ECONOMICS I YEAR – 2019-20**

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**2marks****1. What is meant by Economics?**

‘Economics’ comes from the Ancient Greek **oikonomikos**, **Oikos** means “**households**”; and, **nomos** means “**management**”. means ‘**management of households**’.

**2. Define microeconomics.**

Micro Economics is the study of the **economic actions of individual units**; say individual **households**, individual **firms** or individual **industries**.

**3. What are goods?**

The term ‘**goods**’ implies the term ‘**services**’ also, unless specified otherwise. Goods also called ‘**products**’, ‘**commodities**’, ‘**things**’ etc,

**4. Distinguish goods from services.**

Sl.No	Goods	Services
1	Tangible	Intangible
2	Have physical dimensions	Heterogeneous
3	Exist independently of their owner	Inseparable from their makers
4	Transferable	Perishable

**5. Name any two types of utility.**

**1. Time Utility:** A sick man derives time utility from blood not at the time of its donation but only at the time of operation.

**2. Place Utility,** : A student derives place utility from book not at the place of its publication only at the place of his education.

**6. Define positive economics.**

Positive science **deals with what it is**, it analyses **a problem on the basis of facts** and examines its causes.

**7. Give the meaning of deductive method.**

It is also named as **analytical or abstract method**. It consists in **deriving conclusions from general truths**.

**8. Define Utility.**

**Utility is the want-satisfying power** of a commodity or a service. It is in the goods and services for an individual consumer at a particular time and at a particular place

**9. State the meaning of indifference curves**

An indifference curve is the **locus of all combinations of commodities** from which the consumer derives the **same level of satisfaction**.

**10. Write the formula of consumers surplus.**

Consumers surplus is what a person is willing to pay and what he actually pay. Potential price – Actual price in mathematically  $TU - (PXQ) \cdot Z$

**11. Define Consumer's Surplus according to Alfred Marshall**

The Excess of Price which a person would be willing to pay a thing rather than go without the thing, over that which he actually does pay is the economic measure of this surplus satisfaction.

**12. What are Giffen goods? Why?**

1. The Giffen goods means inferior goods. It is an exception to the law of demand. 2. When the price of an inferior good falls, the poor will buy less and vice versa.

**13. Define Labour.**

Labour refers to any work undertaken for securing an income or reward. According to Marshall, labour represents **services provided by the factor labour**, which helps in **yielding an income** to the owner of the labour-power.

**14. State the production function.**

According to George J. Stigler, "**Production function is the relationship between inputs of productive services per unit of time and outputs of product per unit of time.**"  $Q = f(N, L, K, T)$  Where, Q = Quantity of output, N = Land; L = Labour; K = Capital; and T = Technology.

**15. What are conditions for producer's equilibrium?**

The iso-cost line must be **tangent** to iso-quant curve. At point of tangency, the **iso-quant curve must be convex to the origin** or  $MRTS_{LK}$  must be declining.

**16. What are the reasons for upward sloping supply curve?**

As the price of the commodity increases, the quantum supplied of the commodity also increases. Thus the supply curve has a **positive slope (upward slop)** from left to right.

**17. Define cost.**

Cost refers to the **total expenses incurred in the production of a commodity**.

**18. Define cost function.**

The functional **relationship between cost and output** is expressed as 'Cost function'.  $C = f$

(Q) Eg.  $TC = Q^3 - 18Q^2 + 91Q + 12$  where, C=Cost and Q=Quantity of output.

**19. What do you mean by fixed cost?**

1. Fixed Cost does **not change with the change in the quantity of output**. eg. rent of the factory  
(Fixed cost is also called as 'Supplementary Cost' or 'Overhead Cost').

**20. Define Revenue.**

The amount of money that a producer **receives in exchange for the sale of goods** is known as revenue.  $TR = P \times Q$ , TR = Total Revenue, P = Price and Q = Quantity sold.

**21. Explicit Cost - Define.**

1. It is the **actual expenditures of the firm to purchase or hire the inputs the firm needs**.  
Examples: i) wages, ii) payment for raw material and etc., ( It is also called **Accounting Cost or Out of Pocket Cost or Money Cost**.)

**22. Give the definition for 'Real Cost'.**

Real cost refers to the **payment made to compensate the efforts and sacrifices of all factor owners for their services** in production.

**23. What is meant by Sunk cost?**

A cost incurred in the past and cannot be recovered in future is called as Sunk Cost.

**24. Define Market.**

'Market' refers to a system of exchange between the buyers and the sellers of a commodity, directly or indirectly.

**25. Who is price-taker?**

A **price taker** is a seller who has no control to fix **prices** for a good or service. (A price taker simply has to accept the market price).

**26. What is selling cost?**

The **expenses which are incurred for popularizing the differentiated product and increasing the demand** for it. Eg Advertisement Cost, Marketing Cost, and etc.,

**27. Mention any two types of price discrimination.**

1. **Personal** – Different prices are charged for different individuals (Ex: Railways Ticket)

2. **Geographical** - Different prices are charged at different places for the same product (Ex: same book sold in different countries at different prices)

**28. Write the meaning of Economic Growth**

A country's economic growth is usually measured by National Income, indicated by **Gross Domestic Product (GDP)**.

**29. State any two features of developed economy**

1. *High National Income*
2. *High Per capita Income*

**29. Name out the different types of land tenure existed in India before Independence.**

1. Zamindari system, 2. Mahalwari system and 3. Ryotwari system

**30. List out the weaknesses on Green Revolution.**

- i) Indian Agriculture was still a **gamble of the monsoons**.
- ii) This strategy **needed heavy investment**
- iii) The **income gap** between large, iv) **Widespread unemployment** among agricultural labourers.
- v) **Larger chemical use and inorganic materials reduced the soil fertility**

**31. What are the Main objectives of Tenth five year plan ?**

**10<sup>th</sup> FYP (2002-2007) :** 1. aimed to **double the per capita income** of India in the next 10 years. 2. Its **growth target was 8.0% but it achieved only 7.2%.**

**32. What is the difference between HDI and PQLI ?**

Sl.No	HDI	PQLI
1	The inclusion of income	The exclusion of income
2	Both physical and financial attributes of development	Only the physical aspects of life

**33. What is meant by Disguised Unemployment?**

**Employed below their productive capacity** and even if they are withdrawn from work the output will not diminish.

**34. Define Cottage Industry State any two characteristics of cottage Industry.**

These industries are carried out **by artisans in their own homes for their own benefit.**

1. Generally Traditional in character
2. No or little Power is used

**35. What do you mean by Micro Finance?**

Micro finance, also known as micro credit, is a **financial service that offers loans, savings and insurance to entrepreneurs and small business owners.**

**36. Define GSDP. :** The Gross State Domestic Product is **the total money value of all the goods and services produced annually in the State.**

**37.What are the nuclear power plants in Tamil Nadu?**

The Kalpakkam Nuclear Power Plant and the Koodankulam Nuclear Power Plant are the major nuclear energy plants for the energy grid.

**38. Define Micro industry**

The enterprise with a capital investment not exceeding Rs.25 lakhs according to Act, 2006.

**39. What is NITI Aayog? What are its functions?**

The **Planning commission has been replaced** by the NITI Aayog. It serve as a knowledge hub and monitors progress in the implementation of policies and programmes of the Government.

**40. What is Disinvestment**

Disinvestment means **selling of Government securities** of Public Sector undertakings or Private sectors or banks.

**41.What is dumping?**

Dumping refers to practice of the **monopolist charging higher price for his product in the local market and lower price in the foreign market.**

**42. What is Special Economic Zone state any two characteristics**

Geographically **demarked area with physical security. Administrated by single body,** streamlined procedure governed by more liberal economic laws and greater freedom to the firms located in this zone.

**43.Define Self Help Group**

Self-help groups are **informal voluntary association** of poor people, from the similar socio-economic background, up to 20 women. They come together for the purpose of solving their common problems through mutual help.

