UNIT-5....INDIAN ECONOMY

SECTORAL TRENDS AND ISSUES

Q1. Discuss the role of agriculture in the Indian Economy?

Ans- The following are some of the important points which explain the role of agriculture in the economy of our country.

1. Contribution to national income- From the very beginning, agriculture is contributing a major portion to our national income. In 1950-51, agriculture and allied activities contributed about 59 per cent of the total national income. Although the share of agriculture has been declining gradually with the growth of other sectors but the share still remained very high as compared to that of the developed countries of the world.

2. Sources of livelihood- In India over two-thirds of our working population are engaged directly on agriculture and also similarly depend for their livelihood. According to an estimate, about 66 per cent of our working population are engaged in agriculture at present in comparison to that of 2 to 3 per cent in U.k and U.S.A., 6 per cent in France and 7 per cent in Australia.

3. Sources of foof supply- Agriculture is the only major sources of food supply as it is providing regular supply of food to such a huge size of population of our country. It has been estimated that about 60 per cent of household consumption is met by agricultural products. In recent years, India became more or less self-sufficient in respect of food supply although India had to face a serious shortfall in food production during the last three decades leading to import of foodgrains from foreign countries to the extent of 5 per cent of total requirements.

4. Role of agriculture for industrial development- Agriculture in India has been the major source of supply of raw materials to various, important industries of our country. Cotton and jute textiles, sugar vanaspati, edible oil plantation industries(viz, tea, coffee, rubber) and agro-based cottage industries are also regularly collecting their raw materials directly from agriculture.

5. Commercial importance- Indian agriculture is playing a very important role both in the internal and external trade of the our country. Agricultural products like tea, coffee, sugar, tobacco, spices, Cashew nuts etc. are the main items of our exports and constitute about 50 per cent of our total export. Besides manufactured jute, cotton textiles and sugar also contribute another 20 per cent of the total export of the country.

6. source of Government revenue- Agriculture is one of the major sources of revenue to both the central and state Government of the country. The Government is getting a substantial income from rising land revenue. Some other sectors like railway, roadways are also deriving a good part of their income from the movement of agricultural goods.

7. Role of agriculture in economic planning- The prospect of planning in India also depends much on agricultural sector. A good crop always provides impetus towards a planned economic development of the country by creating a better business climate for the transport system, manufacturing industries, internal trade etc. A good crop also brings a good amount of finance to the government for meeting its planned expenditure. Similarly, a bad crop lead to a total depression in business of the country, which ultimately lead to a failure of economic planning.

Q2. Write a note on agrarian growth and performance in different phase of policy regimes that is pre-green revolution and two phases of green revolution.

ANS- ***Agrarian growth during pre-green Revolution Phase:-***

During the pre-green revolution period, whatever growth in output was realised that was mostly due to growth or expansion in area under agriculture. But during the two phases of green revolution the growth in output was mostly resulted from improvement in agricultural productivity arising out of adoption of modern technique in cultivation process.

During the pre-green revolution period gross area under all crops increased from 122 million hectares in 1949-50 to 151 million hectares in 1964-65. Again gross area under all food grains increased from 99 million hectares in 1949-50 to 118 million hectares in 1964-65. Thus, during this pre-green revolution period, i.e. during 1951-65, additional area including marginal lands, follow lands, waste lands and forest lands were brought under cultivation.

Again, the agriculture productivity, i.e. the average yield per hectare for all food grains increased marginally during the pre-green revolution period from 5.5 quintals in 1949-50 to 7.6 quintals in 1964-65. During the same period total production of all food grains increased from 55 millions tonnes in 1949-50 to 89 million tonnes in 1964-65, which was mostly realised as a result of expansion of gross area under cultivation.

AGRARIAN GROWTH AND PERFORMANCE DURING THE TWO PHASES OF GREEN REVOLUTION:-

During the two phases of green revolution, the scenario of agrarian growth and the performances of agricultural sector were to some extent encouraging. However, in respect of growth in area, the performance was at the lowest level. Accordingly, the gross area under all foodgrains also increased from 33 million hectares in 1964-65 to 122.7 million hectares in 2018-19 showing aggregate growth of only 3.98 per cent. Similarly, the gross area under all foodgrains also increased from 33 million hectares in 1964-65 to 47.5 million hectares in 2018-19 showing an aggregate growth of only 43.9 per cent during the entire period of green revolution

But during the first phase of green revolution period, I,.e during 1965-95 area under all crops could not increase significally and the annual growth rate in area was quite minimum- all crops: 0.3 per cent, food grains: 1.2 per cent and non-food grains : 0.7 per cent.

After the introduction of modern agricultural technique along with the adoption of hybrid seeds, extension of irrigation facilities and application of intensive method of cultivation in India during the two phases of green revolution, yield per hectare of all crops recorded a steep rising trend.

During the two phase of green revolution, total production of foodgrains increased considerably from 89 million tonnes in 1964-65 to 184 million tonnes in 1993-94, i.,e during its first phase. And then the total production of foodgrains further increased to 218.1 million tonnes in 2009-10 and then to 281.4 million tonnes in 2018-19. During these two phase of green revolution period, the annual growth rate of foodgrains production was to the extent of 2.8 per cent. The major cereals like rice and wheat recorded a high growth rate of I,e. 3.5 and 4.0 per cent respectively during the pre-green revolution period (195—65) and again to the extent of 2.2 and 5.0 per cent respectively during the two phase of green revolution (1967-2019). But the growth rate in respect of production of coarse cereals and pulses remained quite marginal.

Q3. What are the causes/factors influencing law agricultural productivity?

Ans- Factors which are responsible for this backwardness or low agricultural productivity in Indian agriculture can be conveniently grouped under three board headings: (a) general factors, (b) Institutional Factors, and (c) Technological Factors.

General Factors

1. Socio-economic factors- Various socio-economic factor like farmers conservative outlook ignorance, illiteracy, superstitons etc. stand in the way of adoptions of modern technology in Indian agriculture. Unless this discouraging rural atmosphere is changed, it is not at all possible too modernise and improve the condition of agriculture in this country.

2. Lack of productive investment- There is near absence of productive investment in Indian agriculture as the investment in land is found less attractive than the alternative investment in jewellery. Trade and money lending.

3. Inadequate marketing system- The marketing system of agricultural products in India is totally defective and inadequate. In the absence of proper marketing and storage facilities, farmers are deprived of due prices of their agricultural products and have to go for even distress sale after harvests at a very low price.

