



**NEERAJ®**

# INDIAN ECONOMY

**B.C.O.G.-172**

**B. Com. General - 6th Semester**

**Chapter Wise Reference Book  
Including Many Solved Sample Papers**

*Based on*

**C.B.C.S. (Choice Based Credit System) Syllabus of**

**IGNOU.**

**& Various Central, State & Other Open Universities**

*By: Somika Kapoor, M. Com., M.A. (English)*



**NEERAJ  
PUBLICATIONS**

*(Publishers of Educational Books)*

Mob.: 8510009872, 8510009878 E-mail: [info@neerajbooks.com](mailto:info@neerajbooks.com)

Website: [www.neerajbooks.com](http://www.neerajbooks.com)

**MRP ₹ 280/-**

## Content

# **INDIAN ECONOMY**

Question Paper—June-2023 (Solved).....	1-2
Question Paper—December-2022 (Solved) .....	1
Question Paper—Exam Held in July-2022 (Solved).....	1

---

<i>S.No.</i>	<i>Chapterwise Reference Book</i>	<i>Page</i>
--------------	-----------------------------------	-------------

---

### **BLOCK-1: ECONOMIC DEVELOPMENT: CONCEPT AND MEASUREMENT**

1. Economic Development .....	1
2. Features of Indian Economy: An Emerging Economy.....	8
3. Growth: Pre and Post Reforms .....	15

### **BLOCK-2: DETERMINANTS OF GROWTH**

4. Economic Infrastructure .....	22
5. Social Infrastructure .....	31
6. Human Resources Infrastructure .....	37

### **BLOCK-3: ISSUES IN INDIAN ECONOMY**

7. Poverty and Inequality.....	44
8. Unemployment in India.....	52
9. Inequalities in Income Distribution.....	59
10. Balanced Regional Growth.....	66

**BLOCK-4: SECTORAL DEVELOPMENT-I:  
AGRICULTURE SECTOR IN INDIA**

11. Importance of Agriculture .....	72
12. Problem of Productivity .....	77
13. Growth Pattern in India's Agriculture .....	83

**BLOCK-5: SECTORAL DEVELOPMENT-II: INDUSTRIAL AND SERVICES**

14. Industrial Policy .....	90
15. Public and Private Sector .....	98
16. Micro, Small and Medium Enterprises.....	106
17. Service Sector (ICT and Communication).....	114

**BLOCK-6: EXTERNAL SECTOR OF INDIAN ECONOMY**

18. Structure of India's Foreign Trade .....	121
19. Balance of Payments (BOP) and Exchange Rate.....	130
20. World Trade Organization (WTO).....	139

**BLOCK-7: FISCAL AND MONETARY POLICY**

21. Monetary Policy.....	147
22. Fiscal Policy .....	152
23. Fiscal Federalization in India.....	161



**Sample Preview  
of the  
Solved  
Sample Question  
Papers**

*Published by:*



**NEERAJ  
PUBLICATIONS**

[www.neerajbooks.com](http://www.neerajbooks.com)

# QUESTION PAPER

June – 2023

(Solved)

## INDIAN ECONOMY

B.C.O.G.-172

**Time: 3 Hours ]**

**[ Maximum Marks : 100**

**Note: Attempt any five questions. All questions carry equal marks.**

**Q.1. Discuss major issues that affect the Indian economy.**

**Ans. Ref.:** See Chapter-2, Page No. 9, 'Major Issues and Challenges of Indian Economy'.

**Q. 2. Describe various measures necessary for improving infrastructure in India.**

**Ans. Ref.:** See Chapter-4, Page No. 23, 'Infrastructure Development in India'.

**Q. 3. Describe the importance of human resource development and also explain its indicators.**

**Ans. Ref.:** See Chapter-6, Page No. 37, 'Importance of Human Resource Development'; 'Indicators of Human Resource Development'; Page No. 42, Q. No. 4.

**Q. 4. Discuss different types of unemployment. Explain policy initiatives for employment generation by the government of India.**

**Ans. Ref.:** See Chapter-8, Page No. 52, 'Types of Unemployment' Page No. 53, 'Policy Initiatives for Employment Generation In India'.

