

J. K. SHAH CLASSES

FYJC-TEST - SOLUTION

Total Marks: 30

Date: /07/2016

Total time: 1 hour 30 minutes

CHAPTER : 1 & 2

Solutions

Ans.1. (A) Fill in the blanks:

- i) Urbanisation
- ii) 136
- iii) Morris D.Morris

(B) True or False

- i) False
- ii) False

(C) Match the pairs :

- (i) Deliberate & Planned
- (ii) 1990
- (iii) Natural

Ans.2. Distinguish Between

i) Economic growth & Economic development

Points	Economic growth	Economic Development
1. Meaning	Economic growth means a continuous long term process Where a country's national income Increases.	Economic development refers To economic growth plus progressive changes in certain variables which determine well being of the people.
2. Scope	Economic growth is a narrow and quantitative concept.	Economic development is a broader and qualitative concept.
3. Possibility	Economic growth is possible without economic development	Economic development is not possible without economic growth.
4. Priority	In economic growth much importance is given to the production of goods and services.	In economic development the distribution gets priority.

5. Share in N.I.	In economic growth the share of agriculture is more in national income.	In economic development the share of agriculture declines and that of industry and service sector increases.
6. Dimension	Economic growth is one dimensional concept as it deals with only economic aspect.	Economic development is multidimensional concept which covers economic and non-economic factor.
7. Nature	Economic growth is spontaneous and reversible	Economic development is deliberate and irreversible.

ii) PQLI & HDI

Points	PQLI	HDI
Meaning	It refers to overall well being of people	It refers to composite measure of economic & social progress to find out the quality of human life
Made by	Morris D.Morris in 1979	Mahabub – ul – Haq in 1990 for UNDP
Based on	PQLI is based on a) Life expectancy indicator b) Infant mortality indicator c) Basic Literacy indicator	HDI is based on a) Life expectancy indicator b) Educational attainment indicator c) Standard of Living indicator
Construction	PQLI is constructed on a scale of 1 to 100. Where 2 is worst & 100 is best performance	HDI is constructed on a scale of maximum and minimum values of indicator
Formula	$PQLI = \frac{L.E.I + I.M.I + B.L.I}{3}$	$HDI = \frac{L.E.I + E.A.I + S.L.I}{3}$

Ans 3 Give reason:

1. Industrial progress is an important indication of economic development.

Industrial progress plays a dominant role in the economic development of a country. It is an important means to increase the national output and per capita income. During the period of economic planning especially in second Five Year Plan Indian industries got an opportunity to expand.

As the process of industrialisation starts, the share of industrial sector in GDP increases. Further the benefits of industrial progress will start flowing to other sectors leading to a rise in employment, output and income. Besides the process of industrialisation is associated with modernisation, urbanisation, education, technical knowledge etc.

2. India is a medium HD group country

The rapid economic growth of the past decade has ensured India a place among the top ten movers on GDP growth. But the country ranks a low 119 in the world, according to 2010 HDI Report. Its HDI value is 0.647. Our neighbour country China has been ranked much higher at 89 on the index published annually by the UNDP.

The reasons are very obvious, India compares very poorly with countries of high level of human development on all indicators such as life expectancy, education, Per Capita Income.

Ans 4. Long answer

1. Explain meaning and importance of Human development

Meaning

In 1997 UNDP has defined human development 'as a process of enlarging peoples' choices and the level of well-being.' According to HDR 3 most important choices are,

1. To lead a long and healthy life
2. To acquire knowledge
3. To enjoy a decent standard of living

Apart from these, people also desire for political freedom, guaranteed human rights and self respect. H.D.I, further makes it clear that income can not be considered as a yardstick for measuring all these choices because well-being of people depends on use of income and not on the level of income. Thus human development depends on much more than just growth of income. Human Development is measured by constructing H.D.I It is a composite index of three dimensions given below.

In order to construct HDI, we have to prepare index number for each of these three dimensions of human development given below :

1. LEI - Life Expectancy Index
2. EAI - Education Attainment Index
3. SLI - Standard of Living Index

Importance of Human Development

Human Development is necessary for the following reasons.

1. It is an end.
2. Helps to control population
3. Increases efficiency
4. Better utilisation of resources
5. Creates healthy society
6. Saves environment

1. It is an end

Economic growth is only a means while Human Development is an end. In other words the entire process of economic development is to improve human conditions and enlarge people's choices.

2. Helps to control population

Improved education make people understand the benefits of small family. Increased medical facilities help to reduce infant mortality and birth rate.

3. Increases efficiency

With Human development there is an improvement in health, nutrition and education. This helps to increase efficiency and productivity of labour.

4. Better utilisation of resources

Improved efficiency of human resources leads to better utilisation of other resources.