Institutional Factors

The following are some of the Institutional factors which are equally responsible for the backwardness of Indian agriculture:

1. Small size of holdings- The average size of agricultural holdings in India is very small and uneconomic and it is even less than 2 hectares of 5 acres. Besides, the agricultural holdings in India are fragmented too. With such uneconomic and fragmented holdings, no scientific cultivation with improval implements, seeds etc is ever possible, small size of holdings leads to waste of time, labour, capital and cattle power, improper utilization of irrigation facilities, quarrels, litigation etc. All these have resulted low yield in Indian agriculture.

2. Defective pattern of land tenure- Land tenure system in India is totally defective and it is standing in the way of its agricultural development. Even after the abolition of zamindari system and enactment of tenancy legislation, the position of tenants is still far from satisfactory. The cultivator has to pay high rent to the landlords and are subject to frequent ejectment by the landlord. All these have led to lack of incentive and confidence on the part of cultivators to make provision for any permanent development on their land.

Technological factors

The following technological factors are also responsible for low agricultural productivity in Indian agriculture:

1. Traditional methods of cultivation- The farmers in India have been adopting orthodox and inefficient method and technique of cultivation. As they are traditioned bound and poor thus they could not adopt modern efficient methods adopted by western countries of the world. These farmers were relying on centuries old wooden plough and other implements.

2 lack of high yielding seeds- Indian farmers are still applying seeds of indifferent quality. They have no sufficient financial ability to purchase good quality high yielding seeds. The supply of high yielding seeds is also minimum in the country. Thus the farmers are mostly applying traditional variety of seeds whose average yield is just half of the yield of improved high yielding variety.

3. Lack of agricultural research – Agricultural research in India is still very poor in comparison to its requirements. Whatever research is being conducted, its result is not even made available to the farmers fully for its application. Thus many chronic problems of agricultural operation faced by the farmer still remain largely unattended.

Q4. What are the remedial measures to raise agricultural productivity in India?

Ans- Backwardness of the agricultural sector and the low agricultural productivity are the two serious problems of the Indian economy. For improving the lot of agricultural sector and for raising agricultural sector and for raising agricultural productivity in India the following measures should be taken:

1. Consolidation of holdings- Consolidation of holdings is a first step towards the modernisation of Indian agricultural and this should be done immediately by enacting proper legislation required in this regard. Uneconomic small farms should be properly consolidated and small fragmented holdings should also be consolidated by forming' co-operatives and co-operative farming societies.

2. Overcoming natural factors- Proper steps should be undertaken to overcome various problems of agriculture resulted from natural factors. All these steps include extensive flood control measures creation of adequate irrigation facilities and supplying adequate quantity of pesticides and insecticides.

3. Application of modern techniques- Indian farmers must apply modern techniques of cultivation by utilising modern implements, applying adequate quantity of fertilisers, using high yielding variety of seeds, by adopting scientific rotation of crops and careful crop planning. Agricultural research should be carefully intensified and fruits of research should be made available to the Indian farmers.

4. Human development- For the improvement of agricultural productivity in India, the quality of farmers should be improved and they should be imparted with adequate general and technical education. Adequate public health measures should also be undertaken in the rural areas. Farmers should shed off their fatalism and adopt themselves with changing ideas.

Q5. Explain the role of technology in the development of agriculture?

Ans- The following are the some of the important role of technology:-

1. Quicker Development:- The new technology has been playing an important role for attaining quicker development in the agricultural sector. In India, the adoption of new intensive approach is the only way to make a breakthrough in the agricultural sector within the shortest possible time.

2.Productivity:- The new technology has been playing an important role in raising agricultural productivity of different crops, i.e., yield per hectare . In India , the adoption of new technology has become successful in raising agricultural productivity considerably, especially of food grains and potato.

3. Raising production:- The new technology has also been playing an important role in raising agricultural production of the country. Due to the adoption of new technology, the volume of agricultural production in India has recorded manifold increase.

4. Meeting food crisis:- The new technology has also been playing an important role in meeting the growing food requirement from the growing food size of population resulting food crisis.

5. Increasing employment opportunities:- Adoption of new technology has an important role in raising employment opportunities. Accordingly, the adoption of new agricultural strategy has led to considerable expansion of agricultural employment in the country as the demand for hired workers required for farm activities increased significantly.

6. Strengthening the forward and backward linkages:- The new technology has been playing an important role in strengthening the forward and backward linkages of agriculture. Although traditional linkages between agriculture and industry were existing since a long back but the adoption of new technology through green revolution has strengthened those linkages. Forward linkages are now being strengthened as agriculture is supplying increasing volume of inputs or raw materials to agro based industries.

7. Market oriented:- introduction of new technology in agriculture has also been playing an important role in transforming the farmers much more market oriented both in selling their output and also for getting their inputs.

8. Change in attitudes:- Green revolution has contributed favourably to change the attitudes of farmers in India. Due to the adoption of new technology, agricultural operations has enhanced its status from subsistence activity to commercial farming and thus playing an important role in changing the attitudes of farmers towards positive direction.

Q6. Discuss the role of institutions in the development of agriculture in India ?

Ans- Social and economic institutions are playing an important role towards development of agricultural sector of the country. These institutions usually determine attitudes, motivations and conditions for development of agricultural sector. If institutions of a country are elastic and encourage rural people to avail economic opportunities and assist people in modernising their farming activities, also inspire and encourage them to work hard for raising productivity and output in agricultural activities, and also to attain higher standard of living then only economic development of the rural sector of the country would take place. Thus, right kind of institutions like NGOs, SHGs etc and growth promoting institutions are pre-requisite for attaining rapid development of agricultural sector of the country.

It is observed that in India, various social institutions like caste system, joint family system, law of inheritance, child marriage, veil system, religious system and tendencies had adversely influenced the economic development process of the country considerably, especially in the rural sector. Such institutions obstructed the path of attaining the rapid speed of development of modern technical knowledge and its adoption in farming activities. In fact, use of modern technology is still very much limited and in the farm sector developed agricultural machines, cost saving inputs, qualitative seeds and chemical fertilisers, organic pesticides etc. are used still in very limited quantity. Movement of labourers and their efficiency have been restricted by the prevalence of caste system and joint family system.

Considering the importance of institutions in developing agricultural sector, attempt has now been made to establish a positive relationship between agriculture and industry for supplying agro-raw materials to industry. Moreover, attempt has been made to institutionalise agricultural credit by raising the share of scheduled commercial banks, co-operative banks and RRBs in agricultural credit of the country.

Q7. What is the price policy of the Government ?

Ans- Price policy of the government for agricultural produce seeks to ensure remunerative prices to growers for their produce in order to encourage higher investment and production and also for safe guarding the interests of consumers by making available food supplies at reasonable prices. The price policy of the country also seeks to evolve a balanced and integrated price structure in keeping with the overall needs of the economy.

Q8. What are the main features and effects of agricultural price policy ?