**Q. 5. Describe major points of foreign trade policy of India (2015-2020).**

**Ans. Ref.:** See Chapter-18, Page No. 121, 'India's Foreign Trade Policy'; Page No. 125, Q.17, Page No. 127, Q. No. 5.

**Q. 6. What is meant by fiscal policy? Describe sources of revenue of the State governments.**

**Ans. Ref.:** See Chapter-22, Page No. 152, 'Meaning and Instruments of Fiscal Policy' and 'Sources of Revenue for State Governments'.

**Q.7. Distinguish between the following:**

**(a) Appreciation and depreciation of exchange rate**

**Ans. Ref.:** See Chapter-19, Page No. 131, 'Appreciation and Depreciation of Exchange Rate'.

**Also add:** Since the exchange rate is basically determined by market forces, the upward and downward movement in the value of rupee are appreciation and depreciation respectively. Depreciation of the rupee refers to the decrease in the external value of the

domestic currency caused by the operation of market forces. Appreciation of the rupee refers to the increase in the external value of the domestic currency caused by the operation of market forces. The exchange rate is determined in the open market through the pressure of buying and selling of foreign currencies. In the past few years, the rupee has experienced both appreciation and depreciation. In 2020, the rupee appreciated against the US dollar due to an increase in foreign investments, which led to a reduced trade deficit and had a positive impact on the economy. However, in 2021, the rupee depreciated due to rising oil prices and the COVID-19 pandemic. Rupee depreciation and appreciation can positively and negatively impact the Indian economy. A stronger rupee can make imports cheaper, benefiting consumers but also impacting exporters in not the best way. On the other hand, a weaker rupee can make exports more competitive, but it can also lead to inflation and make imports more expensive.

**(b) Multilateral trade agreements and plurilateral trade agreements**

**Ans.** The multilateral agreements are binding on all WTO members and must be ratified, together with the WTO agreement, as a whole. Multilateral trade agreement occurs between three or more nations, and they are treated equally, and no one gets a most favoured nation status. The aim is to standardize commerce regulations, encourage exports and imports, reduced tariffs and quotas between member countries. Plurilateral agreements are optional in character and only obligate those members which choose to ratify them. WTO Plurilateral initiatives are discussions at the WTO in which only a subset of members are participating. They can aim to create new rules, secure mutual liberalization of tariffs, create a new process or launch a conversation. They cover areas such as electronic commerce, investment facilitation, and the intersection of trade and gender. Such initiatives are not always without controversy, and in some cases not all

WTO members agree they are within the spirit or letter of the WTO rules.

**Q. 8. Write short notes on any two of the following :**

**(a) Energy problem in India.**

**Ans. Ref.:** See Chapter-4, Page No. 24, 'Energy Problem in India'.

**(b) Trickle-down theory.**

**Ans.** Trickle-down theory is an economic strategy where taxes levied on the high-income group are curtailed. The theory claims that the increase in wealth will trickle down into lower economic sections in the form of increased investments and employment. As a result, the entire economy gets a boost. During the 1950s and 1960s it was believed that economic growth will take care of poverty and inequality. When economic growth takes place, the benefits percolate downwards. Income of people increase. Thus, there will be an increase in

the income of poor households also. With an increase in income, poor households will be able to elevate themselves above the poverty line. Thus the objective of the government was to achieve higher economic growth. The trickle-down theory however was not found to have a positive effect on poor households. The benefit of economic growth was cornered by the rich sections of society. Poor households continued to remain poor, while economic inequality increased in the country. Such developments compelled the government to change its strategy regarding poverty alleviation.

**(c) Foreign trade multiplier.**

**Ans. Ref.:** See Chapter-18, Page No. 121, 'Foreign Trade Multiplier'.

**(d) Fiscal federalism**

**Ans. Ref.:** See Chapter-23, Page No. 161, 'Introduction', 'Main Aspects of Fiscal Federalism'.



**NEERAJ**  
**PUBLICATIONS**  
[www.neerajbooks.com](http://www.neerajbooks.com)

# Sample Preview of The Chapter

*Published by:*



**NEERAJ  
PUBLICATIONS**

[www.neerajbooks.com](http://www.neerajbooks.com)

# INDIAN ECONOMY

## Economic Development

### INTRODUCTION

Economic development refers to programmes, policies, or activities that seek to improve the economic well-being and quality of life of a community.