**44.What is Matrix**

Matrix is a singular form. It is a **rectangular array of numbers systematically arranged in rows and columns within brackets.**

**45. What is GST**

It is a **comprehensive indirect tax levied on manufacture,** sale and consumption of goods as well as services. GST would **eliminate the cascading effect of taxes on the production and distribution of goods and services.**

**46. What is MS word and its main menus**

MS word is a word processor which help to create a document and edit, 1. Home Menu 2. Insert, 3. Page layout 4.Reference 5. Review 6.View

**47.What are the difference between renewable and non-renewable energy**

Sl.No	Renewable	Non-Renewable
1	Can be regenerated in a given span	Cannot be regenerated
2	Eg. Forest, hydro energies	Fossil fuels, coals, Petroleum minerals

**48.How to measure of density of population and sex ratio?**

The average number of persons residing per square kilometer is called density of population.

**Sex ratio** refers to the number of females per 1,000 male

**49.Distinguish between real wages and money wages**

Sl.No	Real wages	Money wages
1	wages are paid in terms of goods and services	Wages are paid in terms of money
2	Depend up on Standard of living	Depend upon the Purchasing power of money

**50. What is meant by distribution?**

1. Distribution means division of income among the four factors of production.
2. Distribution is given in terms of rent to landlords, wage to labourer, and interest to capital and profit to entrepreneurs.

**51. Mention the types of distribution.**

**1.Personal Distribution :** The distribution of national income among the individuals.

**2.Functional Distribution:** The distribution of income among the four factors of production

**52. Define 'Rent'.**

According David Ricardo, "Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil".

**53.What do you mean by interest?**

1. According Alfred Marshall, "Interest is the price paid for the use of capital in any market"
2. Interest is the reward paid by the borrower to the lender for the use of capital.

**54. What is profit?**

1. Profit is a return to the entrepreneur for the use of his entrepreneurial ability.
2. It is the net income of the organizer.
3. In other words, profit is the amount left with the entrepreneur after he has payments made for all the other factors



### 55. Why was structural reform implemented in Indian Economy?

Indian economy responded to the crisis by introducing a set of policies known as Structural Reforms. These policies were aimed at correcting the weaknesses and rigidities in the various sectors of the economy such as Industry, Trade, Fiscal and Agriculture.

### 56.State the reasons for implementing LPG.

a). **Liberalization** was necessitated because various **licensing policies** were said to be deterring the growth of the economy .b). **Privatization** was necessitated because of the belief that the private sector was not given enough opportunities to **earn more money**. c). **Globalization** was necessitated because today a developed country can grow without the **help of the under developed countries**.

### 57.State the meaning of Privatization.

Privatization means transfer of ownership and management of enterprises from public sector to private sector and Denationalization, disinvestment and opening exclusive public sector enterprises to private sector are the gateways to privatization.

### 3 Marks

#### 1.Explain the scarcity definition of Economics and assess it. Definition:

“Economics is a science which studies human behaviour as a **relationship between ends and scarce means** which have **alternative uses**”. **Major Features:** 1.Ends refers to human wants. 2. means that got to satisfy the unlimited human wants. 3. The scarce means are capable of having alternative uses. **Criticism:** 1. Robbins **does not make any distinction between goods conducive to human welfare** and goods that are not. 2. Robbins reduces Economics **merely to theory of resource allocation**. 3. Robbins’ definition **does not cover the theory of economic growth and development**.

#### 2. Elucidate different features of services.

1. **Intangible:** Intangible things are not physical objects but exist in connection to other things, for example, brand image, goodwill etc. 2. **Heterogeneous:** Services vary across regions or cultural backgrounds. 3. **Inseparable from their makers:** Services are inextricably connected to their makers. 4. **Perishable:** Services cannot be stored as inventories like assets.

#### 3. What are the important features of utility?

1. Utility is psychological. It depends on the consumers mental attitude. 2.Utility is not equivalent to usefulness. All the consumption does not give usefulness 3.Utility is not the same as pleasure. Consumption does not give pleasure whereas it will give utility 4.Utility is personal and relative. 5.

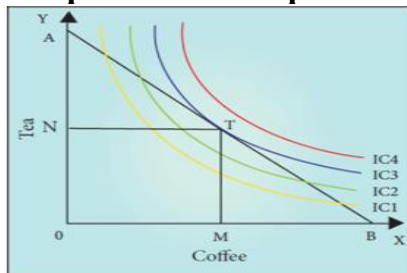


Utility is the function of the intensity of human want. **6.** Utility is a subjective concept **7.** Utility cannot be measured **8.** Utility has no ethical or moral significance.

#### 4. Describe the feature of human wants.

**a. Wants are unlimited :** Human wants are countless in number and various in kinds. **b. Wants become habits :** Wants become habits; **c. Wants are Satisfiable :** Though we cannot satisfy all our wants, at the same time we can satisfy particular wants at a given time. **d. Wants are Alternative :** There are alternative ways to satisfy a particular want **e. Wants are Competitive :** All our wants are not equally important. **f. Wants are Complementary :** Sometimes, satisfaction of a particular want requires the use of more than one commodity. **g. Wants are Recurring :** Some wants occur again and again.

#### 5. Explain the concept of consumer's equilibrium with a diagram.



**1.)** Consumer reaches equilibrium at the point where the budget line is tangent on the IC. **2.)** T is the point of equilibrium as budget line AB is tangent on indifference curve IC<sub>3</sub> the upper IC which implies maximum possible level of satisfaction. **Therefore  $MRS_{xy} = P_x/P_y$ .**

#### 6. What are the properties of indifference curves?

1. Indifference curve must have negative slope 2. Indifference Curves are convex to the origin: 3. Indifference curve cannot intersect 4. Indifference curves do not touch the horizontal or vertical axis.

#### 7. What are the characteristics of land? (any five)

1. Land is a primary factor of production. 2. Land is a *passive* factor of production. 3. Land is the free gift of Nature. 4. Land has no cost of production. 5. Land is fixed in supply. It is inelastic in supply. 6. Land is permanent. 7. Land is immovable. 8. Land is heterogeneous as it differs in fertility. 9. Land has alternative uses. 10. Land is subject to Law of Diminishing Returns.

#### 8. What are the functions of Entrepreneur?

**1. Initiation:** An organizer is the initiator of the business, **2. Innovation:** A successful entrepreneur is always an innovator. **3. Coordination:** An organizer applies a particular combination of the factors of production **4. Control, Direction and Supervision:** An organiser controls so that nothing prevents the organisation from achieving its goal. **5. Risk-taking and Uncertainty-bearing:**

#### 11. State and explain the Elasticity of supply

The degree of responsiveness of change in supply to change in price on the part of sellers

$$e_s = (\Delta Q_s / Q_s) / (\Delta P / P)$$

$e_s = \Delta Q_s / \Delta P \times P / Q_s$ ; Where  $Q_s$  represents the supply,  $P$  represents price,  $\Delta$  denotes a change

### 9. Illustrate the concept of Producer's Equilibrium

The producer manufactures a given amount of output with '**least cost combination of factors**', with his given budget. Conditions for Producer Equilibrium: 1. The iso-cost line must be **tangent** to iso-quant curve. 2. At point of tangency, the **iso-quant curve must be convex to the origin** or  $MRTS_{Lk}$  must be declining

### 10. Distinguish between fixed cost and variable cost.

Fixed cost	Variable cost
cost incurred on the fixed factors of production	cost incurred on the variable factors of production
cost remains constant irrespective of the level of output	It varies with levels of output
also known as supplementary cost	also known as prime costs
eg, Rent for the building, . interest paid on capital	Price of raw materials , Wages of labour,

### 11. State the differences between money cost and real cost.

<b>Money cost:</b>	Production cost expressed in terms of money. It includes cost of raw materials, payment of wages, rent and interest on capital
<b>Real cost :</b>	Payment made to compensate the efforts and sacrifices of the owners for their service in the production. Pain and Sacrifices of the owner.

