

HUL 316: INDIAN ECONOMIC PROBLEMS AND POLICIES

MINOR 1 (27 August, 2016)

Instructions: Q1 is compulsory; Answer either Q2 or Q3 *AND* either Q4 or Q5. [10 marks]

1. What is the distinction between growth and development? Is the distinction between these concepts important? If yes, why? If not, why? [5 marks]
2. In your opinion, what are the distinguishing characteristics of India's experience since Independence in terms of (a) structural change (b) growth rates. [2 marks]
3. What are some of the methodological issues with respect to the growth rates in key sectors in India? [2 marks]
4. List one strength and one weakness of each of the three sectors of the economy [3 marks]
5. What can you say about India, vis-à-vis its South Asian neighbours, BRICS and developed countries in the period 2000-2010 based on the table below. [3 marks]

| | Table | | | | | | | |
|----------------------|-------|------------|-------|--------|-------|--------------|--------|-------|
| 2000 | India | Bangladesh | Nepal | Brazil | China | South Africa | Sweden | US |
| Ex Revenue(% GDP) | 8.66 | 6.6 | 8.7 | 13.8 | 8.6 | 23.3 | 30 | 12.9 |
| Agriculture (%GDP) | 23 | 23.8 | 40.8 | 5.52 | 14.75 | 3.3 | 1.9 | 1.2 |
| Services (%GDP) | 51.0 | 52.9 | 37.05 | 67 | 39.8 | 64.8 | 67.7 | 75.65 |
| Gross Savings (%GDP) | 25 | 26.95 | 21.73 | 12.52 | 36.2 | 16.2 | 27.4 | 20.68 |
| 2010 | India | Bangladesh | Nepal | Brazil | China | South Africa | Sweden | US |
| Ex Revenue (%GDP) | 10.2 | 7.8 | 13.4 | 14.2 | 10.29 | 25.0 | 27.1 | 8.6 |
| Agriculture (%GDP) | 18.2 | 17.8 | 36.5 | 4.8 | 9.62 | 2.6 | 1.6 | 1.17 |
| Services (%GDP) | 54.6 | 56.1 | 47.8 | 67.8 | 44.2 | 67.2 | 69.4 | 78.4 |
| Gross Savings (%GDP) | 34.2 | 38.5 | 37.8 | 19.3 | 51.3 | 18 | 30 | 15.2 |

Instructions: Pick the correct option. Each question carries half mark, unless specified otherwise.

1. In the 1970s, the phrase 'Hindu rate of growth' was coined to describe which of the following?
 - (a) Population growth rate
 - (b) Inflation rate
 - (c) Growth rate of food production
 - (d) Growth rate of gross domestic product (GDP)
2. Which of the following statements is correct with regard to external sector in the post reform period?
 - (a) Quantitative restrictions have been imposed on a number of tradable items
 - (b) Quantitative restrictions have been removed on most of the items except a few goods.
 - (c) The tariffs have been further raised.
 - (d) Foreign investment is now being discouraged.
3. Acceleration in growth depends upon
 - (a) Higher rates of investment

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- (b) Higher productivity ✓
~~(c) Both (a) and (b)~~
(d) None of the above
4. The second five year plan (1956-61) assigned a vital role to the public sector in which of the following industries?
(a) Consumer goods industry
(b) Cottage and village industries ✓
~~(c) Heavy and basic industries~~
(d) Agro based industries
5. The growth in the private corporate sector in manufacturing has led to
(a) A steady increase in the share of compensation to employees in gross value added (GVA) from 1992 to 2008
~~(b) A steady decline in the share of compensation to employees in GVA from 1992 to 2008.~~ ✓
(c) No change in the share of compensation to employees in GVA from 1992 to 2008
(d) None of the above.
6. (A) There has been a rise in the relative share of the private corporate sector in Indian manufacturing between 1998-99 to 2007-08.
(B) There has been a rise in the relative shares of both public and household sectors in Indian manufacturing between 1998-99 to 2007-08.
On the basis of the above mentioned statements, choose the correct option.
~~(a) (A) is correct but (B) is incorrect~~ ✓
(b) (A) is incorrect but (B) is correct
(c) Both (A) and (B) are correct
(d) Both (A) and (B) are incorrect.
7. The recovery in the average annual growth rate in the manufacturing sector that was seen in early and mid 2000 was led by
~~(a) Consumer goods~~ ✗
(b) Capital goods
~~(c) Both (a) and (b)~~
(d) None of the above
8. Which sub-sector of the service sector has witnessed the largest increase in its growth rate between 1992-93 and 2006-07?
(a) Trade, hotel and restaurants ✓
(b) Transport other than railways
~~(c) Communications~~
(d) Personal, social and community services
9. The increase in India's fixed investment rate between 1992-2008 has been primarily financed by
~~(a) Gross domestic savings~~ ✓
(b) Foreign capital inflow
(c) Both (a) and (b)
(d) None of the above.
10. State true or false [0.5 each; 2 marks altogether]

- (a) Before liberalization, according to Drèze and Sen, India was a 'socialist' country in every sense of the word. *False* ✓
- (b) According to Brad de Long, the post-liberalization phase (i.e., after 1991) led to a marked increase in the growth rate of the GDP. *False* ✓
- (c) The secular uptrend in domestic growth between the early 1990s and mid 2000 is clearly associated with the consistent trends of increasing domestic savings and investment over the same period. *True* ✓
- (d) Continued and consistent acceleration in growth in the agricultural sector over the decades has accounted for the continuous acceleration in overall GDP growth. *False* ✓
11. What measures were taken to correct the widening fiscal deficit in the 1970s and 1980s?
- ☒ (a) Increasing the statutory liquidity ratio (SLR)
 - (b) Borrowing from the Reserve Bank of India (monetized deficit)
 - (c) Increasing the cash reserve ratio (CRR) *X*
 - (d) All of the above
12. A low incremental capital output ratio (ICOR) leads to
- ☒ (a) Lower growth of the GDP
 - (b) No change in the growth of the GDP *X*
 - (c) Higher growth of the GDP
 - (d) None of the above.
13. Which of the following method/s is/are used to calculate national income in India?
- ☒ (a) Value-added method
 - (b) Income method *X*
 - (c) Expenditure method
 - (d) All of the above
14. Intermediate goods are excluded while calculating national income to leave out
- (a) Inferior goods
 - (b) Goods in excess supply ✓
 - ☒ (c) Double counting
 - (d) Subsidies
15. (A) The share of foreign direct investment in fixed capital formation has been rising since 2004.
(B) Most of the growth in fixed investment has been financed using domestic resources in the decade starting 2000.
- On the basis of the above statements, choose the correct option. *X*
- ☒ (a) Both (A) and (B) are correct.
 - (b) Both (A) and (B) are incorrect.
 - (c) (A) is correct but (B) is incorrect.
 - (d) (A) is incorrect but (B) is correct.
16. Accordingly to Ahluwalia, the reforms in 1991 encompassed various sectors of the economy. List any four. One mark.

Finance sector → earlier banks were nationalised. Now they banks were given greater freedom to decide interest rates etc. It increased availability of credit in economy.

Manufacturing → Import of new technology increased productivity of manufacturing sector since the tax on import were decreased & importing of ?

