



# SHRI KRISHNA ACADEMY

NEET, JEE AND BOARD EXAM COACHING CENTRE  
SBM SCHOOL CAMPUS, TRICHY MAIN ROAD, NAMAKKAL

CELL: 9965531727-9443231727

**+1 COMMON PUBLIC EXAMINATION - MARCH - 2020**

**SUBJECT: ECONOMICS**

**TENTATIVE ANSWER KEY**

**MARKS : 90**

| Q. NO     | CONTENT                                 | MARK           |
|-----------|---|----------------|
|           | <b>PART-I</b>                           | <b>20X1=20</b> |
| <b>I.</b> | <b>CHOOSE THE CORRECT ANSWER:</b>       |                |
| 1         | c) Adam Smith                           | 1              |
| 2         | b) $TU_n - TU_{n-1}$                    | 1              |
| 3         | a) Negatively sloped                    | 1              |
| 4         | c) The Laws of Variable Proportions     | 1              |
| 5         | b) Increasing returns                   | 1              |
| 6         | c) total revenue                        | 1              |
| 7         | a) Homogenous goods                     | 1              |
| 8         | c) Lower price                          | 1              |
| 9         | c) Walker                               | 1              |
| 10        | c) Alfred Marshall                      | 1              |
| 11        | b) 1951                                 | 1              |
| 12        | c) Poverty eradication                  | 1              |
| 13        | d) Disparities among people and regions | 1              |
| 14        | b) LPG                                  | 1              |
| 15        | d) All the above                        | 1              |
| 16        | c) 1992                                 | 1              |
| 17        | a) Services                             | 1              |
| 18        | a) Detroit of Asia                      | 1              |
| 19        | a) Differentiation                      | 1              |
| 20        | c) Power Point Presentation             | 1              |

| II. | PART - II ( ANY SEVEN)  | 7X2=14 |
|-----|---|--------|
| 21  | <p><b>What are goods? Name the Kinds of goods:</b></p> <ul style="list-style-type: none"> <li>❖ Goods are also called 'Products', 'commodities' 'things' etc.</li> <li>ii) In Economics, the term 'goods' and 'services' also implies, unless specified otherwise.</li> <li>iii) Goods and services Satisfies human wants.</li> </ul> <p><b>The Kinds of goods:</b></p> <ul style="list-style-type: none"> <li>❖ Free and Economic goods</li> <li>❖ Public and private goods</li> <li>❖ Consumer goods and capital goods</li> <li>❖ Perishable goods and Durable goods</li> </ul> | 2      |
| 22  | <p><b>State the Meaning of Indifference curves and Elasticity of demand:</b></p> <ul style="list-style-type: none"> <li>❖ Indifference curves means all those combinations of goods which gives equal satisfaction to the consumer.</li> </ul> <p><b>Elasticity of demand:</b></p> <ul style="list-style-type: none"> <li>❖ Elasticity of demand explains the rate of change in quantity demanded due to a given change in price.</li> </ul>  | 2      |
| 23  | <p><b>What is implicit and explicit cost:</b></p> <p><b>Explicit cost</b></p> <ul style="list-style-type: none"> <li>❖ Payment made to others for the purchase of factors of production is known as Explicit cost.</li> </ul> <p><b>Implicit cost</b></p> <ul style="list-style-type: none"> <li>❖ Payment made to the use of resources that the firm already owns is known as implicit cost</li> </ul>   | 2      |
| 24  | <p><b>What is Selling Cost:</b></p> <ul style="list-style-type: none"> <li>❖ We can infer that the producer under monopolistic competition has to incur expenses to popularize his brand.</li> <li>❖ The expenditure involved in selling the product is called selling cost</li> <li>❖ The cost incurred in order to alter 'the position or shape of the demand curve for a product</li> </ul>  | 2      |
| 25  | <p><b>What is meant by distribution? What are the kinds:</b></p> <p><b>Distribution:</b></p> <ul style="list-style-type: none"> <li>❖ Distribution means division of income among the four factors of production.</li> </ul>  | 2      |

|    |   |   |
|----|---|---|
|    | <ul style="list-style-type: none"> <li>❖ For Example: Rent to landlords, wage to labourer, interest to capital and profit to entrepreneurs.</li> </ul> <p><b>The kinds of distribution:</b></p> <ul style="list-style-type: none"> <li>❖ Personal distribution: It is the distribution of national income among the individuals.</li> <li>❖ Functional distribution: It means the distribution income among the factors of production.</li> </ul>   |   |
| 26 | <p><b>Give a short note on Sen's Choice of Technique'.</b></p> <ul style="list-style-type: none"> <li>❖ Sen's choice of Technique' was a research work where he argued that in a labour surplus economy cannot be increased at the initial stage by the adaptation of capital-intensive technique.</li> </ul>   | 2 |
| 27 | <p><b>What is PQLI :</b></p> <ul style="list-style-type: none"> <li>❖ Morris D Morris developed the Physical Quality of Life Index (PQLI). _e PQLI is a measure to calculate the quality of life (well being of a country). For this, he included three indicators such as life expectancy, infant mortality rate and literacy rate.</li> <li>❖ A scale of each indicator ranges from the number 1 to 100. Number 1 represents the worst performance by any country.</li> <li>❖ 100 is the best performance. For example, in case of life expectancy, the upper limit of 100.</li> <li>❖ This was assigned to 77 years which was achieved by Sweden in 1973. The lower limit of 1 was assigned to 28 years which was achieved by Guinea-Bissau in 1960.</li> <li>❖ The main difference between the two is the inclusion of income in HDI and exclusion of income from PQLI. HDI represents both physical and financial attributes of development and PQLI has only the physical aspects of life.</li> </ul> | 2 |
| 28 | <p><b>Sate the meaning of privatization.</b></p> <ul style="list-style-type: none"> <li>❖ Privatization means transfer of ownership and management of enterprises from public sector to private sector.</li> <li>❖ Denationalization, disinvestment and opening exclusive public sector enterprises to private sector are the gate ways to privatization.</li> </ul>  | 2 |