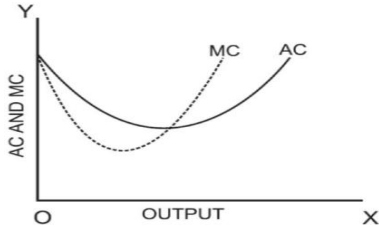
### 12. Distinguish between explicit cost and implicit cost.

Explicit cost	Implicit Cost
It includes actual money expenditure incurred by a firm in hiring or buying the factors it need in the production process	It is not actual money expenditure but is the cost of factors owned by the firm and used by the firm in its production process
It is explicitly shown in the firms books of accounts and is thus, called accounting costs Eg. Wage, Rent, Interest and Insurance	It does not enter in the firms books of accounts Eg. Wage of self labour, rent for self owned premises etc.,

### 13. Define opportunity cost and provide an example.

1. It refers to the **cost of next best alternative use**. . In other words, it is the **value of the next best alternative foregone**. For example, a farmer can cultivate both paddy and sugarcane in a farm land. If he cultivates paddy, the opportunity cost of paddy output is the amount of sugarcane output given up. Opportunity Cost is also called as '**Alternative Cost**' or '**Transfer Cost**'.

#### 14. State the relationship between AC and MC.



1. When AC is falling, MC lies below AC.
2. When AC becomes constant, MC also becomes equal to it.
3. When AC starts increasing, MC lies above the AC.
4. MC curve always cuts AC at its minimum point

#### 15. Write a short note on Marginal Revenue.

Marginal cost is the addition made to the total cost by producing one extra unit of output.

$MC = \Delta TC / \Delta Q$  where MC denotes Marginal Cost,  $\Delta TC$  denotes change in total cost and  $\Delta Q$  denotes change in total quantity. **The other method of estimating MC is :  $MC = TC_n - TC_{n-1}$**  where, 'MC' = Marginal Cost, 'TC<sub>n</sub>' = Total cost of 'n'th item, TC<sub>n-1</sub> = Total Cost of 'n-1'th item.

#### 16. What are the features of a market?

1. Buyers and sellers of a commodity or a service
2. A commodity to be bought and sold
3. Price agreeable to buyer and seller
4. Direct or indirect exchange.

#### 17. Specify the nature of entry of competitors in perfect competition and monopoly.

Perfect Competition	Monopoly
1. Large number of buyers and sellers 2. Homogeneous product and uniform price 3. Free entry and exit 4. Absence of Transport cost 5. Perfect mobility of factors of production 6. Perfect knowledge of market 7. No Government intervention	1. There is single producer 2. The product of monopoly is unique and no close substitute 3. There is strict barrier for entry of any new firm 4. The monopoly is the price maker 5. The monopoly earn maximum profit/abnormal profit

#### 18. Describe the degrees of price discrimination.

According to A.C. Pigou, there are three degrees of price discrimination.

- First degree price discrimination :** A monopolist charges the maximum price that a buyer is willing to pay. Example: Auctions
- Second degree price discrimination:** Under this degree, buyers are charged prices in such a way that a part of their consumer's surplus is taken away by the sellers. Example: Cinema theatres
- Third degree price discrimination:** The monopolist splits the entire market into a few sub-market and charges different price in each sub-market. Example : Railways Ticket

#### 19. State the meaning of selling cost with an example.

1. It was Chamberlin who introduced the analysis of selling costs.
2. Selling costs play the key role in monopolistic competition. The firms have to compete to promote their sale by spending on

advertisements and publicity. 3. Thus, cost on advertisement publicity and salesmanship adds to the demand of the product. 4. In **selling costs we include the salaries of sales persons, allowances to retailers to display the products etc. besides the advertisements. Advertisement expenditure includes costs incurred for advertising in newspapers and magazines, televisions, radio, cinema slides etc.**

**20. Mention the similarities between perfect competition and monopolistic competition.**

Sl.No	Basis of Similarities	Perfect Competition	Monopolistic Competition
1	<b>Number of Producers/Sellers</b>	Innumerable	Large
2	<b>Entry / Exit</b>	Free	Free
3	<b>Profit</b>	Abnormal profit in short-run, Normal profit in long-run	Abnormal profit in short-run, Normal profit in long-run
4	<b>Quantity</b>	Very large	Substantial

**21. Differentiate between 'firm' and 'industry'.**

Content	Firm	Industry
<b>Meaning</b>	A firm refers to a single production unit in an industry	An industry refers to a group of firms
<b>Production</b>	Producing a large or a small quantum of a commodity or service	Producing the same product or service in an economy.
<b>Example</b>	A single cement firm	Cement Industry (group of firms producing cement)

**22. State the features of duopoly.**

1. Each seller is fully aware of his rival's motive and actions. 2. Both sellers may collude (they agree on all matters regarding the sale of the commodity). 3. They may enter into cut-throat competition. 4. There is no product differentiation. 5. They fix the price for their product with a view to maximising their profit

**23. What are the motives of demand for money?**

- 1. Transaction Motive:** The desire of the people to transact  $M_t = f(y)$ .
- 2. Precautionary Motive:** The desire of the people to hold cash to meet unexpected or unforeseen expenditures.  $M_p = f(y)$
- 3. Speculative Motive:** The desire of the people to hold cash in order to take advantage of market movements.  $M_s = f(i)$ .

**24. List out the kinds of wages.**

- 1. Nominal Wages or Money Wages:** The wages paid in terms of money.
- 2. Real Wages :** Real wages are the wages paid in terms of goods and services.
- 3. Piece Wages :** Wages that are paid on the basis of quantum of work done.
- 4. Time Wages :** Wages that are paid on the basis of the amount of time.

**25. Distinguish between rent and quasi-rent.**

Sl.No	Rent	Quasi-Rent
1	Rent accrues to land	Quasi –Rent accrues to manmade appliance
2	The supply of land is fixed for ever	The supply is fixed for short period only
3	It enters to price	It does not enter into price

**26. Briefly explain the Subsistence Theory of Wages.**

1. Wage must be equal to the subsistence level of the labourer and his family.
2. Subsistence means the minimum amount of food, clothing and shelter which workers and their family require for existence.
3. If workers are paid higher wages than the subsistence level, the workers would be better off and they will have large families.
4. On the other hand, if wages are lower than the subsistence level, there would be a reduction in population.

**27. State the Dynamic Theory of Profit.**

According to J.B Clark profit is the reward for dynamic changes in society. Profit cannot arise in a static (unchanged) society.

The following **five main changes** are taking place in a dynamic society.

1. **Population** is increasing
2. **Volume of Capital** is increasing.
3. **Methods of production** are improving.
4. Forms of **industrial organization** are changing.
5. The wants of **consumer** are multiplying.

**28. Write a note on Risk-bearing Theory of Profit.**

1. **Risk taking is an essential function** of the entrepreneur.
2. **Since the entrepreneur undertakes the risks, he receives profits.**
3. If the entrepreneur does not receive the reward, he won't undertake the risks. Thus, **higher the risks, the greater are the profit.**
4. Every entrepreneur produces goods in anticipation of demand if it is correct he gets profit else get loss.

**29. Define Economic Development.**

- i) The level economic development is indicated not just by GDP, but by an increase in citizens' quality of life or well-being.

- ii) The quality of life is being assessed by several indices such as Human Development Index (HDI), Physical Quality of Life Index (PQLI) and Gross National Happiness Index (GNHI).
- iii) On the basis of the level of economic development, nations are classified as developed and developing economies.

### 30.Explain Social infrastructure.

Social infrastructure refers to those structures which are improving the quality of manpower and contribute indirectly towards the growth of an economy. These structures are outside the system of production and distribution. The developments of these social structures help in increasing the efficiency and productivity of manpower. For example, schools, colleges, hospitals and other civic amenities. It is a fact that one of the reasons for the low productivity of Indian workers is the lack of development of social infrastructure.

