SHRI VIDHYABHARATHI MATRIC HR.SEC.SCHOOL

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+1 COMMON ANNUAL EXAMINATION - MARCH - 2019
TENTATIVE ANSWER KEY

SUBJECT: ECONOMICS   **MARKS : 90**

Q. NO	CONTENT	MARKS
	SECTION -I **CHOOSE THE CORRECT ANSWER**	20X1=20
1.	d) Adam smith	
2.	d) Want satisfying capacity of goods and services	
3.	a) 447	
4.	a) Organizer	
5.	d) It is Mobile	
6.	b) Constant returns to scale	
7.	d) TVC / Q	
8.	b) (1) – (iv) (2) – (i) (3) – (ii) (4) – (iii)	
9.	c)Joan Robinson	
10.	a) There is product differentiation	
11.	d) Benham	
12.	a) Bengaluru	
13.	a) Total Population / Land Area of the Region	
14.	c) Cotton	
15.	c) 2012 – 2017	
16.	c) fruits	
17.	c) Mahatma Gandhi	
18.	b) RRB	
19.	d) Knitting city – Karur	
20.	d) Giovanni Ceva	
	SECTION -II	7X2=14
21.	**ALFRED MARSHALL DEFINITION OF CONSUMER'S SURPLUS** "The excess of price which a person would be willing to pay rather than go without the thing, over that which he actually does pay, is the economic measure of this surplus of satisfaction. It may be called consumer's surplus." Consumer's surplus = Potential price – Actual price Consumer's Surplus = TU – (P x Q) where, TU = Total Utility, P = Price and Q= Quantity of the commodity.	2

22.	**SUNK COST** 1. A cost incurred in the past and cannot be recovered in future is called as Sunk Cost. 2. It is called as sunk because, they are unalterable, unrecoverable, and if once invested it should be treated as drowned or disappeared. Example : Cost of specialized equipments.	2
23.	**KINDS OF PROFIT** **I.** Monopoly Profit: Profit earned by the firm because of its monopoly control. **II.** Windfall Profit: Some times, profit arises due to changes in price level. Profit is due to unforeseen factors. **III.** Profit as functional reward: Just like rent, wage and interest, profit is earned by the entrepreneur for his entrepreneurial function.	2
24.	**NITI AAYOG** ❖ The Planning Commission has been replaced by the NITI Aayog on 1st January, 2015. ❖ NITI (National Institution for Transforming India) Aayog will monitor, coordinate and ensure implementation of the accepted sustainable development goals. ❖ NITI Aayog serves as a knowledge hub and monitors progress in the implementation of policies and programmes of the Government of India. ❖ It includes the matters of national and international importance on the economic front, dissemination of best practices from within the country and from other nations, the infusion of new policy ideas and specific issue-based support.	2
25.	**ANY FOUR FEATURES OF DEVELOPED ECONOMY** 1) High National Income 2) High Per Capita Income 3) High Standard of Living 4) Full Employment of Resources 5) Dominance of Industrial Sector 6) High Level of Technology 7) High Industrialisation 8) High ConsumptionLevel 9) High Level of Urbanisation 10) Smooth Economic Growth 11) Social Equity, Gender Equality and Low Levelsof Poverty 12) Political Stability and Good Governance	2
26.	**DISINVESTMENT** Disinvestment means selling of government securities of Public Sector Undertakings (PSUs) to other PSUs or private sectors or banks. This process has not been fully implemented.	2