29

Name any three Poverty Eradication Schemes with year of launching:

| Poverty Eradication Schemes   |                |
|---|----------------|
| Schemes   | Year of launch |
| 20 Point Programme  | 1975           |
| Integrated Rural development Programme(IRDP)                        | 1976           |
| Training Rural Youths for Self-Employment (TRYSEM)                  | 1979           |
| Food for Work Programme(FWP)  | 1977           |
| National Rural Employment Programme (NREP)                          | 1980           |
| Rural Landless Employment Guarantee Programme(RLEGP)                | 1983           |
| Jawahar Rozgar Yojana(JRY)  | 1989           |
| Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) | 2006           |

2

30

The formulae for estimating Marginal Cost and Marginal Product:

$$MC = \frac{d(TC)}{dQ} \text{ or } MC = \frac{\Delta TC}{\Delta Q}$$

$$MP = d(TP)/dQ = \Delta TP/\Delta Q$$

2

III.

PART - III ( ANY SEVEN)

7X3=21

31

The important features of utility:

- ❖ Characteristics of Utility
- ❖ Utility is psychological. It depends on the consumer's mental attitude. For example, a vegetarian derives no utility from mutton; Utility is not equivalent to usefulness. For example, a smoker derives utility from a cigarette; but, his health gets affected;
- ❖ Utility is not the same as pleasure. A sick person derives utility from taking a medicine, but definitely, it is not providing pleasure.
- ❖ Utility is personal and relative. An individual obtains varied utility from one and the same good in different situations and places.
- ❖ Utility is the function of the intensity of human want. An individual consumer faces a tendency of diminishing utility

3

- ❖ Utility is a subjective concept it cannot be measured objectively and it cannot be measured numerically.
- ❖ Utility has no ethical or moral significance. For example, a cook derives utility from a knife using which he cuts some vegetables; and, a killer wants to stab his enemy by that knife. In Economics, a commodity has utility, if it satisfies a human want

**32 The theory of “consumer’s surplus”:**

The concept of consumer surplus was originally introduced by classical economists and later modied by Jevons and Jule Dupuit, the French Engineer Economist in 1844. But a most refined form of the concept of consumer surplus was given by Alfred Marshall. This concept is based on the Law of Diminishing Marginal Utility.

❖ **Definition**

Alfred Marshall defines consumer’s surplus as, “the excess of price which a person would be willing to pay a thing rather than go without the thing, over that which he actually does pay is the economic measure of this surplus satisfaction. This may be called consumer’s surplus”.

**Consumer’s surplus = What a person is willing to pay - What he actually pays.**

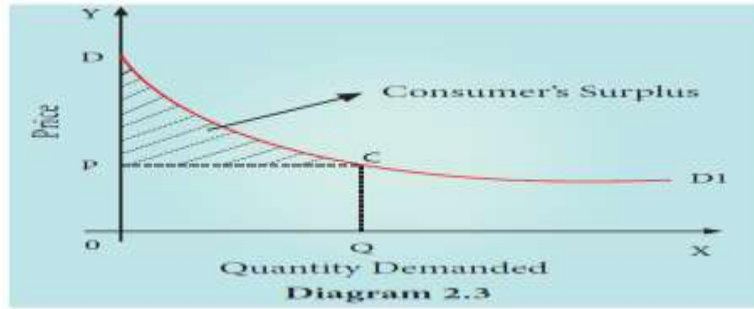
**OR**

**Consumer’s surplus = Potential price- Actual price.**

**Mathematically, Consumer’s surplus = TU - (P x Q)**

**Table : Consumer’s Surplus**

| Units of commodity (Apple) | Willingness to pay or Potential Price (Marginal | Actual Price | Consumer’s Surplus = Potential Price - Actual Price |
|----------------------------|---|--------------|---|
| 1                          | 6   | 2            | 6-2=4   |
| 2                          | 5   | 2            | 5-2=3   |
| 3                          | 4   | 2            | 4-2=2   |
| 4                          | 3   | 2            | 3-2=1   |
| 5                          | 2   | 2            | 2-2=0   |
| <b>Total</b>               | <b>20</b>                                       | <b>10</b>    | <b>10</b>   |



Hence, actual price is OPCQ (OP x OQ).  
 Potential Price (Total Utility) is ODCQ.  
 Therefore,  
 Consumer' Surplus = ODCQ – OPCQ = 20-10 = 10  
 = PDC (the shaded area)

33

**The functions of Entrepreneur:**

Functions of an Organizer (Entrepreneur)

**Initiation:** An organizer is the initiator of the business, by considering the situation and availability of resources and planning the entire process of business or production.

**Innovation:** A successful entrepreneur is always an innovator. He introduces new methods in the production process.

**Coordination:** An organizer applies a particular combination of the factors of production to start and run the business or production.

**Control, Direction and Supervision:** An organiser controls so that nothing prevents the organisation from achieving its goal. He directs the factors to get better results and supervises for the efficient functioning of all the factors involved in the process of production.

**Risk-taking and Uncertainty-bearing:** There are risk-taking and uncertainty bearing obstacles. Risks may be insured but uncertainties cannot be insured. They reduce the profit.

3

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**The Cobb-Douglas Production Function:**

The Cobb-Douglas Production Function was developed by Charles W. Cobb and Paul H. Douglas, based on their empirical study of American manufacturing industry.