### 31.Explain about the Period of Merchant Capital.

The period of merchant capital was **from 1757 to 1813** and the only **aim of the East India Company was to earn profit.** India had been considered as the best **hunting ground for capital** by East India Company. The company **administration succeeded in generating huge surpluses** which were repatriated to England. Indian leaders linked this **problem of land revenue with that of the drain.**

### 32.The Handicrafts declined in India in British Period. Why?

Through **discriminatory tariff policy**, the British Government purposefully destroyed the handicrafts also with the **disappearance of nawabs and kings**, there was **no one to protect Indian handicrafts.** Indian handicraft products could not compete with machine-made products. The introduction of **railways in India increased the domestic market** for the British goods.

### 33. State the reasons for nationalization of commercial banks.

- i) The main objective of nationalization was **to attain social welfare.** ii) Nationalisation of banks helped **to curb private monopolies** iii) Needed **to encourage the banking habit among the rural population.** iv) **To reduce the regional imbalances** where the banking facilities were not available. v) **Credit facilities mainly to the agriculture sector** and its allied activities

### 34. Write any three objectives of Industrial Policy 1991.

1. Encourage Private participation in the economy
2. Disinvestment of shares of public sector enterprises to encourage private participation
3. Aims to sustain growth and to attain International competition.



**35. Give a note on Twelfth Five Year Plan.**

Twelfth five year plan period is 2012-2017. The main theme is “Faster, More Inclusive and Sustainable Growth”. and growth rate target is 8%.

**36. What is PQLI ?**

The Physical Quality of Life Index is constructed by Morris D Morris, It measure to calculate the quality of life (well being of a country) .Life Expectancy, infant mortality rate and literacy rate are the indicator and the range for the indicator is 1 to 100.

**37. How do you justify the merits of Privatisation?**

- 1.Helps in reducing the burden on government. 2.Makes the public sector units competitive.
- 3.Greater autonomy for public sector units. 4.Industrial growth. 5. Better service to customers.

**38. What are the measures taken towards Globalization?**

“Globalization refers to the integration of the domestic (Indian) economy with the rest of the world”  
**Measures of globalization :** i) Import liberalization through reduction of tariff and non-tariff barriers, ii) opening the doors to Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) are some of the measures towards globalization. iii) The economic activity of multinational firms and the internationalisation of technology.

**39. Write a note on Foreign investment policy?**

The Foreign investment policy made Red carpet welcome to foreign investment and foreign technology and Enhanced the industrial competition and improved business, including FDI and FPI were allowed also Automatic permission was granted for a specified list of high-technology and high-investment priority industries

**40. Give short note on Cold storage.**

i) India is **the largest producer of fruits and second largest producer of vegetables in the world.** ii)Most of the problems relating to the marketing of **fruits and vegetables can be traced to their perishability.** iii)Perishability is responsible for **high marketing costs, market gluts, price fluctuations** and other similar problems. In order to overcome this constraint, the Government of India and the Ministry of Agriculture promulgated an order known as **“Cold Storage Order, 1964”**

**41. List out the features of new trade policy.**

Prior to 1991, in India imports were regulated. From 1992 they are; 1.Free imports and Exports 2. Rationalization of tariff structure/reducing tariffs 3.Liberalization of the exchange rate regime 4. Setting up of trading house SEZ's and Export promotion industrial parks 5. Various exemption



under the EXIM policies to be boost exports and imports and make the trade policy regime transparent and less cumbersome.

#### 42. What is GST? Write its advantages.

“Goods and Services Tax (GST) is defined as the tax levied when a consumer buys a good or service” It is proposed to be a comprehensive indirect tax levied on manufacture, sale and consumption of goods as well as services. The Act came into effect on 1st July 2017. *The motto is one nation, one market, one tax.*

**Advantages:** i) Removing cascading tax effect ii) Single point tax iii) Higher threshold for registration iv) Composition scheme for small business v) Online simpler procedure under GST vi) Defined treatment for e-commerce vii) Increased efficiency in logistics viii) Regulating the unorganized sector.

#### 43. Explain the causes for Rural Backwardness.

1. The distribution of land is **highly skewed in rural areas.**
2. **Non-farm employment opportunities do not match the increasing labour force.**
3. Lack of public sector investment on human resource development.
4. Steady **increase in prices** affects the purchasing power
5. **Low productivity of rural labour**
6. Due to **defective economic structure and policies**, gains of growth are not reaching the poor
7. **The poor are always denied of the benefits.**

#### 44. Enumerate the remedial measures to Rural Poverty.

Poverty alleviation schemes and programmes have been implemented as remedial measures to Rural Poverty as follow (1) In **1975** 20 points programmes were launched (2) In the year **1976** Integrated Rural Development programme was implemented (3) Food for Work Programme was started in the year 1977 (4) Training Rural Youths for self Employment was implemented in the year **1979** (5) in the year **1980** National Rural Employment Programme was introduced (6) Rural Landless Employment Guarantee Programme has been implemented in the year **1983** (7) The Jawhar Rozgar Yojana was started in **1989** and (7) Mahatma Gandhi National Rural Employment Guarantee scheme was started in the year **2006**.

#### 45. What are the remedial measures for Rural Unemployment?

1. To reduce the seasonal unemployment rural people should be **encouraged to adopt subsidiary occupations.**
2. Rural Works Programme such as **construction and maintenance of roads, digging of drains, canals, etc**
3. The **increased cropping intensity creates** additional demand for labour.

4.To provide employment **new industries should be set up in rural areas.** 5. **Employment oriented courses should be introduced** in schools and colleges

**46.List out the objectives of MUDRA Bank.**

1.Regulate the lender and the borrower of microfinance 2.bring stability to the microfinance system . 3.lend money to small businesses, retailers, self-help groups and individuals.4.introduce a system of

performance rating and accreditation for the first time. 5.providing guarantees to loans being offered to micro businesses. 6. Introduce appropriate technologies credit management.

**47.Write a note on mineral resources in Tamil Nadu.**

Tamil Nadu has a few mining projects based on Titanium, Lignite, Magnesite, Graphite, Limestone, Granite and Bauxite.The first one is the Neyveli Lignite Corporation that has led development of large industrial complex around Neyveli in Cuddalore district with Thermal power plants, Fertilizer and Carbonisation plants. Magnesite mining is at Salem from which mining of Bauxite ores are carried out at Yercaud and this region is also rich in Iron Ore at Kanjamalai. Molybdenum is found in Karadukuttam in Madurai District.

**48.What are the renewable sources of power in Tamil Nadu?**

**1. Hydrel Energy:** There are about 20 hydro electric units in Tamil Nadu. The prominent units are Hundah, Mettur, Periyar, Maravakandy, Parson Valley etc.

**2.Solar Energy:**Southern Tamil Nadu is considered as one of the most suitable regions in the country for developing solar power projects.

**3.Wind Energy:**Tamil Nadu has the highest installed wind energy capacity in India. The State has very high quality of off shore wind energy potential off the Tirunelveli coast and southern Thoothukudi and Rameswaram coast.

**5 MARKS**

**1. Elaborate the nature and scope of Economics.**

**I. Nature of Economics:**

- a) A Law **expresses a causal relation between two or more** than two phenomena.
- b)Marshall states that the Economic **laws are statement of tendencies** the laws function with cause and effect.
- c) Economic **laws are not as precise and certain**
- d) Economic **laws are not inviolable**
- e) The use of the **assumption ‘other things remaining the same’**

f) Economics makes the **Economic laws hypothetical**.

g) Laws in economics are **more exact, precise and accurate** than the other social sciences.

h) Some economic **laws are simply truisms**.

## II. The scope of Economics refers to on the subject-matter of Economics.

It throws light on whether it is an art or science and if science, whether it is Positive science or Normative science.

**Economics subject Matter:** Economics focuses on the behaviour and interaction among economic agents, individuals and group belonging to an economic system.

**Positive science** deals with all the real this or activities It give solution to what is? What was? what will be? and it deals with all the practical things.