27.	**COTTAGE INDUSTRIES**: Cottage industries are generally associated with agriculture and provide both part-time and full-time jobs in rural areas. The important **characteristics** of this type of industries are as follows: **(Any two)** **1.** These industries are carried out by artisans in their own homes at their own risk and for their own benefit. Artisans may combine this work with another regular job. **2.** No or little outside labour is employed. Normally, the members of the household provide the necessary labour. **3.** These industries are generally hereditary and traditional in character. **4.** No or little power is used. **5.** These industries usually serve the local market and generally work on the orders placed by other industries.	2
28.	**CROP INSURANCE** ❖ Agriculture in India is highly prone to risks like droughts and floods. It is necessary to protect the farmers from natural calamities and ensure their credit eligibility for the next season. ❖ For this purpose, the Government of India introduced many agricultural schemes throughout the country. The Pradhan Mantri Fasal Bima Yojana (Prime Minister's Crop Insurance Scheme) was launched on 18 February 2016.	2
29.	**FIND THE VALUE OF THE DETERMINANT FOR THE MATRIX** $A = \begin{pmatrix} 3 & 4 \\ 10 & -2 \end{pmatrix}$ **SOLUTION:** Given matrix $A = \begin{pmatrix} 3 & 4 \\ 10 & -2 \end{pmatrix}$ then, the Determinant $\lvert A \rvert = \begin{vmatrix} 3 & 4 \\ 10 & -2 \end{vmatrix} = 3(-2) - 10(4)$ $= -6 - 40 = -46$ is the value of the determinant	2
30.	**MINERAL RESOURCES** ❖ Tamil Nadu has a few mining projects based on Titanium, Lignite, Magnesite, Graphite, Limestone, Granite and Bauxite. ❖ The first one is the Neyveli Lignite Corporation that has led development of large industrial complex around Neyveli in Cuddalore district with thermal power plants, Fertilizer and Carbonisation plants. ❖ Magnesite mining is at Salem from which mining of Bauxite ores are carried out at Yercaud and this region is also rich in Iron Ore at Kanjamalai. Molybdenum is found in Karadikuttam in Madurai district.	2

	SECTION -II	7X3=21
31.	**DIFFERENCE BETWEEN MICRO- ECONOMICS AND MACRO-ECONOMICS**	

Micro Economics	Macro Economics
1. It is that branch of economics which deals with the economic decision-making of individual economic agents such as the producer, the consumer etc.	1. It is that branch of economics which deals with aggregates and averages of the entire economy. E.g., aggregate output, national income, aggregate savings and investment, etc.
2. It takes into account small components of the whole economy.	2. It takes into consideration the economy of the country as a whole.
3. It deals with the process of price determination in case of individual products and factors of production.	3. It deals with general price-level in any economy.
4. It is known as price theory	4. It is also known as the income theory.
5. It is concerned with the optimization goals of individual consumers and producers	5. It is concerned with the optimization of the growth process of the entire economy.

(Marks: 3)

32. CHARACTERISTICS OF HUMAN WANTS

a. Wants are unlimited

Human wants are countless in number and various in kinds. When one want is satisfied another want crops up. Human wants multiply with the growth of civilization and development.

b. Wants become habits

Wants become habits; for example, when a man starts reading news paper in the morning, it becomes a habit. Same is the case with drinking tea or chewing pans.

c. Wants are Satiable

Though we cannot satisfy all our wants, at the same time we can satisfy particular wants at a given time. When one feels hungry, he takes food and that want is satisfied.

d. Wants are Alternative

There are alternative ways to satisfy a particular want eg. Idly, dosa or chappathi.

e. Wants are Competitive

All our wants are not equally important. So, there is competition among wants. Hence, we have to choose more urgent wants than less urgent wants.

f. Wants are Complementary

Sometimes, satisfaction of a particular want requires the use of more than one commodity. Example: Car and Petrol, Ink and Pen.

g. Wants are Recurring

Some wants occur again and again. For example, if we feel hungry, we take food and satisfy our want. But after sometime, we again feel hungry and want food.

(Marks: 3)

| 33. | **FIND OUT THE MISSING MARIGNAL PRODUCT AND AVERAGE PRODUCT FOR THE GIVEN TABLE** | | | 3 |

Units of variable factor (L)	Total Product (TP_L)	Marginal Product (MP_L)	Average Product (AP_L)
1	2	2	2
2	6	4	3
3	12	6	4
4	16	4	4
5	18	2	3.6
6	18	0	3
7	16	-2	2.28

| 34. | **OPPORTUNITY COST** | 3 |

❖ It refers to the cost of next best alternative use. In other words, it is the value of the next best alternative foregone. For example, a farmer can cultivate both paddy and sugarcane in a farm land.