It is a linear homogeneous production function which implies that the factors of production can be substituted for one another up to a certain extent only.

3

The Cobb-Douglas production function can be expressed as follows.

$$Q = AL^\alpha K^\beta$$

Where, Q = output; A = positive constant; K = capital; L = Labor \_ and \_ are positive fractions showing, the elasticity coefficients of outputs for the inputs labor and capital, respectively.

$\beta = (1 - \alpha)$  since  $\alpha + \beta = 1$ . denoting constant returns to scale.

Factor intensity can be measured by the ratio  $\beta / \alpha$ .

The sum of  $\alpha + \beta$  shows the returns to scale.

- i)  $(\alpha + \beta) = 1$ , constant returns to scale.
- ii)  $(\alpha + \beta) < 1$ , diminishing returns to scale.
- iii)  $(\alpha + \beta) > 1$ , increasing returns to scale.

The production function explains that with the proportionate increase in the factors, the output also increases in the same proportion.

Cobb-Douglas production function implies constant returns to scale.

Cobb-Douglas production function considered only two factors.

labour and capital. Production takes place only when both factors are employed.

Labour contributes three-fourth of production and capital contributes one-fourth of production.

The elasticity of substitution between the factors is equal to one.

**35 The features of duopoly:**

**Duopoly**

Duopoly is a special case of the theory of oligopoly in which there are only two sellers.

**Characteristics of Duopoly**

- ❖ Each seller is fully aware of his rival's motive and actions.
- ❖ Both sellers may collude (they agree on all matters regarding the sale of the commodity).
- ❖ They may enter into cut-throat competition.
- ❖ There is no product differentiation.
- ❖ They fix the price for their product with a view to maximising their profit.

|    |   |   |
|----|---|---|
| 36 | <p><b>Write a note on Risk-bearing Theory of Profit.</b></p> <p><b>Risk Bearing Theory of Profit</b></p> <ul style="list-style-type: none"> <li>❖ Risk bearing theory of profit was propounded by the American economist F.B. Hawley in 1907. According to him, profit is the reward for “risk taking” in business. Risk taking is an essential function of the entrepreneur and is the basis of profit. It is a well known fact that every business involves some risks.</li> <li>❖ Since the entrepreneur undertakes the risks, he receives profits.</li> <li>❖ If the entrepreneur does not receive the reward, he will not be prepared to undertake the risks.</li> <li>❖ Thus, higher the risks, the greater are the profit.</li> </ul> <p>Every entrepreneur produces goods in anticipation of demand. If his anticipation of demand is correct, then there will be profit and if it is incorrect, there will be loss. It is the profit that induces the entrepreneurs to undertake such risks.</p> | 3 |
| 37 | <p><b>The Doctrine of Trusteeship:</b></p> <ul style="list-style-type: none"> <li>❖ Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism.</li> <li>❖ However, now India experiences both casino capitalism and crony capitalism</li> </ul>   | 3 |
| 38 | <p><b>Mention Six Industry Clusters in Tamil Nadu:</b></p> <ul style="list-style-type: none"> <li>❖ RANIPET : Leather</li> <li>❖ AMBUR : Leather</li> <li>❖ VANIYAMBADI : Leather</li> <li>❖ SALEM : Powerlooms, Home textiles, Steel, Sago</li> <li>❖ SANKAGIRI : Lorry fleet operators</li> <li>❖ TIRUCHENGODE: Borewell drilling services</li> <li>❖ NAMAKKAL : Transportation, Poultry</li> <li>❖ KARUR : Coach-building, Powerlooms</li> <li>❖ ERODE : Powerlooms, Turmeric</li> <li>❖ COIMBATORE : Spinning mills, Engineering industries</li> <li>❖ TIRUPUR : Knitwear, Readymade garments</li> <li>❖ RAJAPALAYAM : Surgical cotton products</li> <li>❖ SIVAKASI : Safety matches, Fireworks, Printing</li> </ul>  | 3 |



|     |   |               |
|-----|---|---------------|
| 39  | <p><b>National Rural Health Mission:</b></p> <ul style="list-style-type: none"> <li>❖ The National Rural Health Mission (NRHM) was launched on 12th April 2005, to provide accessible, affordable and quality health care to the rural population, especially the vulnerable groups.</li> <li>❖ NRHM seeks to provide equitable, affordable and quality health care to the rural population, especially the vulnerable groups.</li> <li>❖ NRHM focuses on Reproductive, Maternal, Newborn, Child Health and Adolescent (RMNCH+A) Services. The emphasis here is on strategies for improving maternal and child health through a continuum of care and the life cycle approach.</li> </ul>   | 3             |
| 40  | <p><b>The indicators of Human Development Index:</b></p> <ul style="list-style-type: none"> <li>❖ Life expectancy at birth</li> <li>❖ ii) Adult literacy</li> <li>❖ iii) Combined enrollment ratio</li> <li>❖ iv) Real GDP per Capital (PPPs)</li> </ul>  | 3             |
| IV. | <b>PART - IV</b>  | <b>7X5=35</b> |
| 41  | <p><b>Elaborate the nature and scope of Economics:</b></p> <ul style="list-style-type: none"> <li>❖ A Law expresses a causal relation between two or more than two phenomena.<br/>Marshall states that the Economic laws are statement of tendencies the laws function with cause and effect.<br/>Economic laws are not as precise and certain Economic laws are not inviolable</li> <li>❖ The use of the assumption other things remaining the same' Economics makes the Economic laws hypothetical.<br/>Laws in economics are more exact, precise and accurate than the other social sciences. Some economic laws are simply truisms.</li> <li>❖ The scope of the subject of Economics refers to on the subject-matter of Economics. All human activities related to wealth constitute the subject-matter of Economics.</li> <li>❖ Production, consumption and capital formation are called the basic economic activities of an economy.</li> </ul> | 5             |

(OR)

**The Sub- Divisions of Economics:**

Economics has been divided into some branches.