Ans- Following are the some of the important features of agricultural policy of India since independence:-

1. Setting up Institutions:- The government of India has set up some institutions for the implementations of agricultural price policy in the country. Accordingly, the agricultural price commission was set up in 1965 which announced the minimum support prices and procurement prices for the agricultural products.

2. FCI:- The food corporation of India was setup in 1965 for making necessary procurement storage and distribution of food grains . In 1989-90, total capital employed in FCI was to extent of 5138 crore with its total storage capacity at 18 million tonnes.

3. Minimum support price:- The government fixes the minimum support prices of agricultural products like wheat, rice, maize, cotton, sugarcane, pulses etc regularly for safeguarding the interest of farmers. The FCI also make their purchases of food grains at the procurement prices so as to maintain a rational price of food grains in the interest of farmers.

4. Protecting the consumers:- in order to safeguard the interest of the consumers. The agricultural policy has made provision for buffer stock of food grains for its distribution among the consumers through public distribution system.

5. Fixation of Maximum prices:- in order to have a control over the prices of essential commodities the government usually determines the maximum price of agricultural products so as to protect the general people from exorbitant rise in prices.

EFFECTS OF AGRICULTURAL POLICY:-

1. Incentive to increase Production:- Agriculture price policy has been providing necessary incentive to the farmers for raising their agricultural output through modernisation of the sector. The minimum support price should be determined effectively by the government which will safeguard the interest of the farmers.

2.Increase in the level of income of Farmers:- The agriculture policy has provided necessary benefit to the farmers by providing necessary encouragement and incentives to raise their output and also by supporting its prices. All these have resulted in an increase in the level of income of farmers as well as their living standards.

3. Change in cropping pattern:- The agriculture price policy has resulted in a considerable change in cropping pattern of Indian Agriculture. The production of wheat rice has increased considerably through the adoption of modern techniques by getting necessary support from the governments.

4. Benefits to consumers:- The policy has also resulted in considerable benefit to the consumer by supplying the essential agricultural commodities at reasonable price regularly.

5. Benefit to Industries:- By establishing the prices of agricultural commodities , the policy has made provision for adequate quantity of raw materials for the agro industries of the country at reasonable price.

Q9. Write short notes on the following:-

1. Public Distribution System:- The network of Public Distribution System **[PDS]** was introduced to supply essential commodities at the subsidised rates and it was considered as an essential element of Government’s safety net to the poor. Since 1943 (after Bengal famine), the system of rationing for equitable distribution of foodgrains was introduced in India. At the time of independence about 45 million people were brought under statutory rationing and another 90 million people were also brought under other forms of public food distribution. After independence, the government of India decided to extend the system of rationing and accordingly a public distribution system was gradually designed to meet the basic food requirements of all consumers. In order to distribute essential food items, “Fair price Shops” were opened in all states.

2. Food Security in India:- The concept of food security indicates access of food to all people of the country at all times. World Development Report (1986) defined food security as “access by all people at all times to enough food for an active, healthy life.” Moreover, food and agriculture organisation (FAQ, 1983) defined food security in India in terms of “ ensuring that all people at all times have both physical and economic access to basic food they need.” Thus by the term ‘Food Security’ we mean establishing a food system which provides access to a timely, reliable and nutritionally adequate food supply.

Thus food security involves 1.Physical availability of food to entire population, 2. Enough purchasing power in the hands of the people to buy food, 3. Maintain adequate quality and quantity of food to meet nutritional requirements and 4. Maintaining timely , reliable and nutritionally adequate supply of food on long term basis

Q10. What are the importance and role of industries in economic development of India ?

Ans- Following are some of the important role of industries in economic development:-

1. Utilisation of Natural Resources:- Utilisation of huge volume of natural resources has become possible with the development of these various types of organised and unorganised industries in the country. The country is still possessing a huge volume of various types of mineral, forest and agro-based resources which are mostly remained utilised or under utilised

2. Balanced sectoral Development:- From the very beginning, Indian economy has been depending too much on agriculture as major portion of the total population and capital are engaged are in agriculture, which is again mostly influenced by some uncertain factors. Floods and droughts are of common occurrence in the country leading to a failure of crops in some or other areas of the country regularly. Thus, Indian economy has been facing unbalanced sectoral development.

3. Enhanced capital formation:- With the growing industrialisation of the economy, the volume and rate of capital formation in the country are gradually being enhanced due to increase in the level of income and saving capacity of the people in general. Moreover, increasing volume of investment industries has led to enhancement in the rate of capital formation in the country.

4. Increase in National Income:- Organised and unorganised industries are jointly contributing a good portion (i.e., around 28.4% in 2018-19) of the total national income of the country . moreover as a result of industrialisation the level of national income and per capita income of the country also increases at a satisfactory rate.

5. Increase in Job Opportunities:- Development of industrial sector would increase the job opportunities for a huge number of population o fthe country. Setting up new industrial units can create job opportunities for millions of unemployed persons and thereby can lessen the burden of unemployment problems.

6. Lesser pressure on land:- Agricultural sector of the country is bearing the excessive pressure of population. About 66% of the total working population of the country is depending on agriculture for its livelihood. Due to such excessive pressure of population, the agricultural sector remains backward.

7. Supplementing Export:- Development of organised industry like tea, jute, engineering along with handicrafts industry are supplementing a good volume of export requirement of the country. By producing low cost product, the industrial sector can diversify the market of their products in different countries and there by can promote foreign trade.

8. Attaining economic stability:- Too much dependence on agriculture makes the Indian economy unstable one as it is very much prone to natural calamities like flood and drought. Indian agriculture is also dominated by natural factors leading the economy towards uncertainty.

9. Accumulation of Wealth:- Development of industries helps the country to accumulate higher volume of wealth for the welfare of the nations as per the per capita output in industry is much more higher than that of agriculture. Moreover, the development of industries assist the economy to develop its trading activities, transport, communication, banking, insurance and other infrastructural facilities.

10. Development of Markets:- Development of different industries has led to the development of markets for various raw materials and finished products in the country. Moreover, the production of low cost or cheaper products has diversified the market extensively.

Q11. Explain the different phases of industrializations and its growth in India ?

Ans- The first phase of industrial growth broadly consist of first three plan periods which had build a strong industrial base in India. During this phase, huge investments were made in major industries like iron and steel, heavy engineering and machine building industries.