❖ If he cultivates paddy, the opportunity cost of paddy output is the amount of sugarcane output given up. Opportunity Cost is also called as 'Alternative Cost' or 'Transfer Cost'.

| 35. | **MONOPSONY** | 3 |

Monopsony is a market structure in which there is only one buyer of a good or service. If there is only one customer for a certain good, that customer has monopsony power in the market for that good. Monopsony is analogous to monopoly, but monopsony has market power on the demand side rather than on the supply side.

| 36. | **TYPE OF NATURAL RESOURCES.** | 3 |

Water Resources

❖ Tamil Nadu is not endowed with rich natural resources compared to other States. It accounts for three per cent of water sources, four per cent of land area against six per cent of population.

❖ North East monsoon is the major source of rainfall followed by South West monsoon. There are 17 river basins in Tamil Nadu. The main rivers are Palar, Cheyyar, Ponnaiyar, Cauvery, Bhavani, Vaigai, Chittar, Tamiraparani, Vellar, Noyyal Siruvani, Gundar, Vaipar, Valparai etc. Wells are the largest source of irrigation in Tamil Nadu (56%).

Mineral Resources

❖ Tamil Nadu has a few mining projects based on Titanium, Lignite, Magnesite, Graphite,Limestone, Granite and Bauxite. The first one is the Neyveli Lignite Corporation that hasled

	development of large industrial complex around Neyveli in Cuddalore district with _ermal power plants, Fertilizer and Carbonisation plants. ❖ Magnesite mining is at Salem from which mining of Bauxite ores are carried out at Yercaud and this region is also rich in Iron Ore at Kanjamalai. Molybdenum is found in Karadikuttam in Madurai district.	
37.	**THE PRINCIPAL OBJECTIVES OF THE MUDRA BANK ARE THE FOLLOWING** **1.** Regulate the lender and the borrower of microfinance and bring stability to the microfinance system . **2.** Extend finance and credit support to Microfinance Institutions (MFI) and agencies that lend money to small businesses, retailers, self-help groups and individuals. **3.** Register all MFIs and introduce a system of performance rating and accreditation for the first time. **4.** Offer a Credit Guarantee scheme for providing guarantees to loans being offered to micro businesses. **5.** Introduce appropriate technologies to assist in the process of efficient lending, borrowing and monitoring of distributed capital.	3
38.	**DEVELOPMENT OF TEXTILE INDUSTRY IN TAMIL NADU** 1. Tamil Nadu is the largest textile hub of India. 2. Tamil Nadu is known as the "*Yarn Bowl*" of the country accounting for 41% of India's cotton yarn production. 3. Employment to an estimated 35 million people 4. The textile sector contributes to 14% of the manufacturing sector. 5. About half of India's total spinning mill capacity is in Tamil Nadu. 6. Tirupur known as "**Knitting City**" is the exporter of garments worth USD 3 Billion. 7. Erode is the main cloth market in South India for both retail and wholesale ready-mades.	3
39.	**Solve for x quantity demanded if 16x – 4 = 6 + 7x.** **Solution:** 16x-4=68+7x 16x-7x=68+4 9x=72 $x = \frac{72}{9}$ x= 8	3

40.	**Distinction between "Rent" and "Quasi-Rent"**	
		3

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

	SECTION –III	**7X5=35**

41.	**BASIC PROBLEMS OF THE ECONOMY WITH THE HELP OF PRODUCTION POSSIBILITY CURVE.**	

Production Possibility Curve

Meaning

Production possibility curve shows the menu of choice along which a society can choose to substitute one good for another.

❖ Choice between relatively scarce commodities due to limited productive resources with the help of **a "Geometric Device" (that is production possibility curve)**

Assumptions

(i) The time period does not change.

(ii) Techniques of production are fixed.

(iii) There is full employment in the economy.

(iv) Only two goods can be produced from the given resources.

(v) Resources of production are fully mobile.