**Consumption**

Human wants coming under consumption is the starting point of economic activity. In this section the characteristics of human

wants based on the behaviour of the consumer, the diminishing marginal utility and consumer's surplus are dealt with.

**Production**

Production is the process of transformation of inputs into output. This division covers the characteristics and role of the factors of production namely Land, Labour, Capital and Organization and also the relationship between inputs and output.

**Exchange**

Exchange is concerned with price determination in different market forms. This division covers trade and commerce.

Consumption is possible only if the produced commodity is placed in the hands of the consumer.

**Distribution**

Production is the result of the coordination of factors of production. Since a commodity is produced with the efforts of land, labour, capital and organization, the produced wealth has to be distributed among the cooperating factors. The reward for factors of production is studied in this division under rent, wages, interest and profit. Distribution studies about the pricing of factors of production.

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**(a) The law of Equi-marginal utility:**

**The Law of Equi-Marginal Utility**

The law of diminishing marginal utility is applicable only to the want of a single commodity. But in reality, wants are unlimited and these wants are to be satisfied. Hence, to analyze such a situation,

the law of diminishing marginal utility is extended and is called "Law of Equi- Marginal Utility". It is also called the "Law of Substitution", "The Law of Consumers Equilibrium", "Gossen Second Law" and "The Law of Maximum Satisfaction".

5

### Definition

Marshall states the law as, "If a person has a thing which he can put to several uses, he will distribute it among these uses in such a way that it has the same marginal utility in all. For, if it had a greater marginal utility in one use than another he would gain by taking away some of it from the second use and applying it to first".

### Assumptions

1. The consumer is rational in the sense that he wants to get maximum satisfaction.
2. The utility of each commodity is measurable in cardinal numbers.
3. The marginal utility of money remains constant.
4. The income of the consumer is given.
5. There is perfect competition in the market
6. The prices of the commodities are given.
7. The law of diminishing marginal utility operates.

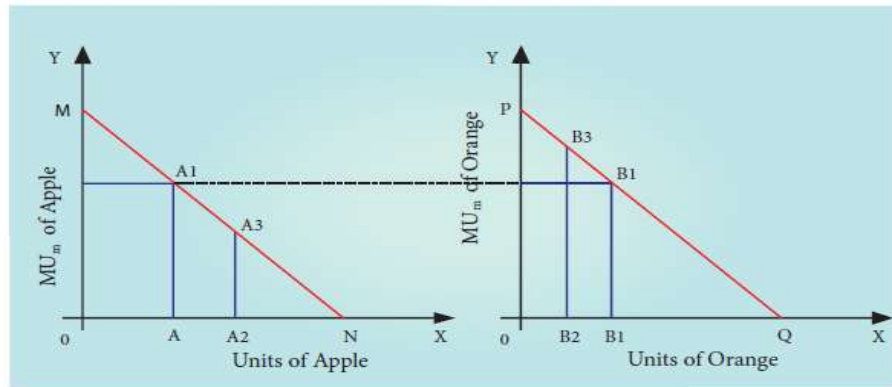
### Explanation

The law can be explained with the help of an example. Suppose a consumer wants to spend his limited income on Apple and Orange. He is said to be in equilibrium, only when he gets maximum satisfaction with his limited income. Therefore, he will be in equilibrium, when,

$$\frac{\text{Marginal utility of Apple}}{\text{Price of Apple}} = \frac{\text{Marginal utility of Orange}}{\text{Price of Orange}} = K$$

$$\text{i.e., } = \frac{MU_A}{P_A} = \frac{MU_O}{P_O} = k \quad \text{Eg } 50/10 = 20/4 = 5$$

| Units | Apple |    |                    | Orange |    |                    |
|-------|-------|----|--------------------|--------|----|--------------------|
|       | TU    | MU | $\frac{MU_A}{P_A}$ | TU     | MU | $\frac{MU_O}{P_O}$ |
| 1     | 25    | 25 | $25/2=12.5$        | 30     | 30 | $30/1=30$          |
| 2     | 45    | 20 | $20/2=10$          | 41     | 11 | $11/1=11$          |
| 3     | 63    | 18 | $18/2=9$           | 49     | 8  | $8/1=8$            |
| 4     | 78    | 15 | $15/2=7.5$         | 54     | 5  | $5/1=5$            |
| 5     | 88    | 10 | $10/2=5$           | 58     | 4  | $4/1=4$            |
| 6     | 92    | 4  | $4/2=2$            | 61     | 3  | $3/1=3$            |



### Diagrammatic Illustration

X axis represents the amount of money spent and Y axis represents the marginal utility of Apple and Orange respectively. If the consumer spends Rs.10 on Apple and Rs. 4 on Orange, the marginal utilities of both are equal i.e.,  $AA_1 = BB_1$  ( $5 = 5$ ). Hence, he gets maximum utility.

### Criticisms

1. In practice, utility cannot be measured, only be felt.
2. This Law cannot be applied to durable goods.

OR

### b) The Sectoral contribution of Tamil Nadu

- ❖ The tertiary sector (service sector) is the major contributor to Tamil Nadu's GSDP at 63.70%. The secondary sector (Industry) contribution is gradually on the rise and now it is 28.5%. Agriculture occupies a prominent position in occupation but its contribution to GSDP is declining and now it is just 7.76%.
- ❖ This means that the tertiary and secondary sectors have grown faster, the agricultural sector has grown slow. Agriculture sector provides employment and food to larger proportion of Indians and Tamils. But, the same sector is growing slowly means it is not good. With this trend sustainable development may not be possible.