What “economic development” means to you will depend on the community you live in. Each community has its own opportunities, challenges, and priorities. Your economic development plan must include the people who live and work in the community.

These systems of economic development are based on the historical legacies of the country, but their objective is to attain growth and development. It was increasingly felt that most of the population in most of the developing world did not benefit much from the growth process, which includes promoting the standard of living and economic condition of a country.

### CHAPTER AT A GLANCE

#### HOW DOES AN ECONOMY WORK?

Many people doing economic development work are economic development practitioners, or economic development officers, or “EDOs” for short.

**There are three kinds of economic systems:** Capitalism, Socialism and Mixed Economy. Let us learn them in detail.

#### Capitalism

Capitalism is often thought of as an economic system in which private actors own and control property in accordance with their interests, and demand and supply freely set prices in markets in a way that can serve the best interests of society. There is payment by producers for these services, which is in the form of rent, wages, salaries, interest, and profit.

**This system decides:** ‘What to produce’, ‘How to produce’, and ‘For Whom to produce’.

#### Socialism

Socialism is a social and economic doctrine that calls for public rather than private ownership or

control of property and natural resources. According to Paul M. Sweezy, socialism can be summarized as collective ownership and democratic control of the means of production.

#### Mixed Economy

A mixed economy is one that contains aspects of market capitalism (a free-market system), socialism (government control over the means of production, including state ownership of all or almost all property), and a combination of the two. According to Samuelson, a mixed economy is characterized by the existence of both public and private institutions exercising economic controls.

#### CONCEPT OF ECONOMIC DEVELOPMENT

Economic development is defined as an increase in a country’s wealth and standard of living. For example, improved productivity, higher literacy rates, and better public education are all consequences of economic development in a country.

**Development and Underdevelopment:** In the Indian economy, development refers to the sustained growth of sectors like industry, agriculture, and services, along with improvements in infrastructure, education, and healthcare. However, underdevelopment persists in certain regions, characterized by poverty, inadequate access to basic amenities, and disparities in income and development indicators, necessitating targeted interventions.

Some of the features of the underdeveloped economy are as follows:

- **Low Per Capita Income:** It signifies a meagre average income per individual, leading to economic struggles and limited opportunities for growth.
- **Inequitable Distribution of Income and Wealth:** It highlights a significant disparity in wealth and income levels, creating social and economic imbalances.



- **Heavy Dependence on Agriculture:** It implies a substantial reliance on the agricultural sector as the main driver of economic activity and livelihoods.
- **Heavy Population Pressure:** It refers to a situation where the population size exceeds the available resources and infrastructure, leading to various challenges and strains on the economy.
- **Unemployment and underemployment:** Insufficient job opportunities and underutilization of skills and qualifications among individuals in underdeveloped economies result in unemployment and underemployment.
- **Capital Scarcity and Low Rate of Capital Formation:** The use of primitive technologies contributes to limited investment and reliance on outdated, primitive technologies. This hinders economic progress and modernization.
- **Use of Primitive Technologies:** “Primitive technologies refer to early, basic tools and techniques used by human societies before the advent of advanced technology”.
- **Disparities in Rural and Urban Living Standards:** It highlights significant differences in quality of life between rural and urban areas.
- **Low Financial Inclusion Rate:** It indicates limited access to financial services, including banking, credit, and insurance, among the population.

**A Developing Economy:** A developing economy refers to a nation or region that is in the process of transitioning from a less advanced state to a more advanced one, typically characterized by improving living standards, increasing industrialization, and economic growth.

**Economic Growth:** Economic growth refers to the sustained increase in a country's production and income levels over time, resulting in improved living standards and the expansion of business opportunities.

**“Big Push” Approach:** The “Big Push” approach is when a country or region makes a big effort to improve its economy. It involves investing a lot of money in different areas all at once to help create development and overcome challenges, with the goal of achieving long-term growth and progress.

**Poverty Trap:** The poverty trap occurs when people are caught in a cycle of poverty and find it hard to improve their lives. They lack the resources and opportunities to escape poverty, making it difficult to break free and achieve a better standard of living.