5

Production possibilities schedule

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

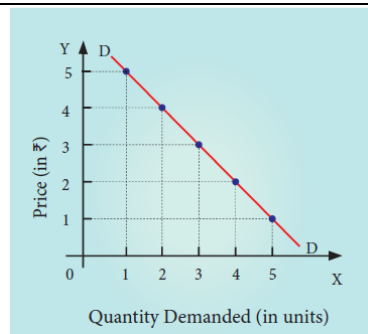|		
	Explanation 1. The quantity of food is shown on x-axis and the number of cars is shown on y-axis 2. The different six production possibilities are being shown as point P1 P2 P3 P4 P5 & P6. 3. A maximum of 500 tons of food can be produced, given the existing technology. 4. If on the other hand, all resources are instead used for producing cars, 25 cars can be produced. 5. In between these two extremes, possibilities exist. 6. If we are willing to give up some food, we can have some cars.	
	(OR)	
	TAMIL NADU PUBLIC TRANSPORT SYSTEM Tamil Nadu has a well established transportation system that connects all parts of the State. **a. Road** There are 28 national highways in the State, covering a total distance of 5,036 km. It ranks second in India with a share of over 20% in total road projects under operation. **b. Rail** Tamil Nadu has a well-developed rail network as part of Southern Railway, Headquartered at Chennai. Tamil Nadu has a total railway track length of 6,693 km and there are690 railway stations in the State. **d. Ports** Tamil Nadu has three major ports; one each at Chennai, Ennore, and Tuticorin, as well as one intermediate port in Nagapattinam, and 23 minor ports.	5
42.	**LAW OF DEMAND.** **Definition** According to Alfred Marshall, The Law of Demand said as "the quantity demanded increases with a fall in price and diminishes with a rise in price". **Assumptions of Law of Demand** **1.** The income of the consumer remains constant. **2.** The taste, habit and preference of the consumer remain the same. **3.** The prices of other related goods should not change. **4.** There should be no substitutes for the commodity in study.	

Demand Schedule

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

Explanation

1. Quantity demanded and Y axis represents the price of the commodity.

2. DD is the demand curve, which has a negative slope.

3. Slope downward from left to right which indicates that when price falls, the demand expands and when price rises, the demand contracts.

Conclusion

Therefore, the law of demand states that **there is an inverse relationship between the price and the quantity demanded** of a commodity.

(OR)

THE RICARDIAN THEORY OF RENT.

Definition

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

Assumption

1. Land differs in fertility.

2. The law of diminishing returns operates in agriculture.

3. Rent depends upon fertility and location of land.

4. Theory assumes perfect competition.

Schedule of Ricardian Theory of Rent

Ricardian Theory of Rent

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

5

5

|	**Explanation**	
	1. In diagram, X axis represents various grades of land and Y axis represents yield per acre (in bags).	
	2. OA, AB and BC are the 'A' grade, 'B' grade and 'C' grade lands respectively.	
	3. The application of equal amount of labour and capital on each of them gives a yield represented by the rectangles standing just above the respective bases.	
	4. The 'C' grade land is the "no–rent land" 'A' and 'B' grade lands are "intra – marginal lands".	
43.	**THE PROPERTIES OF ISO-QUANTS WITH THE HELP OF DIAGRAMS.** **Meaning** An iso-quant curve can be defined as the **locus of points representing various combinations of two inputs capital and labour yielding the same output.** The iso-quant is also called as the **"Equal Product Curve"** or the **"Product Indifference Curve"** **Properties of Iso-quant Curve** 1. The Iso-quant curve has negative slope. 2. Convex to the origin. 3. Non inter-section of Iso-quant curves. 4. An upper Iso-quant curve represents a higher level of output. 5. Iso-quant curve does not touch either X axis or Y axis.	5
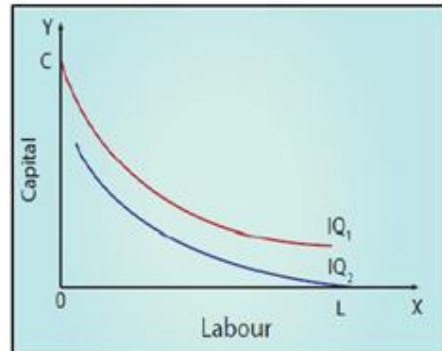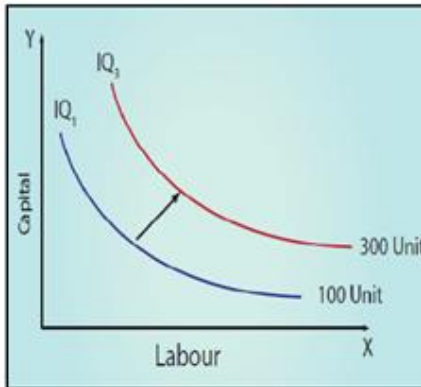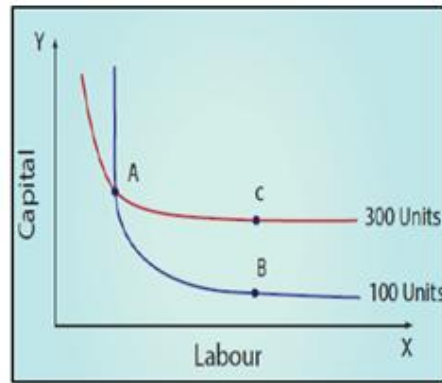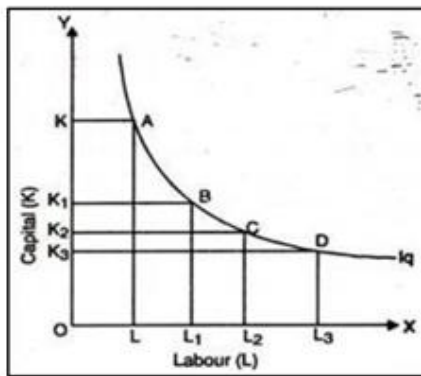
(OR)