5. Creates healthy society

The educated people do not get involved in anti- social activities like riots, religious conflicts, heatedness etc. This helps to set up a healthy society based on mutual understanding and co-operation.

6. Saves environment

The educated people know the evil effects pollution caused by population growth, deforestation industrial waste etc. They will try to conserve ((save) environment.

According to Dr. W. E. Deming

"The wealth of a nation depends upon the quality of its people and not on abundance of natural resources."

ii) Explain two indicators each for economic growth & development in detail ?

Indicators of Economic growth

Following indicators are used to measure economic growth.

Indicators

1. Increase in Gross Domestic Product (GDP)
2. Increase in Per Capita Income (PCI)
3. Increase in Per Capita Consumption (PCC)

1. Increase in Gross Domestic Product (GDP)

Some economists have defined economic growth in terms of national income aggregates. They defined economic growth as a process whereby, an economy's Gross Domestic Product increases over a long period of time. It means economic growth implies increased output of goods and services. Here it is necessary to mention that the increase in GDP must be steady and long term.

2. Increase in Per Capita Income (PCI)

Some economists believe that economic growth can be measured in terms of per capita income. An increase in PCI indicated an increase in economic growth. The PCI is obtained by dividing the national income of the country by its total population. A rise in Per Capita income is possible when the growth of national income is more than the growth of population. According to Economic survey of 2010-11, the PCI is ₹ 40,745 in 2009-10.

3. Increase in Per Capita Consumption (PCC)

The main objective of every economy is to increase the standard of living and welfare of the people. This, in turn, depends upon a higher per capita consumption. Per capita consumption of a country is obtained by dividing total private consumption expenditure by total population. According to Economic Survey of 2010-11, PCC of India is ₹ 23626 in 2009-10.

Indicators of economic development

Economic development has become the hot chase in the modern competitive world. All the countries of the world are competing each other to move ahead. The following indicators make us to understand whether a country is developed or not.

1. Productivity per hectare of land.
2. Industrial progress.
3. Per capita income
4. Per capita consumption
5. Qualitative entrepreneurship
6. Physical Quality of Life Index (PQLI) and Human Development Index (HDI)
7. Structural transformation
8. Environmental balance
9. Capital formation
10. Gross National income or GNP

1. Productivity per hectare of land

Economic development can be measured in terms of land productivity which is generally measured in terms of productivity per hectare of land. "Land productivity is the average yield (in kgs) of a crop per hectare of land."

$$\text{Productivity per hectare} = \frac{\text{Total Production of Crops in kgs}}{\text{Total Land Area under the crop}}$$

The agricultural productivity mainly depends on rainfall, soil, climate, chemical fertilizers, seeds, equipment, credit facilities etc. In India the agricultural production was very low till the commencement of economic planning in 1950-51 Since then it is increasing constantly.

Year	Food Production (in million tonnes)
1950-51	50.8
1990-91	176.4
2008-09	234.7

Source : Economic survey 2010-11

2. Industrial Progress

Industrial progress plays a dominant role in the economic development of a country. It is an important means to increase the national output and per capita income. During the period of economic planning especially in second Five Year Plan Indian industries got an opportunity to expand.

As the process of industrialisation starts, the share of industrial sector in GDP increases. Further the benefits of industrial progress will start flowing to other sectors leading to a rise in employment, output and income. Besides the process of industrialisation is associated with modernisation, urbanisation, education, technical knowledge etc.

3. Per Capita Income (PCI)

Per Capita Income is another important indicator of economic development. It is defined as "Average income of a nation". It indicates economic welfare of the country. Some economists prefer real per capita income to real national income. It is because economic development will be meaningless if it fails to raise the standard of living of common man. According to them, "economic development is a process whereby an economy's real per capita income increases over a long period of time." Growth in per capita income requires that the rate of population growth should be lower than the rate of growth of national income.

$$\text{PCI} = \frac{\text{Total National Income}}{\text{Total Population}}$$

PCI at market price

1950-51	3687 ₹
1990-91	7321 ₹
2009-10	40745 ₹

Source : Economic survey 2010-11

4. Per Capita Consumption (PCC)

One of the important objectives of economic development is to improve the standard of living of the people which depends upon per capita consumption. It is defined as average consumption of a nation.

$$\text{PCC} = \frac{\text{Total Consumption expenditure}}{\text{Total Population}}$$

Economic development is a sustained, secular improvement in material well-being which may be reflected in an increasing flow of goods and services. All the economic activities like production, consumption, exchange, distribution are carried out to satisfy human wants. It means the ultimate objective is want satisfaction which determines the standard of living and welfare of the people. Therefore, it is felt that per capita consumption reflects economic development than per capita income. India's per capita consumption is showing an upward movement since 1991.

In 2009 PCC is ₹ 23626 per annum.