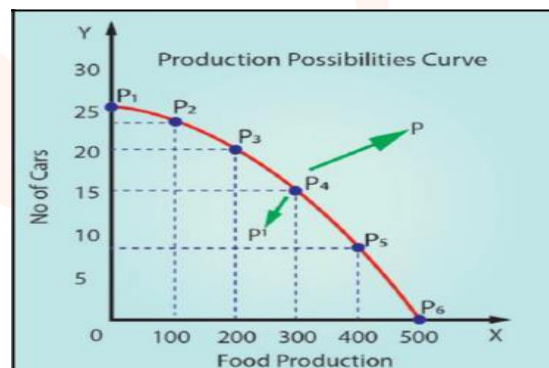
**Normative science** deals with what ought to be and It offers suggestion to the problems, normative science deals with the solution to the practical things.

## 2.Explain basic problems of the economy with the help of production possibility curve.

It shows the menu of choice along which a society can choose to substitute one good for another. Choice between relatively scarce commodities due to limited productive resources with the help of a “Geometric Device” **Assumptions :** 1.The time period does not change. 2. Techniques of production are fixed. 3.There is full employment in the economy. 4.Only two goods can be produced from the given resources. 5.Resources of production are fully mobile.

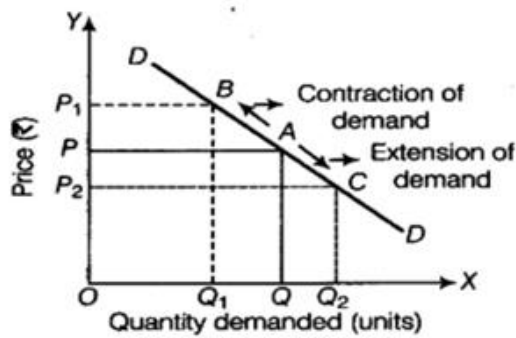
**Production possibilities schedule**

Production possibilities	Quantity of food production in tons	No of car production
I	0	25
II	100	23
III	200	20
IV	300	15
V	400	8
VI	500	0



- 1.The quantity of food is shown on x-axis and the number of cars is shown on y-axis
- 2.The different six production possibilities are being shown as point P1 P2 P3 P4 P5 & P6.
- 3.A maximum of 500 tons of food can be produced, given the existing technology.
- 4.If on the other hand, all resources are instead used for producing cars, 25 cars can be produced.
- 5.In between these two extremes, possibilities exist.
- 6.If we are willing to give up some food, we can have some cars.

## 3. Distinguish between extension and contraction of demand.



#.The changes in the quantity demanded for a commodity due to the change in its price alone are called “Extension and Contraction of Demand”.

#.In other words, buying more at a lower price and less at a higher price is known as Extension and contraction of Demand

#.In the diagram when price falls to  $P_2$  the quantity demanded increases to  $Q_2$

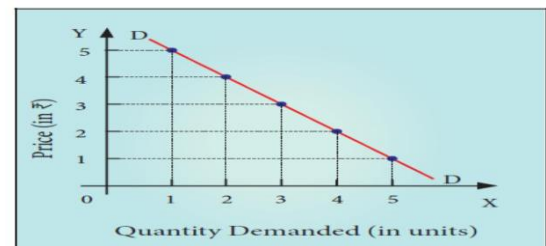
#### 4.Explain the law of demand and its exceptions.

**Definition:** According to Alfred Marshall, The Law of Demand said as “the quantity demanded increases with a fall in price and diminishes with a rise in price”.

**Assumptions of Law of Demand:** 1. The income of the consumer remains constant. 2.The taste, habit and preference of the consumer remain the same. 3.The prices of other related goods should not change.4. There should be no substitutes for the commodity in study.

**Table 2.4 Demand Schedule**

Price	Quantity Demanded
5	1
4	2
3	3
2	4
1	5



- 1.X axis represents Quantity demanded and Y axis represents the price of the commodity.
2. DD is the demand curve, which has a negative slope.
3. Slope downward from left to right which indicates that when price falls, the demand expands and when price rises, the demand contracts.

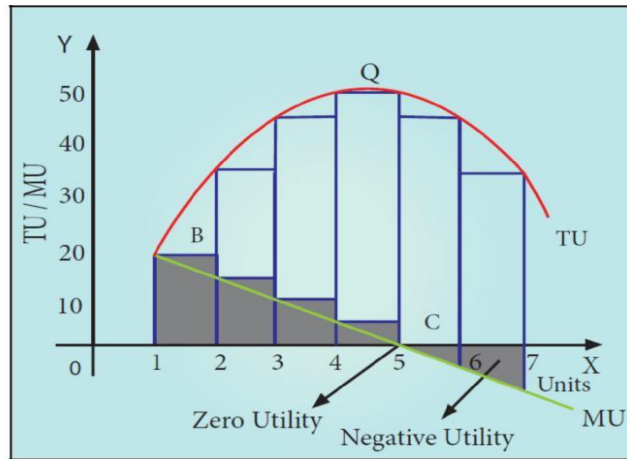
#### 5.Elucidate the law of diminishing marginal utility with diagram.

**Definition:** Marshall states the law as, “the additional benefit which a person derives from a given increase of his stock of a thing, diminishes with every increase in the stock that he already has”.

**Assumption:** 1.Utility can be measured by cardinal number (Eg:1,2, 3..) 2.The marginal utility of money remains constant.3.The consumer should be a rational consumer 4.The units of the commodity must be reasonable in size.5The commodity consumed should be homogeneous

**Table 2.1 The Law of Diminishing Marginal Utility**

Units of Apple	Total Utility	Marginal Utility
1	20	20
2	35	15 (35-20)
3	45	10 (45-35)
4	50	5 (50-45)
5	50	0 (50-50)
6	45	-5 (45-50)
7	35	-10(35-45)



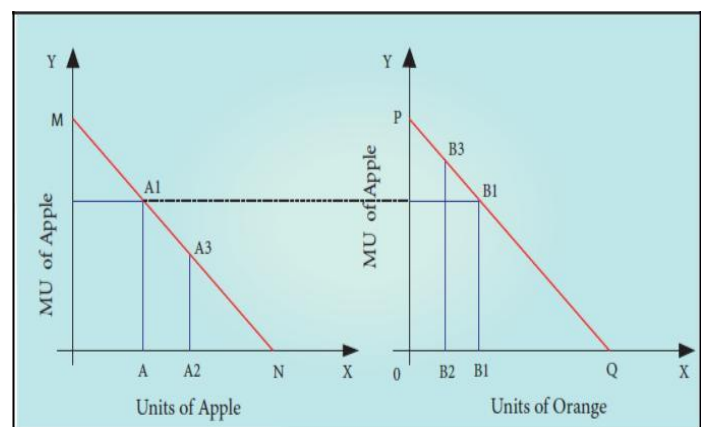
1. Suppose a consumer wants to consume 7 apples one after another.
2. The utility from the first apple is 20. But the utility from the second apple will be less than that of the first (say 15), the third less than that of the second (say 10) and so on.
3. Finally, the utility from the fifth apple becomes zero and the utilities from sixth and seventh apples are negative.

#### 6. Explain the law of Equi-marginal utility

The law states that the consumer will distribute his money income between the goods in such a way that the utility derived from the last rupee spent on each good is equal. In other words, consumer is in equilibrium position when marginal utility of money expenditure on each goods is the same.

**Assumption :** 1. The consumer is rational in the sense that he wants to get maximum satisfaction. 2. The utility of each commodity is measurable in cardinal numbers. 3. The marginal utility of money remains constant.

Units	Apple		Orange	
Commo-dities	Total Utility	Marginal Utility	Total Utility	Marginal Utility
1.	25	25	30	30
2.	45	20	41	11
3.	63	18	49	8
4.	78	15	54	5
5.	88	10	58	4
6.	92	4	61	3



1. X axis represents the amount of money spent and Y axis represents the marginal utilities of Apple and Orange respectively.
2. If the consumer spends Rs.6 on Apple and Rs.5 on Orange, the marginal utilities of both are equal i.e.,  $AA_1 = BB_1$  ( $4=4$ ).
3. Hence, he gets maximum utility.