THE INDUSTRY CLUSTERS IN TAMIL NADU

❖ Chennai is sometimes referred to as the_Health Capital of India_or the_Banking Capital of India_, having attracted investments from International Finance Corporationsand the_World Bank. It is also called as_Detroit of Asia_.

❖ Tamil Nadu has a network of about 110 industrial parks/estates that offer developed plots with supporting infrastructure.

❖ Also, the Government is promoting other industrial parks like Rubber Park, Apparel Park, Floriculture Park, TICEL Park for Biotechnology, Siruseri IT Park and Agro Export Zones.

❖ The heavy engineering manufacturing companies are Centered around the suburbs of Chennai. Chennai boasts of global car manufacturing giants as well as home grown companies.

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INDUSTRY CLUSTERS IN TAMIL NADU

RANIPET : Leather

AMBUR : Leather
VANIYAMBADI : Leather

SALEM : Powerlooms, Home textiles, Steel, Sago

SANKAGIRI : Lorry fleet operators

TIRUCHENGODE: Borewell drilling services
NAMAKKAL : Transportation, Poultry

KARUR : Coach-building, Powerlooms

ERODE : Powerlooms, Turmeric
COIMBATORE : Spinning mills, Engineering industries
TIRUPUR : Knitwear, Readymade garments

RAJAPALAYAM : Surgical cotton products
SIVAKASI : Safety matches, Fireworks, Printing

❖ Karur is known for its bus body building which contributes 80% of South Indian bus body building.
❖ TNPL is the Asia›s largest ecofriendly paper mill._Salem_is called as steel city and has many sago producing units and mineral wealth.
❖ Sivakasi_is the leader in printing, fireworks, safety matches production in India. It contributes to 80% of India's total safety matches production and 90% of India's total fireworks production.
❖ Thoothukudi is the gateway of Tamil Nadu. It is a major chemical producer next only to Chennai.

44.	**THE RELATIONSHIP BETWEEN AR AND MR CURVES UNDER VARIOUS PRICE CONDITIONS.**	

Average Revenue

Average revenue is the revenue per unit of the commodity sold. It is calculated by dividing the total revenue by the number of units sold.