Pattern of Industrial Growth- Another important fact that can be seen is that the capital goods industries had registered its annual average compound growth rate from 9.8 per cent during the first plan to 19.6 per cent during the third plan. Again the annual rate of growth of basic industries had also increased from 4.7 per cent in the first plan to 12.1 per cent in the second plan and these stood at 10.4 per cent in the third plan. Thus, a strong industrial base was laid in India during the first phase covering the first three plan period

Second phase(1965-80): Declaration and retrogression

The second phase of industrial growth broadly covers the period of three ad-hoc annual plans Fourth plan and fifth plan. It can be seen from table 11.3 that a sharp deceleration in the industrial growth rate was recorded during the period 1965 to 1980. The annual compound growth rate in industrial production sharply declined from 9.0 per cent during the third plan to only 4.1 per ceent during the entire period covering 1965 to 1976. It is intersecting to note here that in

1976-77, the annual rate of growth of industrial output during the fifth plan period was 6.1 per cent which was comparatively much lower than that of second and third plan. What is more worse is that in 1979-80, i.,e the last year in Phase-II a negative annual growth rate of (-) 1.6 per cent was recorded in respect of industrial output as thee index of industrial production in this year (Base 1970 = 100) has declined to 14.2 as compared to 150.7 in 1978-79.

Third Phase : industrial Recovery in 1980s (1981 to 1991)

Third Phase of industrial growth in India covers the entire period of 1980s consisting of both the sixth and seven plan. During this entire decade of 1980, the country ecperienced industrial recovery.

During this phase, the consumer durables industries had recorded a considerable growth in its output. Table 10.4 shows that the annual average rate of these consumer durables was 14.4 per cent during 1981-85, I,e during the sixth plan and then the same rate further increased to 16.9 per cent during 1981-85, i.e., during the four years of seventh plan. In 1981-90, there was a setback as the segment recorded only 1.7 per cent growth rate and then the same rate again shot up to 14.8 per cent in 1990-91.

Q12. Write a note on changes in Industrial pattern during the plan period and across alternative policy regimes?

Ans- During more than last foru decades of planning, industrial pattern in India had undergone a precepitible change. Following are some of these changes:

1. development of Infrastructure- Infrastructure development is extremely essential for attaining a sound industrial development. Thus, in the initial part of planning in the country, serious efforts were made for building basic infrastructure facilities like power, transport and communication alongwith the development of heavy engineering industries.

2. Development of heavy and capital goods industries- Since the second plan onwards, the government put much emphasis on the development of heavy machine building industries and capital goods industries with the sole intention to strengthen the industrial base of the country.

3. Enhanced sectoral contribution of the industrial sector in GDP- During the plan period, the sectoral contribution of industries sector has gradually increased. Accordingly, the share of industries expanded at a faster rate leading to the significant increase in the production of consumer durables.

4.Rapid Expansion of consumer durables industry in the 1980s- Due to the pursuance of the policy of liberalisation by the government during 1980s the consumer durables industries expanded faster rate leading to the significant increase in the production of consumer durables.

5. Increasing stress on chemical, petro-chemicals and allied industries in the 1980s- Another notable in industrial pattern during the 1980s was the rapid expansion of chemical, petro-chemicals and allied industries. During the 1980s, the annual average growth rate of chemical and chemical products industries was nearly 11.2 per cent

6. Massive expansion of public sector- Another perceptible change in the pattern of industrialisation in the country was the massive expansion of public sector, during the post-independence period. During the planning era, the total number of public sector units had increased from only 5 in 1951 to 241 in 1995 and the total amount of capital invested, also increased considerably from a mere ₹0.29 crore to ₹1,59,307 crore during the same period.

Q13. Write a detailed note on New Industrial Policy of India 1991?

Ans- The congress (I) led Narasimha Rao government has announced its new industrial policy on July 24, 1991. In line with the liberalisation move introduced during the 1980s, the new policy radically liberalised the industrial policy itself and de-regulates the industrial sector substantially.

To fulfil these objectives, the government introduced a series of initiatives in the new industrial policy in the following ares:-

1. Abolition of Industrial Licensing:- In order to liberalise the economy and to bring transparency in the policy, the new industrial policy has abolished the system of industrial licensing for all industrial undertaking, irrespective of level of investment, except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental concerns and items of elitist consumption.

2.Policy regarding Public Sector:- Inspite of its huge investment, the public sector enterprises could yield a very low rate of return on capital invested. A good number of public sector enterprises are incurring huge amount of loss regularly. Thus, in order to face the situation, the government should restructure the potentially viable units.

3. MRTP limit:- As per the MRTP act any firm with assets over a certain size (₹100 crore since 1985) was classified as MRTP firms and such firms was allowed to start only selected industries on a case by case approval. But the government now felt that this MRTP limit has become deleterious in its effects on the industrial growth of the country.

4. Foreign investment and Foreign technology:- From the very beginning, foreign investment in India was regulated by the government. Thus, for any foreign investment or foreign technology agreements, prior approval of the government was necessary. All these were resulting in unnecessary delays and thus hampered the decision making in business.

5. Location policy liberalised:- The new policy mentioned that in location other than cities of more than 1 million population, no industrial approvals from the centre will be required except for industries subject to compulsory licensing. In cities more than 1 million population, industries other than those of non-polluting in nature, will be located outside 25kms of its periphery.

6.Abolition of phased manufacturing programmes:- Phased manufacturing programme was enforced in order to increase the pace of indigenisation. The new policy has totally abolished such programmes as the government feels due to substantial reforms of trade policy and devaluation of rupee there is no need to enforce such programmes.

7. Removal of mandatory convertibility clause:- From the very beginning a large part of industrial investment was financed by loans from banks and financial institutions who have followed a mandatory convertibility clause in their lending operations for new industrial projects.

Q14. Discuss the role of public sector in the Indian economy ?

Ans- The following are some of the positive roles played

1. Public sector and income:- Public sector in India has been playing a definite positive role in generating income in the economy. The share of public sector in net domestic product (NDP) at current prices has increased from 7.5 % in 1950-51 to 21.7 % in 2003-04.

2. Public sector and capital information:- Public sector has been playing an important role in the gross domestic capital information of the country. The share of public sector in gross domestic capital formation has increased from 3.5 percent during the first plan to 9.2 percent during the eighth plan. The comparative shares of public sector in the gross capital formation of the country also recorded a change from 33.67 percent during the first plan to 50 percent during the sixth plan and then declined to 21.9 per cent in 2005-06.

3. Public sector and employment:- Public sector is playing an important role in generating employment in the country. Public sector employments are of two categories i.e.. (a) Public sector employment in government administration, defence and other government services and (b) employment in public sector economic enterprises of both centre, state and local bodies.

4. Public sector and infrastructure:- without the development of infrastructural facilities, economic development is impossible. Public sector investment on infrastructure sector like power, transportation, communication, basic and heavy industries, irrigation, education, technical training etc.

5. Strong industrial base:- Another important role of the public sector is that it has successfully build the strong industrial base in the country. The industrial base of the economy is now considerably strengthened with the development of public sector industries in various fields like iron and steel, coal and heavy engineering, heavy electrical machinery, petroleum and natural gas.