#### 7. What are the methods of measuring Elasticity of demand?



### 1.The Percentage Method 2.Total Outlay Method 3.Point or Geometrical Elasticity

1.Percentage Method 
$$e_p = \frac{\Delta Q}{\Delta P} \frac{P}{Q}$$

$$e_p = \frac{\% \Delta Q}{\% \Delta P}$$

$\% \Delta Q$  = percentage change in demand

$\% \Delta P$  = percentage change in price

### 2. Total Outlay Method

This examines the change in total outlay of the consumer or total revenue of the firm.

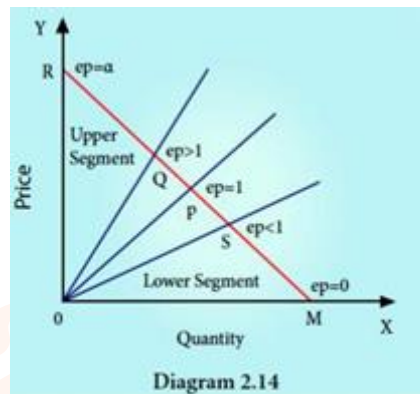
Total Revenue = ( Price x Quantity Sold) TR = (P x Q)

Price	Quantity Demanded	Total Outlay	Elasticity
150	3	450	e > 1
125	4	500	
100	5	500	e = 1
75	6	450	

### 3. Point or Geometrical Elasticity

The point elasticity of a linear demand curve is shown by the ratio of the segments of the line to the right and to the left of the particular point.

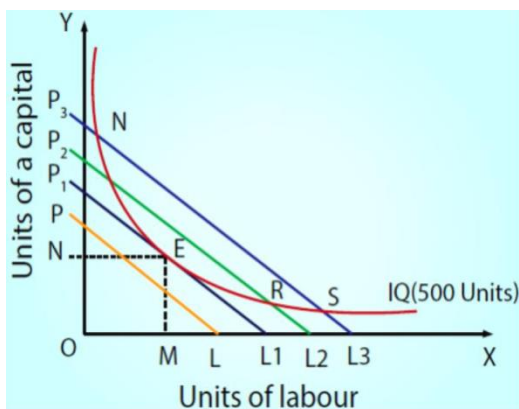
$E_p = L / U$  Where 'ep' stands for point elasticity, 'L' stands for the lower segment and 'U' for the upper segment



Lower segment of the below the given point

Upper segment of the demand curve above the given point

### 8.Illustrate the concept of Producer's Equilibrium



**Meaning :** The producer manufactures a given amount of output with '**least cost combination of factors**', with his given budget.

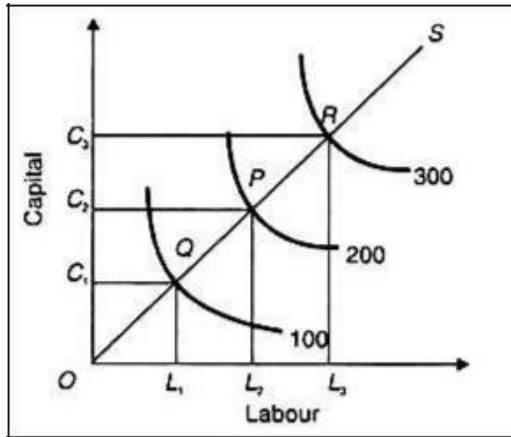
#### Conditions for Producer Equilibrium

1.The iso-cost line must be **tangent** to iso-quant curve.

2. At point of tangency, the **iso-quant curve must be convex to the origin** or MRTSLk must be declining

At point E, the firm employs OM units of labour and ON units of capital. The other points such as H, K, R and S lie on higher iso cost lines indicating that a larger outlay is required, which exceeds the financial resources of the firm.

### 9.State the Cobb-Douglas Production Function.



According to Cobb-Douglas, “Linear homogeneous production function implies that the factors of production can be substituted for one another up to a certain extent only.” **The Cobb-Douglas production function can be expressed as follows.  $Q = AL^\alpha K^\beta$  ;** Where, Q = output; A = positive constant; K = capital; L = Labor  $\alpha$  and  $\beta$  are positive fractions showing, the elasticity coefficients of outputs for the inputs labor and capital, respectively.

i)  $\beta = (1 - \alpha)$  since  $\alpha + \beta = 1$ . denoting constant returns to scale. ii) Factor intensity can be measured by the ratio  $\beta / \alpha$ .

1.The production function explains that with the proportionate increase in the factors, the output also increases in the same proportion. 2.Cobb-Douglas production function implies constant returns to scale. 3.Cobb-Douglas production function considered only two factors 4. Cobb-Douglas Production Function is a specific standard equation applied to describe how much output can be made with capital and labour inputs.

#### 10. Examine the Law of Variable Proportions with the help of a diagram.

According to G.Stigler, “As equal increments of one input are added, the inputs of other productive services being held constant, beyond a certain point, the resulting increments of product will decrease, i.e., the marginal product will diminish”.

**Assumptions :** 1.Only one factor is variable while others are held constant. 2.All units of the variable factor are homogeneous. 3. The product is measured in physical units.

**Total Product (TP) :**It refers to the total amount of commodity produced by the combination of all inputs  $TP = \sum MP$

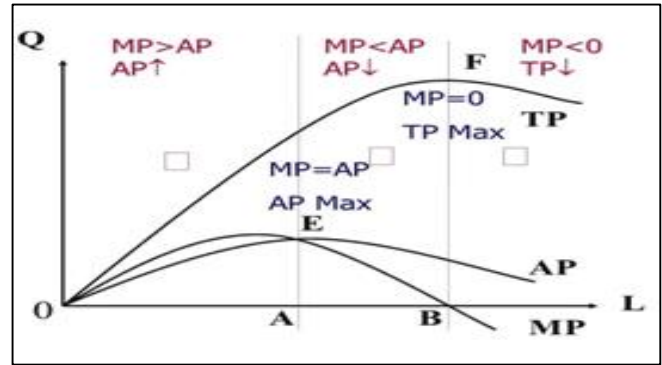
**Average Product (AP) :** It is the result of the total product divided by the total units of the input employed.  $AP = TP/N$

**Marginal Product (MP) :** It is the addition or the increment made to the total product



$$MP = TP / N \text{ (or) } MP = TP(n) - TP(n-1)$$

In diagram, the number of workers is measured on X axis while TP, AP and MP are denoted on Y axis. The diagram explains the three stages of production as given in the below table



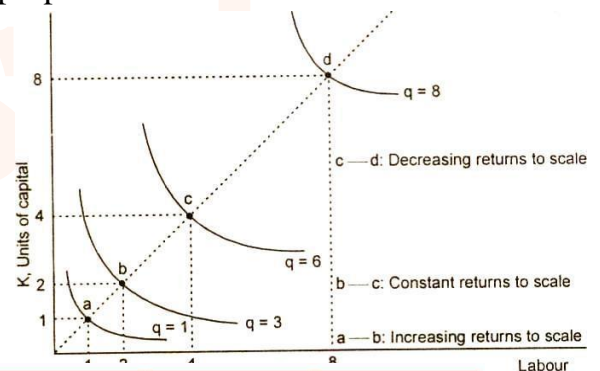
stages	TP	MP	AP
Stage I	Increases at an increasing rate	Beginning it increases, reaches a maximum and start decrease	Increases, then attains minimum
Stage II	Increase at a diminishing rate and reaches maximum	Diminish and becomes equal to zero	Equal to MP and then begins to diminish
Stage III	Diminishes	Becomes negative	Continues to diminishes but always greater than zero

## 11. Elucidate the Laws of Returns to Scale. Illustrate.

The laws of returns to scale explain the relationship between output and the scale of inputs in the long-run when all the inputs are increased in the same proportion.