AR = TR / Q

TR, AR, MR - Constant price

Quantity Sold (Q)	Price (P) ₹	Total Revenue (TR) ₹	Average Revenue (AR) ₹	Marginal Revenue (MR) ₹
1	5	5	5	5
2	5	10	5	5
3	5	15	5	5
4	5	20	5	5
5	5	25	5	5
6	5	30	5	5

5
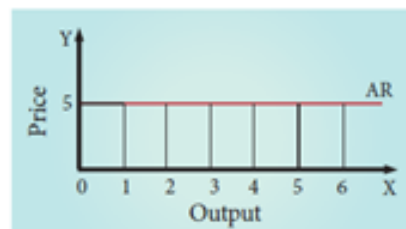
AR, TR, MR at declining price

Quantity Sold (Q)	Price (P)/ Average Revenue (AR) ₹	Total Revenue (TR) ₹	Marginal Revenue (MR) ₹
1	10	10	-
2	9	18	8
3	8	24	6
4	7	28	4
5	6	30	2
6	5	30	0
7	4	28	-2
8	3	24	-4
9	2	18	-6
10	1	10	-8

Marginal Revenue

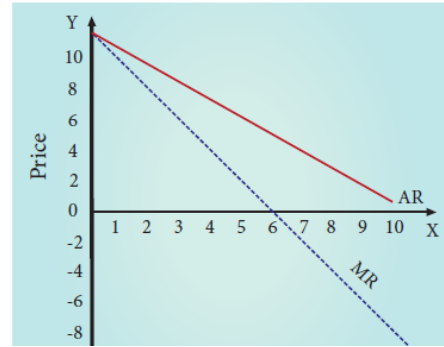Marginal Revenue is the addition made to the total revenue by selling one more unit of a commodity. $MR_n = TR_n - TR_{n-1}$

Constant AR and MR (at Fixed Price) Declining AR and MR (at declining Price)

Explanation

1. If a firm is able to sell additional units at the same price then AR and MR will be constant and equal.

2. If the firm is able to sell additional units only by reducing the price, then both AR and MR will fall and be different.

(OR)

IF THE DEMAND FUNCTION IS $P = 35 - 2X - X^2$ AND THE DEMAND X_0 IS 3, WHAT WILL BE THE CONSUMER'S SURPLUS?

Solution:

Given demand function, $P = 35 - 2x - x^2$

for x = 3

$P = 35 - 2(3) - 3^2$

$= 35 - 6 - 9$

$P = 20$

Therefore,

CS = (Area of the curve below the demand curve from 0 to 3) – Area of the rectangle (20 x -=60)

CS - $\int_0^3 (35 - 2x - x^2)dx - (20x3)$

$= [35x - 2\frac{x^2}{2} - \frac{x^3}{3}]^3_0 - 60$

$= 35(3) - 2(\frac{3^3}{2}) - \frac{3^3}{3} - 60$

$= 105 - 9 - 9 - 60$ $= 27$ Units

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45.	**FEATURES OF OLIGOPOLY** **1. Few large firms** Very few big firms own the major control of the whole market by producing major portion of the market demand. **2. Interdependence among firms** The price and quality decisions of a particular firm are dependent on the price and quality decisions of the rival firms. **3. Group behaviuor** The firms under oligopoly realise the importance of mutual co-operation. **4. Advertisement cost** The oligopolist could raise sales either by advertising or improving the quality of the product. **5. Nature of product** Perfect oligopoly means homogeneous products and imperfect oligopoly deals with heterogeneous products. **6. Price rigidity** It implies that prices are difficult to be changed. The oligopolistic firms do not change their prices due to the fear of rivals' reaction.	5
	(OR)	
	Salient Features of Gandhian Economic Thought **1. Village Republics**: To Gandhi, India lives in villages. He was interested in developing the villages as selfsufficient units. He opposed extensive use of machinery, urbanization and industrialization. **2. On Machinery**: Gandhi described machinery as 'Great sin'. He said that "Books could be written to demonstrate its evils... it is necessary to realize that machinery is bad. Instead of welcoming machinery as a boon, we should look upon it as an evil. It would ultimately cease. **3. Industrialism**: Gandhi considered industrialism as a curse on mankind. He thought industrialism depended entirely on a country's capacity to exploit. **4. Decentralization:** He advocated a decentralized economy, i.e., production at a large number of places on a small scale or production in the people's homes. **5. Village Sarvodaya:** According to Gandhi, "Real India was to be found in villages and not in towns or cities." So he suggested the development of selfsuficient, self-dependent villages. **6. Bread Labour**: Gandhi realized the dignity of human labour. He believed that God created man to eat his bread by the sweat of his brow. Bread labour or body labour was the expression that Gandhi used to mean manual labour.	5