5

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### (a) Illustrate price and output determination under Monopoly.

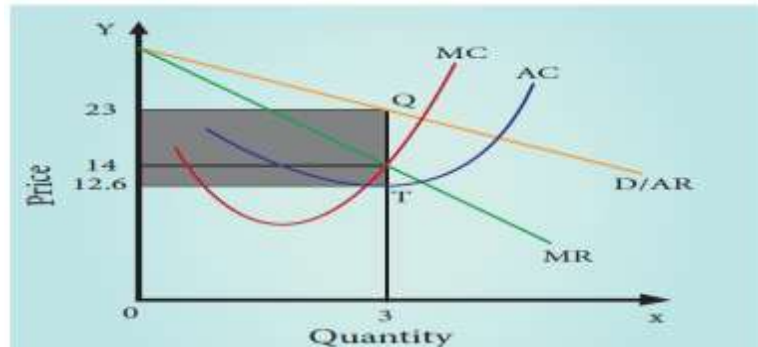
#### Meaning:

The word monopoly has been derived from the combination of two words i.e., 'Mono' and 'Poly'. Mono refers to a single and "poly" to seller. In this way, monopoly refers to a market situation in which there is only one seller of a commodity.

5

## Price & Output Determination Under Monopoly

A monopoly is a one firm-industry. Therefore, a firm under monopoly faces a downward sloping demand curve (or AR curve). Since, under monopoly AR falls,



as more units of output are sold, the MR lies below the AR curve ( $MR < AR$ ).

The monopolist will continue to sell his product as long as his  $MR > MC$ .

He attains equilibrium at the level of output when its MC is equal to MR. Beyond this point, the producer will experience loss and hence will stop selling.

From this diagram, till he sells 3 units output, MR is equal to MC. The monopoly firm will be in equilibrium at the level of output where MR is equal to

MC. The price is 23. To checkup how much profit the monopolist is making at the equilibrium output, the average revenue curves and the average cost curves are used.

At equilibrium level of output, (3) is the average revenue is 23 and the average cost is 12.67, therefore  $(23 - 12.67 = 10.33)$  is the profit per unit.

$$\begin{aligned} \text{Total profit} &= (\text{Average Revenue} - \text{Average Cost}) \times \text{Total output} \\ &= (23 - 12.67) \times 3 \\ &= 10.33 \times 3 = 30.99 \end{aligned}$$

(OR)

### (b) Elucidate the Loanable Funds Theory of Interest:

#### Loanable Funds Theory/ The Neo Classical Theory

The Loanable Funds Theory, also known as the “Neo-Classical Theory”, was developed by Swedish economists like Wicksell, Bertil Ohlin, Viner, Gunnar Myrdal and others.

According to this theory, interest is the price paid for the use of loanable funds. The rate of interest is determined by the equilibrium between demand for and supply of loanable funds in the credit market.

## Demand for Loanable Funds

Demand for Investment (I)

Demand for Consumption (C)

Demand for Hoarding (H)

Supply of Loanable Funds

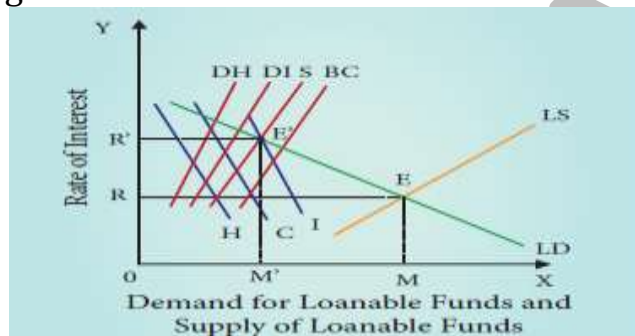
Savings (S) , Bank Credit (BC), Dishoarding (DH),

Disinvestment(DI)

## Supply of and Demand for Loanable Funds

Supply of loanable funds = Savings + Bank Credit +  
Dishoarding + Disinvestment = S + BC + DH + DI

Demand for loanable funds = Investment + Consumption +  
Hoarding = I + C + H



X axis represents the demand for and supply of loanable funds and Y axis represents the rate of interest. The LS curve represents the total supply curve of loanable funds. It is obtained by the summation of the Saving Curve (S), Bank credit curve (BC), Dishoarding curve (DH) and Disinvestment curve (DI). The LD curve represents the total demand for loanable funds; this is obtained by the summation of the demand for investment curve I, demand curve for consumption demand or dissaving curve and curve for demand for hoarding curve H. The LD and LS curves, intersect each other at the point "E" the equilibrium point. At this point, OR rate of interest and OM is the amount of loanable funds.

## Criticisms

1. Many factors have been included in this theory. Still there are many more factors. Two such factors are

1) Asymmetric Information and 2) Moral Hazard.

2. It is very difficult to combine real factors like savings and investment with monetary factors like bank credit and liquidity preference.

**(a) Explain strong features Indian economy****India has a mixed economy**

- ❖ Indian economy is a typical example of mixed economy.
- ❖ This means both private and public sectors co-exist and function smoothly.
- ❖ On one side, some of the fundamental and heavy industrial units are being operated under the public sector, while, due to the liberalization of the economy, the private sector has gained importance.
- ❖ This makes it a perfect model for public – private partnership.

**Agriculture plays the key role**

- ❖ Agriculture being the maximum pursued occupation in India, it plays an important role in its economy as well.
- ❖ Around 60% of the people in India depend upon agriculture for their livelihood. In fact, about 17% of our GDP today is contributed by the agricultural sector.
- ❖ Green revolution, ever green revolution and inventions in bio technology have made agriculture self sufficient and also surplus production.
- ❖ The export of agricultural products such as fruits, vegetables, spices, vegetable oils, tobacco, animal skin, etc. also add to forex earning through international trading.