### Assumption :

1. All the factors of production are variable but organization is fixed.
2. There is no change in technology.
3. There is perfect competition in the market
4. Outputs or returns are measured in physical quantities.



### Three Phases of Returns to Scale

- (1) Increasing Returns to Scale:
- (2) Constant Returns to Scale:
- (3) Diminishing Returns to Scale:

Stages	Input	Output	Returns to Scale
a to b	100% ↑	200% ↑	Increasing
b to c	100% ↑	100% ↑	Constant
c to d	100% ↑	33.33% ↑	Decreasing

**Explanation:** 1. In the movement from point **a** to point **b** represents increasing returns to scale.  
 2. The law of constant returns to scale is implied by the movement from the point **b** to point **c**.  
 3. Decreasing returns to scale are denoted by the movement from the point **c** to point **d**.

## 12. If total cost = 10+Q<sup>3</sup>, find out AC, AVC, TFC, AFC when Q=5

**Formula** for TC = TFC+TVC

$$AVC = \frac{TVC}{Q}$$

$$TVC=125$$

$$AFC = \frac{TFC}{Q}$$

$$AC = \frac{TC}{Q}$$

1.  $TC=10+Q^3$  Total cost has two components

TFC and TVC

2. TFC = is the Total Fixed cost which does not change with the level of output.

3. It is determined by putting the value of Q

4. Given the total cost function  $TC=10+Q^3$

Q=units of output. Where Q=5

Here  $TFC=10+(5)^3$

$TC=10+25$

$TC=135$                        $\therefore$        $135=10+TVC$

$135-10=TVC$

$TVC=125, TC=135$        $\therefore$   $TFC=?$

$TC=(TFC+TVC)$

$135=X+125$

$135-125=10$                        $\therefore$   **$TFC=10$**

$AFC = \frac{TFC}{Q}$                        $TFC=10, Q=5$

$AFC = \frac{10}{5}=2$                        $\therefore$   **$AFC = 2$**

$AVC = \frac{TVC}{Q}$                        $TVC=125, Q=5$

$AVC = \frac{125}{5} = 5$                        $\therefore$   **$AVC= 25$**

$AC = \frac{TC}{Q}$                        $TC=135, Q=5$

$AC = \frac{135}{5} = 27$                        $\therefore$   **$AC=27$**

**OR**       $AC= AFC+AVC$        $\therefore$   **$AC=25+2= 27$**

### 13. Bring out the features of perfect competition.

The market in which the number of buyers and sellers is very large, all are engaged in buying and selling a homogenous product at uniform price.

**Features:**

- 1. Large Number of Buyers and Sellers:** The term, 'large number of buyers each individual buys very small quantity of product as compared to that found in the market. The term, 'large number of sellers' implies that share of each individual seller is a very, very small quantum of a product.

- 2. Homogeneous Product and Uniform Price :** All the units of the product are identical of the same (i.e) size, shape, colour, quality etc. Therefore, a uniform price prevails in the market.

- 3. Free Entry and Exit:** Efficient producer producing the product at a very low cost, to earn super normal profits. Attracted by such a profit, new firms enter into the industry. An inefficient producer, who is unable to bring down the cost incurs loss, the existing loss-incurring firms quit the market.

- 4. Absence Of Transport Cost:** The prevalence of the uniform price is also due to the absence of the transport cost.

- 5. Perfect Mobility of Factors of Production:** As they enjoy perfect freedom to move from one place to another and from one occupation to another, the price gets adjusted.

- 6. Perfect Knowledge of the Market:** All buyers and sellers have a thorough knowledge of the product,
- 7. No Government Intervention:** There is no government regulation on supply of raw materials, and in the determination of price etc.

### 14. Describe the features oligopoly.

- 1. Few large firms:** Very few big firms own the major control of the whole market by producing major portion of the market demand.
- 2. Interdependence among firms:** The price and quality decisions of a particular firm are dependent on the price and quality decisions of the rival firms.
- 3. Group behavior:** The firms under oligopoly realise the importance of mutual co-operation.
- 4. Advertisement cost:** The oligopolist could raise sales either by advertising or improving the quality of the product.
- 5. Nature of product:** Perfect oligopoly means homogeneous products and imperfect oligopoly deals with heterogeneous products.
- 6. Price rigidity :** The oligopolistic firms do not change their prices due to the fear of rivals' reaction.

**15. Explain price and output determined under monopolistic competition with help of diagram.**

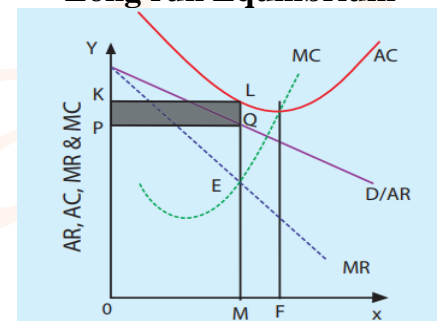
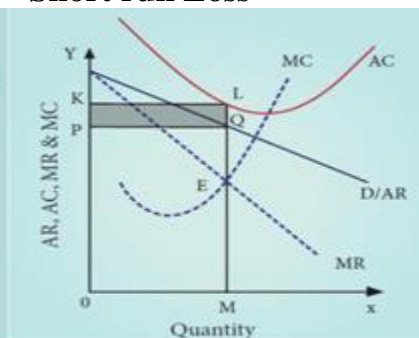
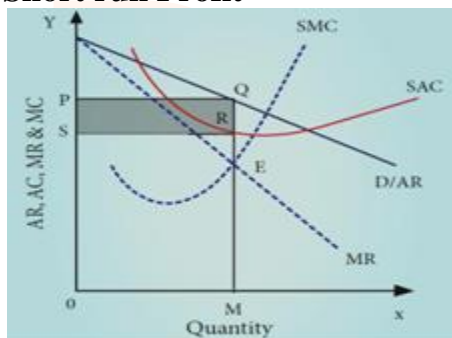
Monopolistic competition refers to a market situation where there are many firms selling a differentiated product.

**Important Features :** 1. Large number of buyers and many sellers. 2. Firms produce differentiated products. 3. Firms compete with each other by incurring selling cost 4. Non – price competition

**Short run Profit**

**Short run Loss**

**Long run Equilibrium**



1. The profit maximisation is achieved when  $MC = MR$ .
2. Total profit is 'PQRS'. This is super normal profit under short-run.
3. Total loss is 'PQLK'. This firm incurs loss in the short run.
4. In the long run AR curve is more elastic
5. At E' point =  $AR = AC$  and  $MC = MR$ . It means that a firm earns normal profit.
6. AR is tangent to the Long Run Average Cost (LAC) curve at point 'Q'.

**Short and Long run conditions**

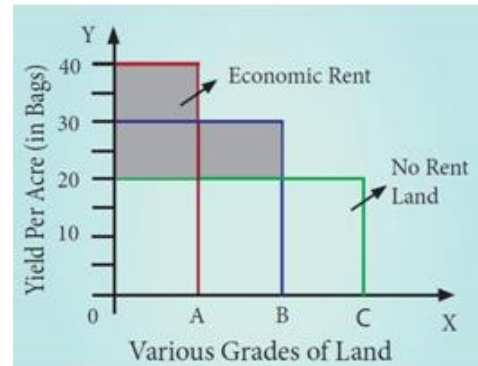
<b>Short run</b>	The only one condition for equilibrium in the short run	<b><math>MC = MR</math>.</b>
<b>Long run</b>	The two conditions for equilibrium in the long run	<b><math>MC = MR</math> and <math>AC = AR</math>.</b>

### 15. Illustrate the Ricardian Theory of Rent.

According to Ricardo, “Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil”.

**Assumption:** 1 Land differs in fertility. 2. The law of diminishing returns operates in agriculture. 3. Rent depends upon fertility and location of land. 4. Theory assumes perfect competition.