6. Export promotion and import substitution:- Public sector enterprise have been contributing a lot for the promotion of India's exports. The foreign exchange earning of the public enterprises rose from ₹35 crore in 1965-66 to ₹5,831 crore in 1984-85 and then to ₹34,893 crore in 2003-04. Thus the export performance in India is quite satisfactory.

7. Contribution to central Exchequer:- The public sector enterprises are contributing a good amount of resources to the central exchequer regularly in the form of dividend, excise duty, custom duty, corporation taxes etc. during the sixth plan the contribution of public enterprises to the central exchequer was to the tune of ₹27,570 crore.

8. Checking concentration of income and wealth:- Expansion of public sector enterprises in India has been successfully checking the concentration of economic power into the hands of a few and thus are redressing the problems of inadequate of income and wealth of the economy.

Q15. Discuss the performance of public sector undertaking in India ?

Ans- Following are the performance of public sector undertaking in India:-

1. Employment generation:- In the various five year plans although we have invested around 60 per cent of our total planned resources on the development of public sector but this sector generated employment only to the extent of only 181.97 lakh till 2004. But the total employee strength of central public sector enterprises (CPSEs) has been coming down from 20 lakh in 2001-02 to 16.14 lakh in 2006-07 and then to 15.7 lakh in 2007-08.

2. Contributon to NDP:- Inspite of huge investment the public sector enterprises contributed a little portion of the net domestic product of the country. Although the average rate of growth of investment in the public enterprise remained very high i.e. 16% to 21%.

3.Contribution to Gross domestic capital formation:- The share of public sector enterprises in gross domestic capital formation has also increased at a very slow rate,.i.e. from 3.5% during the first plan to only 10.7% during seventh plan period.

4.Foreign exchange earnings:- The foreign exchange earning of the public sector enterprises has gradually increased from ₹35 crore in 1965-66 to ₹170 crore in 1969-70 and then to ₹10,345 crore in 1992-93. But in physical terms the rate of growth of this earnings would be much less.

5. Contribution to Government Exchequer:- The contribution of the public sector enterprises towards government exchequer through dividend, corporate tax, excise duties, custom duties and other has increased from ₹7,985 crore during the fourth plan to ₹85,445 crore during the tenth plan. But a good portion of this contribution has been done at the cost of increased tax burden on the people of the country.

6. Profitability:- In respect of profitability, the public sector enterprises are showing a dismal picture. Although some public sector enterprises are earning a good amount of profit but a good number of other public enterprises are incurring a high loss leading to a fall in the amount of overall net profit earned by the public sector enterprises in general.

Q16. Discuss the major problems of the Public Sector Enterprises in India ?

Ans- Following are some of the major problems of Public Sector Enterprises in India:-

1. Endowment constraints:- Some of the public sector enterprises, particularly some of the loss incurring enterprises are suffering from endowment constraints as the selection of sites of these enterprises were done on political considerations rather than on rational considerations.

2. Under-utilisation of capacity:- Under-utilisation of the production capacities are one of the common constraints from which almost all public sector enterprises are suffering. In 1986-87, out of the 175 public sector units 90 units had been able to utilise over 75 per cent of its capacities, 56 units achieved utilisation of capacities between 50 and 75 per cent and the rest 29 units could somehow managed to utilise under 50 per cent of its capacities.

3. Absence of Rational Pricing:- Public sector enterprises in India are suffering from absence of rational pricing as the prices of their products are determined by such a price policy which has three considerations like (a) profit as the basis of price fixation, (b) no-profit basis of public utility approach and (c) Import-parity price

4. Technological gap:- Some of the public sector enterprises in India are suffering from technological gap as these enterprises could not adopt up-to-date technologies in their production system leading to high unit cost and lower yield. Enterprises like I.I.S.C.O., E.C.I., etc are still suffering from tis constraint.

5. Government Interference:- Much government interference in the day to day activities of the public sector enterprises has reduced the degree of the autonomy of the management in respect of employment, pricing, purchase etc.

6. Heavy social cost:- Public sector enterprises are suffering from heavy social costs such as outlays on townships and allied provision of amenities to its employees.

7. Operational and Managerial inadequacies:- The public sector enterprises in India are also suffering from operational and managerial inadequacies and inefficiencies leading to huge wastages and leakages of funds in their day-to-day activities.

8. Evil competition and sabotage:- Between the public sector and private sector units within the same-industry sometimes there exists evil competition which leads to sabotaging of public sector units at a large-scale.

Q17. What are the role of small scale and cottage or MSME industries in India ?

Ans- Following are some of the important role played by small scale and cottage industries in India:

1.Number of units- Total number of registered small scale units has been increasing rapidly

From 16,000 in 1950 to 36,000 in 1961 and to 8.53 lakh units in 1985-86 and then finally to 20.32 lakh in 2006-2007. Moreover, there were about 108.12 lakh unregistered small scale units in India. In 2006-2007 the total number of small scale units further increased to 128.4 lakh. But as per the census of SSI units 1987-88 about 30 to 40 per cent of these registered units might be non-functional.

2. Employment generation- Small scale industries or MSME are labour intensive and thus are generating a huge number of employment opportunities. Total employment generated by these small scale industries has increased from 39.7 lakh to 96.0 lakh in 1985-86. Estimated employment of small scale sector has again increased from 129.8 lakh in 1991-92 to 312.5 lakh in 2006-2007 showing an increase of about 4.2 per cent over the previous year

3. Investment- Investment in the small scale has been increasing at a faster rate. As per the statistics made available by SIDO, total amount of investment in the small units of India has increased significantly from ₹ 2,233 crore in 1972-73 to ₹4,431 crore in 1978-79 and then to ₹ 9,585 crore in 1986-86. Thus, the investment has increased by ₹116 per cent during the last 7 years.

4. Output- Total production of the small scale units has increased from ₹ 7,200 crore in 1973-74 to ₹ 57,100 crore in 1986-86. The value of output of SSI sector in 2006-2007 is estimated at ₹4,71,663 crore showing an increase of 12.6 per cent over the output of ₹4,18,884 crore in 2005-06.

5. Contribution to Exports- The contribution of SSI sector towards export has been increasing at a faster rate. The value of exports of the products produced by the small scale sector has increased from ₹393 crore in 1973-74 to ₹9,11 crore in 1990-91 and then to ₹1,50,242 crore in 2005-2006. Again in dollar term, the value of exports from SSI sector has also increased from $ 8.87 billion in 1993-94 to $ 13.13 billion in 2000-01.