**An emerging market**

- ❖ India has emerged as vibrant economy sustaining stable GDP growth rate even in the midst of global downtrend. This has attracted significant foreign capital through FDI and FII. India has a high potential for prospective growth. This also makes it an emerging market for the world.

**Emerging Economy**

- ❖ Emerging as a top economic giant among the world economy, India bags the **seventh** position in terms of nominal *Gross Domestic Product (GDP)* and **third** in terms of *Purchasing Power Parity (PPP)*. As a result of rapid economic growth Indian economy has a place among the G20 countries.

### **Fast Growing Economy**

- ❖ India's economy is well known for high and sustained growth. It has emerged as the world's fastest growing economy in the year 2016-17 with the growth rate of 7.1% in GDP next to People's Republic of China.

### **Fast growing Service Sector**

- ❖ The service sector, contributes a lion's share of the GDP in India. There has been a high rise growth in the technical sectors like Information Technology, BPO etc.
- ❖ These sectors have contributed to the growth of the economy.
- ❖ These emerging service sectors have helped the country go global and helped in spreading its branches around the world.

### **Large Domestic consumption**

- ❖ With the faster growth rate in the economy the standard of living has improved a lot. This in turn has resulted in rapid increase in domestic consumption in the country.
- ❖ The standard of living has considerably improved and life style has changed.

### **Rapid growth of Urban areas**

- ❖ Urbanization is a key ingredient of the growth of any economy. There has been a rapid growth of urban areas in India after independence.
- ❖ Improved connectivity in transport and communication, education and health have speeded up the pace of urbanization.

### **Stable macro economy**

- ❖ The Indian economy has been projected and considered as one of the most stable economies of the world.
- ❖ The current year's Economic survey represents the Indian economy to be a "**heaven of macroeconomic stability, resilience and optimism**".
- ❖ According to the Economic Survey for the year 2014-15, 8%-plus GDP growth rate has been predicted, with actual growth turning out to be a little less (7.6%). This is a clear indication of a stable macroeconomic growth.



### **Demographic dividend**

- ❖ The human capital of India is young. This means that India is a pride owner of the maximum percentage of youth.
- ❖ The young population is not only motivated but skilled and trained enough to maximize the growth.
- ❖ Thus human capital plays a key role in maximizing the growth prospects in the country.
- ❖ Also, this has invited foreign investments to the country and outsourcing opportunities too.

(OR)

**(b) Elaborate the Land Tenure Systems in India:**

### **The Land Tenure Systems in India**

- ❖ Land Tenure refers to the system of land ownership and management. The features that distinguish a land tenure system from the others relate to the following:
  - ❖ Who owns the land
  - ❖ Who cultivates the land
  - ❖ Who is responsible for paying the land revenue to the government.
- ❖ Based on these questions, three different types of land tenure existed in India before Independence. They were Zamindari system, Mahalwari system and Ryotwari system.

### **Zamindari System or the Land lord-Tenant System**

- ❖ This system was created by the British East India Company, when in 1793, Lord Cornwallis introduced 'Permanent Settlement Act'. Under this system the landlords or the Zamindars were declared as the owners of the land and they were responsible to pay the land revenue to the government. The share of the government in total rent collected was fixed at 10/11th, the balance going to the Zamindars as remuneration.

### **Mahalwari System or Communal System of Farming**

- ❖ After introduction of this system, it was later extended to Madhya Pradesh and Punjab. The ownership of the land was maintained by the collective body usually the villagers which

served as a unit of management. They distributed land among the peasants and collected revenue from them and pay it to the state.

### **Ryotwari System or the Owner-Cultivator System**

- ❖ This system was initially introduced in Tamil Nadu and later extended to Maharashtra, Gujarat, Assam, Coorg, East Punjab and Madhya Pradesh. Under this system the ownership rights of use and control of land were held by the tiller himself. There was the direct relationship between owners. This system was the least oppressive system before Independence.

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### **a) Explain the role of SSIs in economic development:**

#### **Role of SSIs in Economic Development**

##### **Provide Employment**

- ❖ SSIs use labour intensive techniques. Hence, they provide employment opportunities to a large number of people. Thus, they reduce the unemployment problem to a great extent.
- ❖ SSIs provide employment to artisans, technically qualified persons and professionals, people engaged in traditional arts, people in villages and unorganized sectors.
- ❖ The employment-capital ratio is high for the SSIs.

##### **Bring Balanced Regional Development**

- ❖ SSIs promote decentralized development of industries as most of the SSIs are set up in backward and rural areas.
- ❖ They remove regional disparities by industrializing rural and backward areas and bring balanced regional development.
- ❖ They help to reduce the problems of congestion, slums, sanitation and pollution in cities. They are mostly found in outside city limits.
- ❖ They help in improving the standard of living of people residing in suburban and rural areas in India.
- ❖ The entrepreneurial talent is tapped in different regions and the income is also distributed instead of being concentrated in the hands of a few individuals or business families.

##### **Help in Mobilization of Local Resources**

- ❖ SSIs help to mobilize and utilize local resources like small savings, entrepreneurial talent etc., of the entrepreneurs, which might otherwise remain idle and unutilized.

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- ❖ They pave way for promoting traditional family skills and handicrafts. There is a great demand for handicraft goods in developed countries.
- ❖ They help to improve the growth of local entrepreneurs and selfemployed professionals in small towns and villages in India.