Grades of Lands	Production (in bags)	Surplus (i.e., Rent in bags)
A	40	$40 - 20 = 20$
B	30	$30 - 20 = 10$
C	20	$20 - 20 = 0$



#### Explanation

1. In diagram, X axis represents various grades of land and Y axis represents yield per acre.
2. OA, AB and BC are the 'A' grade, 'B' grade and 'C' grade lands respectively.
3. The application of equal amount of labour and capital on each of them gives a yield represented by the rectangles standing just above the respective bases.
4. The 'C' grade land is the “no-rent land” ‘A’ and ‘B’ grade lands are “intra – marginal lands”.

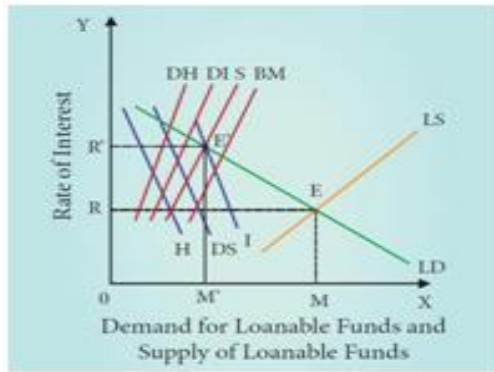
### 16. Elucidate the Loanable Funds Theory of Interest. Definition

According to Loanable Funds theory, the rate of interest is determined by the equilibrium between demand for and supply of loanable funds in the credit market. Loanable Funds Theory, also known as the “Neo-Classical Theory”

Sl.No	Demand for Loanable Funds	Supply of Loanable Funds
1	Demand for Investment (I)	Savings (S)
2	Demand for Consumption (C)	Bank Credit (BC)
3	Demand for Hoarding (H)	Dishoarding (DH)
4	-	Disinvestment (DI)

**Equilibrium:** The rate of interest is determined by the equilibrium between the total demands for the total supply of loanable funds. Supply of loanable funds =  $S + BC + DH + DI$  Demand for loanable funds =  $I + C + H$

$$E = S + BC + DH + DI = I + C + H$$



In Diagram, X axis represents the demand for and supply of loanable funds and Y axis represents the rate of interest.

The LD and LS curves, intersect each other at the point “E” the equilibrium point. At this point, OR rate of interest and OM is the amount of loanable funds.

### 17.Explain the Keynesian Theory of Interest.

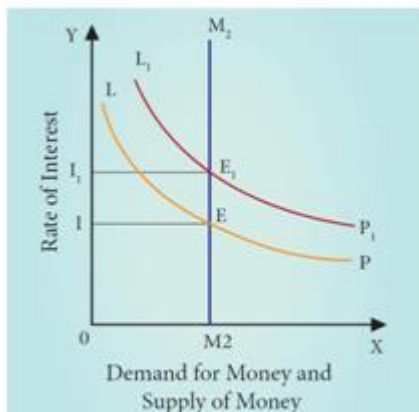
Liquidity preference means the preference of the people to hold wealth in the form of liquid cash rather than in other non- liquid assets like bonds, securities, bills of exchange, land, building, gold etc.

**Motives of Demand for Money : 1.The Transaction Motive:** The desire of the people to hold cash for the current transactions( or day to day expenses)  $M_t=f(y)$

**2.The Precautionary Motive:** Desire of the people to hold cash to meet unexpected or unfrozen expenditures such as sickness, accidents  $M_p=f(y)$

**3.The Speculative Motive:** The speculative motive relates to the desire of the people to hold cash in order to take advantage of market movements regarding the future  $M_s=f(i)$

The rate of interest is determined by the demand for money and the supply of money.



1.If liquidity preference increases from LP to  $L_1P_1$  the supply of money remains constant, 2.The rate of interest would increase from OI to  $OI_1$ .

3.The supply of money remains constants.

4.Total demand for money= $M_t+M_p+M_s$

**Demand for money=supply of money at equilibrium point**

Equilibrium Point 1 = E = LP =  $M_2$  = I = Rate of Interest ... (1)

Equilibrium Point2 =  $E_1$  =  $L_1P_1$  =  $M_2$  =  $I_1$  = Rate of Interest ... (2)

### 18.Explain strong features Indian economy

**1. India has a mixed economy :**Indian economy is a typical example of mixed economy. This means both private and public sectors co-exist and function smoothly. The Perfecto model for the partnership of public sector and private sector.

**2. Agriculture plays the key role:** Agriculture being the maximum pursued occupation in India. Around 60% of the people in India depend upon agriculture for their livelihood. In fact, about 17% of our GDP today is contributed by the agricultural sector.



**3. An emerging market:** India has emerged as vibrant economy sustaining stable GDP growth rate even in the midst of global downtrend. India has a high potential for prospective growth. This also makes it an emerging market for the world.

**4. Fast Growing Economy:** India has emerged as the world's fastest growing economy in the year 2016-17 with the growth rate of 7.1% in GDP next to China.

**5. Fast growing Service Sector :** The service sector, contributes a lion's share of the GDP in India. There has been a high rise growth in the technical sectors like Information Technology, BPO etc.

**6. Demographic dividend:** The human capital of India is young. This means that India is a pride owner of the maximum percentage of youth.

### **19. Explain the role of SSIs in economic development?**

**1. Provide Employment :** SSIs use labour intensive techniques. Hence, they provide employment opportunities to a large number of people.

**2. Bring Balanced Regional Development:** SSIs promote decentralized development of industries as most of the SSIs are set up in backward and rural areas.

**3. Help in Mobilization of Local Resources :** SSIs help to mobilize and utilize local resources like small savings, entrepreneurial talent etc.,

**4. Pave for Optimisation of Capital :** SSIs require less capital per unit of output. They provide quick return on investment

**5. Promote Exports :** SSIs do not require sophisticated machinery. there is a great demand for goods produced by SSIs in international market.

**6. Complement Large Scale Industries:** SSIs play a complementary role to large scale sector and support the large scale industries.

**7. Meet Consumer Demands :** SSIs produce wide range of products required by consumers in India.

**8. Develop Entrepreneurship :** SSIs help to develop a class of entrepreneurs in the society

### **20. Explain the objectives of nationalization of commercial banks.**

1. The main objective of nationalization was **to attain social welfare**.

2. Nationalization of banks helped to **curb private monopolies** in order to ensure a smooth supply of credit

3. To encourage the **banking habit among the rural population**.

4. To **reduce the regional imbalances** where the banking facilities were not available.

5. After nationalization, **new bank branches were opened in both rural and urban**.

6. **Credit facilities mainly to the agriculture sector** and its allied activities

**21. Describe the salient features of EXIM policy (2015 – 2020)**

**1.Reduce export obligations by 25%** and give boost to domestic manufacturing supporting the “**Make in India**” concept.

**2. As a step to Digital India concept**, online procedure to **upload digitally signed document by CA/CS/Cost Accountant** are developed and further mobile app for filing tax, stamp duty has been developed.

**3.Repeated submission** of physical copies of documents available on **Exporter Importer Profile is not required.**

**4.Export obligation period** for export items related to defense, military store, aerospace and nuclear energy to **be 24 months.**

**5.EXIM Policy 2015-2020 is expected to double the share of India in World Trade from present level of 3% by the year 2020.** This appears to be too ambitions.

**22. Discuss the problems of Rural Economy.**

1.The problems related to **individuals and their standard of living** consist of illiteracy etc.,

2.Agricultural problems as **1.Lack of expected awareness, knowledge, skill and attitude,**

**2.Unavailability of inputs and so on.**

**3. Poor infrastructure facilities like, water, electricity, transport, educational institutions, communication, health and etc.,**

**4.The economic problems related to rural areas are: inability to adopt high cost technology, high cost of inputs and so on.**

**5.Leadership among the hands of inactive and incompetent people, self-interest of leaders, biased political will.**

**6.Political interference, lack of motivation and interest, low wages in villages, improper utilization of budget, and absence of monitoring.**

**“So long as you do not achieve social liberty,  
Whatever freedom is provided by the law is of no avail to you”**

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