6. Equitable distribution of income- Small scale and cottage industries has been resulting a more equitable distribution of national income and wealth. This is mainly due to the fact that the ownership of small scale industries is quite widespread as compared to larger scale industries and small sector is having a higher employment potential than that of scale sector

7. Mobilisation of capital and entrepreneurial skill- Small scale industries can mobilise a good amount of savings and entrepreneurial skill from rural and semi-urban areas remained untouched from the clutches of large scale sector. Thus a huge amount of latent resources are being mobilise by the SSI sector for the industrial development of the country.

8. Better industrial relations- Small scale industries are playing an important role in dispersing the industrial units of the country in the various parts of the country. As the larger scale industries are mostly located in some states like Maharashtra, west Bengal, Gujarat, Tamil Nadu, thus dispersal of SSI units throughout the country can achieve a balanced pattern of industrial development in the country.

Q18. What are the forms of foreign capital? What are the role/need for foreign capital?

Ans- The foreign capital may be obtained by way of three forms, i.e., loans, grants and foreign investment.

1. Loans- Loans are available in the form of (a) inter-Government loans available from different developed countries and (b) Loans from foundation or international institutions like IBRD, IMF etc.

2. Grants- Grants do not have any repayment obligations and are mostly available in the country through various foundations and international institutions

3. Foreign Investment- Foreign investment is generally entering as a private foreign participation in certain development sector in the form of (a) direct entrepreneurial investment and (b) foreign collaboration. The main advantages of this component is that foreign investors bring with them the machines, capital goods and technical expertise etc.

Foreign capital is considered as an important element path of developmental process of the underdeveloped country like India. Following are the needs of foreign capital for a developing country like India:

1. *Scarcity of resources-* In view of the scarcity of capital resources due to inadequate capital formation in the country, he foreign capital is urgently needed to support various investment projects.

2. *Technological Gap-* Considering the gap in technological knowledge prevailing in an underdeveloped country like India, the foreign capital is badly needed to update the traditional technology of production for attaining international competitiveness.

3. *Initial risk-* Underdeveloped countries are facing the lack of flow of domestic capital at the initial stage of a project due to lack of experience and expertise and high initial risk . The foreign capital undertaking the initial risk of investment can augment the flow of domestic capital to the desired direction.

4. *Building Infrastructure*- developmental programmes of the underdeveloped country depend much on building infrastructural facilities which require huge investment. Foreign capital can provide necessary support towards building such infrastructural facilities in the country.

5. *Associated assistance*- Foreign capital brings with it other factors like technical knowledge R&D facilities, business experience etc. which are considered equally important for economic development.

6. *BOP support*- In order to meet the balance of payment crisis arising from the huge import requirements for importing capital goods, and other maintenance imports in the initial part of developmental process of a developing country like India, the flow of foreign capital can offer a temporary solution to the problem.

Q19. Explain the structure of financial markets in India?

Ans- Given at last ……………………………………………

Q20. Explain the role of FDI?

Ans-   FDI is thus playing an important role in a developing country like India. The following are some of its important role.

1. Economic development- FDI is playing an important role towards attainment of economic development in a developing country like India. In a capital deficient country, FDI paves the way for attaining economic development of the country by providing necessary capital resources technology and expertise.

2.Investible resources- FDI can play an important role in providing adequate investible resources in a capital deficient country like India. With the growing flow if investible resources through FDI, a country can increase the pace of development of its economy.

3. FDI and economic growth- FDI can also play an important role in raising the overall rate of growth of the economy. By raising the growth of productive sectors, FDI can raise the overall growth rate, i.e., through increasing total factor productivity and raising efficiency in resource use.

4.International trade integration- FDI can play an important role towards international trade integration and thereby can enhance the base and quantum of international trade of the country

5.Business environment- FDI is also playing an important in promoting more competitive business environment throughout the country and thereby can enhance the business efficiency.

6. Enterprise development- FDI has also been playing an specific role towards enhancing the enterprise development throughout the country and thereby can brings dynamism among the effective business enterprise.

Q21. Write a detailed note on capital account convertibility?

Ans- The term ` convertibility of a currency' indicates that it can be freely converted into any other currency. Convertibility can also be identified as the removal of quantitative restrictions on trade and payment on current account. Convertibility establishes a system where the market place determines the rate of exchange through free interplay of demand and supply forces.

Capital account convertibility in India can be introduced in stages by gradually widening access to resident Indians to external financial markets. In the light of historical experience, the general view is that opening up of the capital account should occur late in the sequencing of stabilisation and structural reforms.

Capital account convertibility is likely to be sustainable only if it is supported by credible macro economic policies listing reduction in fiscal deficit, modernisation in inflation and flexible financial system which can adapt to changing situations as some of the essential pre-conditions for capital account convertibility.

Tarapore committee's Report on capital Account Convertibility (CAC)

The Reserve Bank of India appointed Tarapore committee on Capital Account Convertibility(CAS) headed by former Deputy Governor, Mr S.S. tarapore to recommend the problem of implementation of capital account convertibility in India. Accordingly, the tarapore committee submitted its report on june 3, 1997 and thereby recommended implementations of CAC by 1999-2000 in three annual phases starting from 1997-98. The Tarapore committee provides a comprehensive package to lead India on the road to convertibility by the beginning of the next millennium and integrate and globalize the Indian foreign exchange market with the world economy.

Q22. Write a note on Macro Economic stabilisation policies and its adaption in India?

Ans- Macro Economic stabilisation is a condition in which a complex framework of monetary and fiscal institution and policies is established for reducing volatility and encourage welfare enhancing growth. Thus, the government has a very important stabilisation function which simply indicates the role of government in manipulating fiscal and monetary policies for the purpose of maintaining a high and even level of economic activity. Thus function is one of the three economic functions of government in a market economy identified by among others, R.A Musgrave.

Typical Stabilisation Policies:-

Typical stabilisation policies include

1. Balance of payments deficit reduction through currency devaluation and other adjustments.

2. Controlling inflation through monetary and fiscal measures.

3. Budget deficit reduction through higher taxes and lower government spending i.e.. by austerity

4. Restructuring foreign debts

5. Monetary policy to finance government deficit

Since, 1990-91. India has to face serious economic crisis in the form of high inflationary, situation, growing fiscal deficit and balance of payments problems

Controlling Inflation:- As India was experiencing double-digit inflation since 1990-91, thus the government and the RBI introduced monetary and fiscal measures on the one hand and also made attempt to improve output and supply position on the other, in order to control this inflationary situation.

Making Fiscal Adjustment:- Making fiscal adjustment is considered very important in order to deal with the twin problems of high domestic inflation and growing deficit in the balance of payments. India experienced high rate of fiscal deficit of the government (both centre, states and U.T) to the extent of less than 7 per cent of GDP at the beginning of 1970s about 9 per cent of GDP by the beginning of the 1980s and thus reached a high level of 11 percent og GDP in 1990-91 and 7.4 percent of GDP in 1993-94.

