

## Indian Institute of Technology Kharagpur

Date: \_\_\_\_\_ FN/AN

Time: 3 hrs

Full Marks: 50

No of Students: 68

Spring End-Sem Exam, 2023

Dept.: HSS

Subject: Development Economics (EM21206/ HS21206)

Instruction: Answer one question in one place only.

1. a) Explain the Harris-Todaro equilibrium in the context of rural-urban migration. Also, elaborate on the rural-urban migration considering a combination of the policy of migration restrictions and wage subsidies. 2 + 2 + 2
- b) Elaborate on the contribution of agriculture in the process of economic development in India considering product contribution, market contribution, factor contribution, and foreign exchange contribution. How do non-agricultural and labor-intensive rural development activities play critical roles in economic development? Is industrialization in the rural and urban sectors a prerequisite for the economic development of a country? Justify your answer. 4 + 2 + 2
2. a) What do you mean by working capital and consumption credit? How necessary are such credit requirements in the rural areas of a country like India? What are the primary sources of rural credit? 2 + 1.5 + 1.5
- b) Discourse the basic characteristics of rural credit markets in a developing country. Do you agree that expanding credit from formal financial institutions to large informal lenders will increase competition among such lenders and improve credit terms for small borrowers without access to formal credit? Discuss. 5 + 2
- c) Elaborate how the loan repayment will be in the interest of both lender and borrower if  $V_b < V_s = F$ , where  $V_b$  is the value lender assigns to the collateral,  $V_s$  is the value borrower assigns to the collateral, and  $F$  is the loss to the borrower from default, over and above the loss of his/her collateral. 3
3. a) Compare the public expenditure ratio against the social priority ratio. Elaborate on how higher government spending with lower human priorities can damage a developing country's development process. In this context, discuss the importance of domestic revenue mobilization. 2 + 2 + 2  $\frac{1}{r} \cdot \frac{E}{P}$
- b) Elaborate on the linkages between technology and development. How is technology transfer necessary for a developing country? Discuss the primary channels of technology transfer and the common problems in technology transfer. 2 + 3 + 6
- c) Elaborate on the roles trade can play in the development process of a country. How do investing for competitiveness be a strategy in the process of development? 2 + 2