**UN Development Decade:** The UN Development Decade refers to a specific period of ten years during which the United Nations focuses on promoting and supporting development efforts around the world. The first Development Decade was announced by President John. F. Kennedy of the United States in 1962.

**Sustainable Development:** Sustainable development means meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. It involves finding a balance between economic growth, social well-being, and environmental protection to ensure a better and more equitable future for all.

**Millennium Development Goals (MDGs):** The Millennium Development Goals (MDGs) were a set of global goals established by the United Nations to tackle major issues such as poverty, education, health, and gender equality.

## MEASUREMENT OF ECONOMIC DEVELOPMENT

The measurement of economic development refers to the process of quantifying and evaluating the progress and growth of an economy over time. It involves analyzing various indicators such as gross domestic product (GDP), per capita income, poverty rates, employment levels, infrastructure development, education, healthcare, and other socioeconomic factors.

Currently measurements of development are:

- **GNP per capita:** It is a measure used to assess the average economic output or income per person in a nation. GNP includes the total value of goods and services produced by both domestic and foreign entities within a country's borders. GNP per capita helps in comparing the economic well-being and living standards among different countries and understanding the overall economic performance of a nation.
- **Population Growth:** It refers to the increase in the number of individuals living in a specific area over a certain period. It occurs due to factors such as birth rates, death rates, immigration, and emigration and has significant implications for resource availability, social dynamics, and environmental sustainability.
- **Occupational structure of the labour force:** The distribution of workers across different jobs and industries in an economy, the economic activities of any country are broadly classified

ECONOMIC DEVELOPMENT / 3

into primary activities, secondary activities, and tertiary activities. “In the process of development, people typically move from agriculture to manufacturing and finally to service industries”.

- **Human Development Index (HDI)** measures a country’s average achievement in health, education, and income to assess its overall development level.

**DETERMINANTS OF ECONOMIC DEVELOPMENT**

Factors influencing economic development include human capital, infrastructure, technological advancement, natural resources, political stability, and institutional framework. The economic determinants of economic development are as follows:

**Capital formation:** It refers to the accumulation of physical and financial assets within an economy through investments in infrastructure, machinery, equipment, and other productive resources.

**The capital-output ratio:** It also known as the capital intensity ratio, measures the amount of capital required to produce a unit of output in an economy. It indicates the efficiency of capital utilization and is used to analyze productivity, investment effectiveness, and economic performance.

**Natural resources:** They include minerals, water, forests, and energy sources like oil and gas, which are essential for economic activities and the well-being of societies. Some developed countries like the USA, Canada, Australia, New Zealand, etc. have abundance of natural resources but Japan lacks natural resources as compared to these countries, but it is a developed country.

**Non-economic factors in economic development:** It refers to the social, cultural, political, and environmental elements that influence the development of an economy. These factors include education, healthcare, social infrastructure, political stability, governance, environmental sustainability, and social cohesion, which play significant roles in shaping economic progress and overall societal well-being.

**Institutional factors affecting development**

refer to the rules, regulations, policies, and governance structures that shape economic activities and outcomes. These factors include the quality of institutions, property rights, rule of law, corruption levels, regulatory frameworks, and ease of doing

business, which can significantly impact economic development and the investment climate.

**ROLE OF GOVERNMENT IN DEVELOPMENT**

The government plays a crucial role in development by formulating and implementing policies and programmes to promote economic growth. It also focuses on poverty alleviation, education, healthcare, and sustainable development to foster inclusive and sustainable growth.

**CHECK YOUR PROGRESS**

**Q. 1. Define the public sector.**

**Ans.** The public sector refers to the portion of an economy that is owned, controlled, and operated by the government. It comprises government organizations, agencies, and enterprises that are responsible for providing public goods and services to the society. These may include essential services like education, healthcare, transportation, defence, law enforcement, and infrastructure development. The public sector is funded through tax revenues and government investments, and its primary goal is to serve the public interest rather than generate profits.

**Q. 2. Write two characteristics of capitalism.**

**Ans.** Two key characteristics of capitalism are:

**1. Private Ownership:** Capitalism is based on the concept of private ownership of resources, means of production, and capital. Individuals and businesses have the right to own and control property, land, and businesses, allowing for economic decisions to be made by private individuals rather than the state.