Making Balance of payment adjustment:- As the balance of payments situation of India was precarious in 1990-91 thus the foreign exchange reserves had gone down to meagre $ 202 billion in March 1991. The current account deficit in balance of payment was 3.2 percent of GDP in 1990-91. The government followed the policy bof import compression and export formation to tide over the crisis. Thus, the policies relevant to the balance of payments were followed by the government which were guided by both stabilisation and structural reform considerations.

Q23. Write a note on structural adjustment programme and its adoption in India ?

Ans- Historical Adjustment policies emerged from two of the bretton woods institutions, the IMF and the World Bank. They emerged from the conditionality that IMF and World Bank have been attaching to their loans since the early 1950s. Initially, this conditions primarily focused on a country's macro-economic policy.

Thus, structural adjustment programmes mostly consisted of loans provided by the IMF and World Bank to those countries which experienced economic crisis. This two bretton wood institutions feels that borrowing countries need to implement certain policies in order to obtain new loans (or lower interest rates on existing ones).

Structural adjustment policies, as they are known in present times, originated mostly due to a series of global economic disasters experienced during the late 1970s, i.e. the oil crisis, debt crisis, multiple economic depression, and stagflation.

Long Term Adjustment Policies:-

Long term adjustment policies to be followed in this context usually include:-

1. Liberalisation of market to guarantee a price mechanism.

2. Privatisation of divestiture, of all or part or state owned enterprise.

3. Creating new financial institutions.

4. Improving governance and fighting corruption.

5. Enhancing rights of foreign investors.

Thus, structural adjustment programmes (SAPs) have considerable importance for facing those economic crisis faced by a country. While the main focus of SAPs has been continued to be the balancing of external debts and trade deficits, the reason for those debts have undergone a transition.

Q24. Write a detail note on structural changes and performance of India's foreign trade ?

Ans- Since, 1991, a lot of structural changes were made by the government in the foreign trade policy of the country. As a part of some of these structural changes, some liberalisations measures were undertaken in order to make exports much more competitive in the international market. Moreover, some other measures were also undertaken under the pressure of the international agencies, in order to be a part of the stabilisation and structural adjustment programme. During the pre-reform period also some minor structural changes were also made in the foreign trade policy of the country. As a result of all these structural changes, the composition and direction of both exports and imports have experienced considerable changes. At the time of independence, the export basket of the country was mostly consisting of jute, tea and cotton textiles, which contributed to 60 percent of total earnings of the country.

Composition of foreign Trade in India.

The composition of foreign trade is an important indicator of the pattern of trade developed by country. By the term composition of trade we mean the structural analysis involving the various types and the volume of various items of exports and imports of the country. The composition of foreign trade of a country reflects on the diversification and specialisation attained in its productive structure along with its rate of progress and structural changes. The country exporting more of primary products, viz., raw materials and importing finished manufacturing goods and capital goods can be branded as an underdeveloped country.

Composition of imports in India

Just at the dawn of independence, the import basket of India was mostly consisting of grains, pulses, oils, machineries, hardwares, chemical, drugs, dyes, yarns, paper, non-ferrous metals, vehicles etc.

With the introduction of planning and with its emphasis on the development of basic, capital goods and engineering industries, the country had to import a huge quantity of capital equipments along with its spares known as maintenance imports.

Composition of Exports in India:-

At the dawn of independence, the export basket of the country was mostly consisting of jute, tea and cotton textiles, which jointly contributed more than 50 percent of the total exports earning of the country. In 1950-51, these three commodities contributed about 60 per cent of the total export earnings of the country.

With in the gradual diversification and growth of the industrial sector, India started to export various types of non-traditional products. Accordingly the share of jute, tea and cotton textiles in the total export earning of the country gradually declined to 31 per cent in 1970-71 and then considerably to 3.48 per cent in 2016-17. But the share of machinery and engineering goods in India’s total export increased gradually from a mere 2.1 per cent in 1960-61 to 12.9 per cent in 1970-71 and stood at 23.56 per cent in 2016-2017.

Q25. Explain in brief the balance of payments position in India ?

Ans- The balance of payments position of the country reflects on its economic health. The balance of payment of any country is a comprehensive and systematic accounts of all the different transactions occurred between the residents of a country and rest of the world during a particular period of time. The balance of payments maintains detailed classified records of different types of receipts against exports of goods, services and all capital received by its residents on the one hand and also of all the payments made by the residents against imports of goods and services received along with the capital transferred to non-residents and foreigners on the other hand.

The balance of payments is broadly classified into (a) current account and (b) Capital account the current account includes: visible exports and imports; invisible items relating to receipts and payments for various services like banking, insurance, shipping, travel etc. and other unilateral transfer of payment like donation, grants, taxes etc.

India has been experiencing an increase in current account deficit (CAD) in balance of payments specially since 2011-12. With net exports declining, India's balance of payments (BOP0 has come under pressure. The performance of balance of payments shows that is the first half (april-september) of 2011-12, the CAD which stands at US $36.4 billion increased to US $ 39.0 billion in the first half of 2012-13. Thus the CAD as per cent of GDP which was 4.0% in the first half 2011-12 gradually increased to 4.6% of GDP in the first half of 2012-13.

Till the fourth plan the balance of payments position of the country was with in the manageable limit. But from fifth plan onwards, the balance of payments crisis of the country started to deteriorate at a quicker pace. Following factors are mostly responsible fo this growing crisis in the balance of payments:

1. The first important factor responsible for this growing crisis is BOP was the policy of import liberalisation introduced by the congress (I) government headed by Late Rajiv Gandhi resulting in a huge inflow of imports particularly after the announcement of Exim policy in 1985.

2. The second factor responsible for the crisis was the existing heavy imports pace of the country. Inspite of attaining an encouraging 18.7 per cent annual growth rate of exports during seventh plan which was even higher than the annual growth rate of imports.

3. The third factor responsible for this BOP crisis is the higher import intensity in the industrial development resulting from import intensive industrialization process followed in the country for meeting the requirements of elitist consumption.

4. The worsening of the current account deficit in BOP in 1990-91 and there after was partly on account of gulf war and Iran crisis in 2011-12 and the higher price of POL imports and higher volume of POL imports continuously.

Q26. Explain the importance of Foreign trade in a developing country like India?

Ans- Since the introduction of planning in the country, India had to depend heavily on the imports of various types of machineries and equipments for the development of various types of industries in the country. Such imports were known as developmental imports. At that stage, India had to import capital goods extensively in order to set up various industries like steel plants, locomotives, hydro electric projects etc

More over, in order to meet the scarcity of some essential commodities, the government has also imported food grains and other consumer goods. This type o imports were considered as anti-inflationary imports.