	7. The Doctrine of Trusteeship: Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism. However, now India experiences both casino capitalism and crony capitalism **8. On the Food Problem:** Gandhi was against any sort of food controls. He thought such controls only created artificial scarcity. Once India was begging for food grain, but India tops the world with very large production of foodgrains, fruits, vegetables, milk, egg,meat etc., **9. On Population:** Gandhi opposed the method of population control through contraceptives. He was, however, in favour of birth control through Brahmacharya or selfcontrol. He considered self-control as a sovereign remedy to the problem of over-population. **10. On Prohibition:** Gandhi advocated cent per cent prohibition. He regarded the use of liquor as a disease rather than a vice. He felt that it was better for India to be poor than to have thousands of drunkards. But ,now many states depend on revenue from liquor sales.	
46.	**THE OBJECTIVES OF NATIONALIZATION OF COMMERCIAL BANKS.** 1. The main objective of nationalization was to attain social welfare. 2. Nationalisation of banks helped to curb private monopolies in order to ensure a smooth supply of credit 3. To encourage the banking habit among the rural population. 4. To reduce the regional imbalances where the banking facilities were not available. 5. After nationalization, new bank branches were opened in both rural and urban. 6. Credit facilities mainly to the agriculture sector and its allied activities	5
	(OR)	
	INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) Information and Communication Technology (ICT) is the infrastructure that enables computing faster and accurate. The following table gives an idea of range of technologies that fall under the category of ICT.	5

S.No	Information	Technologies
1	Creation	Personal Computers, Digital Camera, Scanner, Smart Phone
2	Processing	Calculator, PC, Smart Phone
3	Storage	CD, DVD, Pen Drive, Microchip, Cloud
4	Display	PC, TV, Projector, Smart Phone
5	Transmission	Internet, Teleconference, Video conferencing, Mobile Technology, Radio
6	Exchange	E mail, Cell phone

THE EVALUATION OF ICT HAS FIVE PHASES.
They are evolution in
(a) Computer
(b) PC
(c) Microprocessor
(d) Internet and
(e) Wireless links
In Economics, the uses of mathematical and statistical tools need the support of ICT for data compiling, editing, manipulating and presenting the results. In general, SPSS and Excel packages are often used by researchers in economics. Such Software is designed to do certain user tasks. Word processor, spread sheet and web browser are some of the examples which are frequently used while undertaking analysis in the study of economics.

47.	**EXPLAIN THE OBJECTIVES AND CHARACTERISTICS OF SEZS.** **Meaning of Special Economic Zones.** A **special economic zone** (**SEZ**) is an area in which business and trade laws are different from the rest of the country. SEZs are located within a country's national borders, and their aims include: increased trade, increased investment, job creation and effective administration.

	Major Objectives of SEZs **1.** To enhance foreign investment (especially FDI) **2.** To increase shares in Global Export **3.** To generate additional economic activity. **4.** To create employment opportunities. **5.** To develop infrastructure facilities. **6.** To exchange technology in the global market. **Main Characteristics of SEZ** 1. Geographically demarked area with physical security 2. Administrated by single body/ authority 3. Streamlined procedures 4. Having separate custom area 5. Governed by more liberal economic laws. 6. Greater freedom to the firms located in SEZs.	5
	(OR)	
	CAUSES FOR RURAL INDEBTEDNESS The causes for rural indebtedness may be summarized as below: 1. Poverty of Farmers: The vicious circle of poverty forces the farmers to borrow for consumption, cultivation and celebrations. Thus, poverty, debt and high rates of interest hold the farmer in the grip of money lenders. 2. Failure of Monsoon: Frequent failure of monsoon is a curse to the farmers and they have to suffer due to the failure of nature. Therefore, farmers find it difficult to identify good years to repay their debts. 3. Litigation: Due to land disputes litigation in the court compels them to borrow heavily. Being uneducated and ignorant they are caught in the litigation process and dry away their savings and resources. 4. Money Lenders and High Rate of Interest: The rate of interest charged by the local money lenders is very high and the compounding of interest leads to perpetuate indebtedness of the farmer.	5

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