**2. Market Economy:** Capitalism operates on the principles of supply and demand, with prices determined by market forces. The allocation of resources and production decisions are primarily guided by market competition and the pursuit of profit.

**Q. 3. Write two characteristics of socialism.**

**Ans.** Two key characteristics of socialism are:

**1. Public Ownership:** Socialism emphasizes public ownership or collective ownership of resources, means of production, and capital. The state or the community collectively owns and controls key industries, infrastructure, and resources, aiming to distribute wealth and resources more equitably among the population.

**2. Economic Planning:** Socialism involves central economic planning to guide production and distribution decisions. Instead of relying solely on market forces, the state or a central planning authority

determines resource allocation, sets production targets, and coordinates economic activities to achieve social welfare goals and address societal needs.

**Q. 4. Define the mixed economy.**

**Ans.** A mixed economy is an economic system that combines elements of both capitalism and socialism. In a mixed economy, there is a blend of private ownership and control of resources and businesses, along with government intervention and regulation. The government plays a role in providing public goods and services, ensuring social welfare, and addressing market failures. At the same time, private individuals and businesses have the freedom to engage in economic activities and make decisions based on market forces.

**Q. 5. State whether the following statements are true or false.**

- 1. In a capitalist economic system, the activities of a business firm are market determined.**
- 2. Market systems or market determined prices have no role to play in the working of a socialist economy.**
- 3. In a socialist system, workers are motivated to work hard.**
- 4. A mixed economy is characterized by the existence of both public and private institutions exercising economic controls.**
- 5. A mixed economy contains the good features of both socialism and capitalism.**

**Ans.** 1. True, 2. True, 3. False, 4. True, 5. True.

**Q. 6. Define economic development.**

**Ans.** Economic development refers to the sustained improvement in the standard of living, well-being, and overall economic conditions of a country or region over time. It encompasses various aspects, including increased production and productivity, technological advancements, poverty reduction, improved infrastructure, and access to education, healthcare, and other essential services. Economic development involves not only the growth of the economy but also the equitable distribution of wealth and opportunities among the population. It aims to enhance the quality of life for individuals, promote social progress, and create a conducive environment for sustainable economic growth. Economic development is often measured using indicators such as gross domestic product (GDP), income per capita, human development index (HDI), and various socio-economic metrics that reflect the well-being and progress of a society.

**Q. 7. Write any of the four characteristics of underdevelopment.**

**Ans.** Four characteristics of underdevelopment can be described in simple manner as follows:

- **Low standard of living:** Underdeveloped regions often have a low standard of living, with people struggling to meet their basic needs like food, housing, and healthcare. Poverty and a lack of access to resources contribute to a lower quality of life.
- **Limited infrastructure:** Underdeveloped areas often lack basic infrastructure such as roads, electricity, clean water, and sanitation systems.
- **High unemployment and poverty:** Underdevelopment is marked by high unemployment rates and widespread poverty. Many people are unable to find stable jobs or earn a sufficient income, perpetuating the cycle of poverty and inequality.
- **Dependence on agriculture:** Underdeveloped economies often rely heavily on agriculture as the main source of income and employment.

**Q. 8. What is the per capita income?**

**Ans.** Per capita income is a measure that calculates the average income earned per person in a specific geographic area, such as a country or region. It is derived by dividing the total income of the area by its population. Per capita income provides an indication of the economic well-being and average earning capacity of individuals within that area. It serves as a useful tool for comparing the relative prosperity and standard of living between different countries or regions. Higher per capita income generally implies greater economic development, higher disposable income, and improved access to goods and services. However, it is important to note that per capita income alone does not provide a comprehensive picture of economic conditions, as it does not consider income inequality or the distribution of wealth within a population.

**Q. 9. Write three indicators of the human development index.**

**Ans.** The Human Development Index (HDI) comprises several indicators that provide a comprehensive view of human development within an economy. The three key indicators of the HDI are as follows:

- **Life Expectancy at Birth:** This indicator reflects the average number of years a person is expected to live after birth. It highlights the overall health and well-being of the population