### **Pave for Optimisation of Capital**

- ❖ SSIs require less capital per unit of output. They provide quick return on investment due to shorter gestation period. The payback period is quite short in SSIs.
- ❖ SSIs function as a stabilizing force by providing high output-capital ratio as well as high employmentcapital ratio.
- ❖ They encourage the people living in rural areas and small towns to mobilize savings and channelize them into industrial activities.

### **Promote Exports**

- ❖ SSIs do not require sophisticated machinery. Hence, import the machines from abroad is not necessary. On the other hand, there is a great demand for goods produced by SSIs.
- ❖ Thus they reduce the pressure on the country's balance of payments. However, with recent past large scale industries are able to borrow large funds with low interest rate and spend large sums on advertisements. Hence SSSs are gradually vanishing.
- ❖ SSIs earn valuable foreign exchange through exports from India.

### **Complement Large Scale Industries**

- ❖ SSIs play a complementary role to large scale sector and support the large scale industries.
- ❖ SSIs provide parts, components, accessories to large scale industries and meet the requirements of large scale industries through setting up units near the large scale units.
- ❖ SSIs serve as ancillaries to large scale units.

### **Meet Consumer Demands**

- ❖ SSIs produce wide range of products required by consumers in India.
- ❖ Hence, they serves as an ant inflationary force by providing goods of daily use.

### **Develop Entrepreneurship**

- ❖ SSIs help to develop a class of entrepreneurs in the society. They help the job seekers to become job givers.
- ❖ They promote self-employment and spirit of self-reliance in the society.
- ❖ SSIs help to increase the per capita income of India in various ways.
- ❖ They facilitate development of backward areas and weaker sections of the society.
- ❖ SSIs are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

**(OR)**

### **(b) The Arguments against LPG**

- ❖ Liberalization measures, when effectively enforced, favour an unrestricted entry of foreign companies in the domestic economy. Such an entry prevents the growth of the local manufacturers.
- ❖ Privatization measures favour the continuance of the monopoly power. Only the powerful people can sustain in business markets. Social justice cannot be easily established and maintained. As a result, the disparities tend to widen among people and among regions.
- ❖ As globalization measures tend to integrate all economies of the world and bringing them all under one umbrella; they pave the way for redistribution of economic power at the world level. Only the already welldeveloped countries are favoured in this process and the welfare of the lessdeveloped countries will be neglected.
- ❖ The economic crisis of the developed countries are easily spread to the developing economies through trade. The following are the major changes after 1991: Foreign exchange reserves started rising.
- ❖ There was a rapid industrialization. The pattern of consumption started improving (or deteriorating).
- ❖ Infrastructure facilities such as express highways, metro rails, flyovers and airports started expanding (but the local people were thrown away).

**a) 'The features of Rural Economy are peculiar' - Argue:**

Main characteristics of rural economy are:

**1. Village is an Institution:**

The Village is a primary institution and it satisfies almost all the needs of the rural community. The rural people have a feeling of belongingness and a sense of unity towards each other.

**2. Dependence on Agriculture:**

The rural economy depends much on nature and agricultural activities.

Agriculture and allied activities are the main occupation in rural areas.

**3. Life of Rural People:**

Lifestyles in villages are very simple. Public services like education, housing, health and sanitation, transport and communication, banking, roads and markets are limited and unavailable.

Rural people rely much on faith, superstitions and traditional cultural practices. The standards of living of majority of rural people are poor and pitiable. In terms of methods of production, social organization and political mobilization, rural sector is extremely backward and weak.

In recent years, the incidence of alcohol drinking has gone up.

**4. Population Density:**

Population density, measured by number of persons living per sq. km is very low and houses are scattered in the entire villages.

**5. Employment:**

There exists unemployment, seasonal unemployment and underemployment in rural areas. Unemployment refers to the situation of people with willingness and ability to work but is not getting employed. Underemployment also called disguised unemployment is the situation of people employed in excess, over and above the requirement. Disguised unemployment is a situation where people work but no increase in production. Both the situations are common in rural areas.

### **6. Poverty:**

Poverty is a condition where the basic needs of the people like food, clothing and shelter are not being met. According to the 2011-12 estimates, About 22 crores of people in rural are as are poor and live below the poverty line.

### **7. Indebtedness:**

People in rural areas are highly indebted owing to poverty and underemployment, lack of farm and non-farm employment opportunities, low wage employment, seasonality in production, poor marketing network etc.

A famous British writer Sir Malcolm Darling (1925) stated that 'An Indian farmer is born in debt, lives in debt, dies in debt and bequeaths debt'. Since formal loan facilities are not available to the villagers, they depend on local money lenders who, like a parasite, squeeze the villagers. Hence the villagers commit suicide frequently.

### **8. Rural Income:**

The income of the rural people is constrained as the rural economy is not sufficiently vibrant to provide them with jobs or self – employment opportunities. Large proportion of labourers and skilled persons are underemployed and the scope for increasing their income is limited.

### **9. Dependency:**

Rural households are largely dependent on social grants and remittances from family members working in urban areas and cities.

### **10. Dualism:**

Dualism means the co-existence of two extremely different features like developed and underdeveloped, organized and unorganised, traditional and modern, regulated and unregulated, poor and rich, skilled and unskilled and similar contradicting situations in a region. These characteristics are very common in rural areas.

### **11. Inequality:**

The distributions of income, wealth and assets are highly skewed among rural people. There are number of historical, social, economic and political reasons behind the existence of inequality. Landlords and landowners dominate the rural activities. Land, livestock and other assets are owned by a few people.

### **12. Migration:**

Rural people are forced to migrate from villages to urban areas in order to seek gainful employment for their livelihood. This character of the development gives rise to the formation of cities. Enmity and Lack of basic amenities in rural areas also push the people to migrate to urban areas. This is called 'double poisoning' by Schumacher, one side villages are empty, on the other side towns are congested. His book "Small is Beautiful" describes the dangers of the present kind of development.