In order to meet its mounting import bill, the country started to export various types of primary product at initial stage. But with the growth of various types of manufacturing industries and engineering industries, the country started to withdraw these traditional items of export and gradually established a good market for its manufactured and semi-manufactured commodities.

Thus foreign trade has been playing the country in different stages of its economic development.

Q27. Write a note on New Foreign Trade policy [2015-2020].

Ans- The BJP led National Democratic alliance (NDA) Government announced its first new five year Foreign Trade Policy [FTP], 2015-20 on 1st April, 2015 replacing the earlier policy [2009-14]. The new five year FTP [2015-20] provides a frame work for to the exporters and units in special Economic Zones(SEZ) for increasing exports of goods and services as well as generation of employment and increasing value addition in the country, in keeping with the "Make In India" vision of Prime Minister.

The following are some of the important policy objectives and issues incorporated in the new FTP [2015-20]

1. The policy aims to increase India's exports of merchandise and services from USD 465.9 billion in 2013-14 to approximately USD 900 billion by 2019-20.

2. To raise India's share would exports from 2 per cent to 3.5 percent.

3. The FTP seeks to establish an Export promotion Mission to provide an institutional framework to work with state governments to boost India's exports.

4. Additional incentive would be provided towards exports of defence goods agriculture goods and eco-friendly, commodities and hi-tech items.

5. Introducing merchandise Export from India Scheme [MEIS] and services exports from India schemes [SEIS] to boost outward shipments.

6. Providing additional benefits to those concerns who exports commodities on the basis of indigenous raw materials under the above scheme.

7. To reduce the export bindings in respect of Special Economic Zones [SEZs] and to bring [SEZs] under the above two schemes and to raise the importance of SEZs as investment destination as an objective.

8. Implementing Foreign trade policy to keeping in touch with 'Make In India', 'Digital India' and 'Skills India'.

Q28. What are the features of New Foreign Trade Policy followed during the reform period ?

Ans- Following are some of the important features of the new foreign trade policy as introduced over the years since 1991:-

1. Removing complexities in Imports and Exports:- In order to remove complexities and cumbersome procedure of India's trade policy regime followed during the pre-reformed period, substantial, simplification and liberalisation in all those policies were carried out in the reform period.

2.Rationalisation of Tariff Structure and its peak rate:- During the pre-reform period the tariff structure followed by the country was very complex and heavy. In order to rationalise the tariff structure, the chelliah committee published in final report in January 1993 and there by advocated drastic reductions in import duties.

3.Covertibility of rupee:- Another reform measure introduced in India was convertibilityof rupee. In 1992-93 Budget rupee was made partially convertible. This was an inevitable move for expenditious integration of Indian Economy with the world economy . this attempt was followed by full convertibility on the trade account in 1993-94, full convertibility on current account in August 1994.

4. EPZ and EOU Scheme:- During the first part of reform i.e. during 1990s Export processing Zones [EPZ] were given necessary support by providing concessions for raising their volume of exports. Moreover, the export oriented units [EOUs] scheme was introduced in early 1981, was also granted several concessions in maintaining their locations infrastructure and volume of business.

5. Agriculture Export Zones [AEZs]:- The concept of Agriculture Export Zones [AEZs] was introduced by the Exim Policy, 2001 in order to give primacy to the promotion of agricultural exports and also adopt a reorganisation of our export efforts on the basis of specific products and that too of specific geographical areas.

6. Five Important thrust sectors:- The foreign trade policy 2004-09 incorporated specific strategies (known as special focus initiatives) for five important sectors: Agriculture, Handicrafts, Handlooms, Gems, and Jewellery and leather and footwear sector.

7. Providing concessions and Exemptions:- In order to liberalise imports and promoting exports, a large number of tax benefits and exemptions have been granted.

8. Recent trade policy measures:- In order to boost the performance of export sectors; the government took various measures, which supplemented the announcements made in the budgets and in the foreign trade policy 2009-14 and its annual supplement.

Q29. What are the role and functions of Financial Markets In India ?

Ans- Following are some important role and functions of Financial Markets in India:-

1. Credit allocation:- Financial Market facilitate creation and allocation of credit and liquidity in sufficient quantity for a country.

2.Mobilisation of saving:- Financial markets usually serve as intermediaries in the process of mobilisation of savings from the people of the country.

3. Financial convenience:- Financial markets provide adequate financial convenience to the people of the country.

4. Capital Formation:- Financial markets help in capital formation of the country.

5. Economic Development:- Financial markets assist the country in its process of economic development through a wise and more balance regional and sectoral distribution of invertible funds.

Q30. Write a note on WTO and its implications on India ?

Ans- The birth of World Trade Organisation (WTO) on January 1, 1995 holds a great promise for the entire world economy in respect of international trade. This World Trade Organisation will administer the new global trade rules establishing the rule of law in international trade, which amounted to nearly 5trillion dollars last year for goods and services.

Objectives of WTO:-

1.Basic aim of WTO is to implement the new World Trade Agreement.

2. To promote multi lateral trade among many nations.

3. TO promote free trade by removing all barriers.

4. To promote World Trade Benefitting all members.

5. To remove all hurdles for developing in open world trade system to boost economic growth in all member countries.

In a country like India, the benefits acquiring from being a founder member of the World Trade Organisation [WTO] are immense. At present, only just 5% of our tariff lines remain bound. With the finalisation of the Uruguay round, about 68% of India's tariff lines covering basically raw materials, components and capital goods, but excluding consumer goods.

The Government is one of the view that it is in the long term interest Of India to have low duties on Raw materials, components and capital goods since they satisfy the production needs of the economy.

Regarding the threat arising out of TRIPs, the then, ministers, commerce ministers, Pranab Mukherjee observe that excluding marketing rights to be provided for patent holders would in no way dilute the National interest in such crucial areas.

ANS 19- The structure of financial markets name to be studied from various angles such as functional, institutional or sectoral. In case of functional classification, market can be analysed on the basis of terms of credits, i.e either short term or long term known widely as money market or capital markets respectively. In respect of institutional classification, market can studied on the basis of commercial or co-operative principles of its organisations and how far they are belonging to organised or unorganised sector. Besides, sectoral classification of financial market reflects the credit facilities arranged for various sectors like agriculture, industry, trade, etc.

It is to be noted that this classification should not be water tight or mutually exclusive. Such classification gives us that broad idea about the name ad scope of financial markets prevailing in the country. It also shows its several dimensions and functions. Chart 14.1 reveals the single functional- cum-institutional classification of financial markets.

CHART 14.1. Financial Markets—Its Functional-cum-Institutional Classification