## **b) The Tourism and Transport system in Tamil Nadu:**

### **Tourism**

❖ Tamil Nadu has since ancient past been a hub for\_ tourism. In recent years, the state has emerged as one of the leading tourist destinations for both domestic and foreign tourists. Tourism in Tamil Nadu is promoted by Tamil Nadu Tourism Development Corporation (TTDC), a Government of Tamil Nadu undertaking.

The State currently ranks the highest among Indian States with about 25 crore arrivals (in 2013). The annual growth rate of this industry stood at 16 per cent.

Approximately 28 lakh foreign and 11 crore domestic tourists visit the State.

### **Transport system in Tamil Nadu**

#### **a. Road**

❖ There are 28 national highways in the State, covering a total distance of 5,036 km. The State has a total road

length of 167,000 km, of which 60,628 km are maintained by Highways Department. It ranks second in India with a share of over 20% in total road projects under operation in the public-private partnership (PPP) model.

#### **b . Rail**

- ❖ Tamil Nadu has a well-developed rail network as part of Southern Railway, Headquartered at Chennai. The present Southern Railway network extends over a large area of India's Southern Peninsula, covering the States of Tamil Nadu, Kerala, Puducherry, minor portions of Karnataka and Andhra Pradesh.
- ❖ Tamil Nadu has a total railway track length of 6,693 km and there are 690 railway stations in the State. The system connects it with most major cities in India. Main rail junctions in the State include Chennai, Coimbatore, Erode, Madurai, Salem, Tiruchirapalli and Tirunelveli. Chennai has a well-established Suburban Railway network, a Mass Rapid Transport System and is currently developing a Metro system, with its first underground stretch operational since May 2017.

#### **c. Air**

- ❖ Tamil Nadu has four major international airports. Chennai International Airport is currently the third largest airport in India after Mumbai and Delhi. Other international airports in Tamil Nadu include Coimbatore International Airport, Madurai International Airport and Tiruchirapalli International Airport. It also has domestic airports at Tuticorin, Salem, and Madurai.
- ❖ Which connect several parts of the country. Increased industrial activity has given rise to an increase in passenger traffic as well as freight movement which has been growing at over 18 per cent per year.

#### **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. The ports are currently capable of handling over 73 million metric tonnes of cargo annually (24 per cent share of India).

- ❖ All the minor ports are managed by the Tamil Nadu Maritime Board, Chennai Port. This is an artificial harbour and the second principal port in the country for handling containers. It is currently being upgraded to have a dedicated terminal for cars capable of handling 4,00,000 vehicles.
- ❖ Ennore Port was recently converted from an intermediate port to a major port and handles all the coal and ore traffic in Tamil Nadu.

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a) If total cost =  $10+Q^3$ , find out AC, AVC, TFC, AFC when  $Q=5$ .

AFC when  $Q= 5$ .

$TC=TFC+TVC$

$$AVC = \frac{TVC}{Q}$$

$$AFC = \frac{TFC}{Q}$$

$$AC = \frac{TC}{Q}$$

i)  $TC = 10+Q^3$  Total cost has two components

TFC and TVC.

ii) TFC = is the total fixed cost which does not change with the level of output.

iii) It determined by putting the value of Q.

iv) Given the total cost function.

$$TC = 10+Q^3$$

Q= units of output where  $Q=5$

Here TFC= 10 (TFC will not change when output changes)

$$TC = 10+(5)^3$$

$$TC = 10+125$$

$$TC = 135 \therefore 135 = 10 + TVC$$

$$135 - 10 = TVC$$

$$123 = TVC$$

$$TVC = 125, TC = 135 \therefore TFC = ?$$

$$TC = (TFC + TVC)$$

$$135 = x + 125$$

$$135 - 125 = 10$$

$$\therefore TFC = 10$$

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$$AFC = \frac{TFC}{Q} \quad TFC = 10, Q = 5$$

$$AFC = 2 \frac{10}{5} = 2$$

$$AFC = 2$$

$$AVC = \frac{TVC}{Q} \quad TVC = 125, Q = 5$$

$$AVC = \frac{125}{5} = 25$$

$$AVC = 25$$

$$AC = \frac{TC}{Q} \quad TC = 135, Q = 5$$

$$AC = \frac{135}{5} = 27$$

(or)

$$AC = AFC + AVC$$

$$AC = 2 + 25$$

$$AC = 27$$

OR

(b) Find the value of X and Y in the equation by using Cramer's rule  $X + 3Y = 1$  and  $3x - 2Y = 14$

$$X = \frac{\Delta x}{\Delta} = \frac{+44}{+11} = 4$$

$$Y = \frac{\Delta y}{\Delta} = \frac{11}{-11} = -1$$

$$x = 4, Y = -1$$

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## MARK ANALYSIS

| மதிப்பெண்             | மொத்த வினாக்கள் | புத்தக வினாக்கள் | அகவய வினாக்கள் | மொத்த மதிப்பெண்கள் |
|-----------------------|-----------------|------------------|----------------|--------------------|
| 1 மதிப்பெண் வினாக்கள் | 20              | 12               | 8              | 20                 |
| 2 மதிப்பெண் வினாக்கள் | 10              | 7                | 3              | 20                 |
| 3 மதிப்பெண் வினாக்கள் | 10              | 7                | 3              | 30                 |
| 5 மதிப்பெண் வினாக்கள் | 14              | 9                | 5              | 70                 |
| மொத்த மதிப்பெண்கள்    | 140             | 92               | 48             | 140                |
| சதவீதம்               |                 | 65.71%           | 34.29%         | 100                |