Q 1. Discuss the role of MSMEs in employment generation in India.

Being the largest source of employment, MSME sector enables men, women living in urban slums, towns, villages to use indigenous knowledge, entrepreneurial skills for their livelihoods. Not only MSMEs generate highest employment per capita investment, this sector has checked rural urban migration by providing villagers a source of employment. Among the MSMEs, food sector generates maximum employment (13.7%), followed by non-metallic minerals (10.9%) and metals (10.2%). In chemicals products, machinery parts except electrical parts, wood products, paper and printing products, hosiery & garments, rubber and plastic products, the percentage of employment ranges between 5% to 9%. In all other industries the employment generation percentage is less than 5%.

Q 2. Mention Service sector employment in India.

The pattern of sectoral share of employment has changed over time. Over the years share of agriculture has fallen and shares of industry and service sector have increased steadily. Service sector's share of employment at 28.5% in 2011-12 is higher than in industry at 24.4%. Among the different service sectors, there was continuous increase in employment share in trade, hotels and restaurants, transport, storage and communication, financial insurance and business services.

Employment elasticity of service has increased to 0.5 in 2009-10 to 2011-12 compared to 0.3 between 2004-05 to 2009-10. Among services, employment elasticity was the highest in financial insurance, real estate, business services, transport ,storage and communication.

Q 3. What do you mean by jobless growth? What are the different types of unemployment? How unemployment is measured?

A country with a large population generally has a surplus of labour. If GDP of such country rises without increase in employment, then the economic growth is termed as jobless growth.

The types of unemployment are as follows

Open Unemployment: It includes those persons who are willing to find work but cannot find them.

Disguised Unemployment: It includes those people who are employed by different farms but they are not actually contributing in the progressive work.

Seasonal Unemployment: It includes those harvesters who remain unemployed for a particular season

Unemployment: It includes those youth who are educated but cannot find the work.

Technological Unemployment: It includes those unemployed people who are not technically upgraded.

Measurement

$L = E + U$ where E is total employment and U is unemployment.

Unemployment rate is $\frac{U}{L}$

Now, fU=sE where f is the rate of job finding and s denotes the fraction of unemployed individuals who lose jobs.

$fU = s(L-U)$

$\frac{U}{L} = \frac{s}{s+f}$

Q 4. Sectoral growth trends in India.

The share of agriculture and allied sectors in GDP has been consistently declining. During the period between 1999-00 and 2007-08, the share of agriculture and allied sectors declined by 6.4%. During the same period, the shares of industry and services increased by 1.9 and 4.4 percentage points respectively. The share of primary sector between the period 1999-00 and 2013-14 declined from 23.2 % to 13.9%. Share of secondary sector remained almost constant during the same period and it was around 26%. The share of service sector increased from 50% to 59.9% between 1999-00 and 2013-14. In manufacturing sector, gain in share occurred between 2004-05 and 2007-08. During 2008-09 to 2012-13, the share of this sector remained almost constant. The share of service sector has been rising consistently since 2004-05.

Q 5. Discuss the effect of New Economic policy of 1991 on Indian agriculture.

Growth rates of GDP in agriculture in the post reform period was 4.1% during 2005-06 to 2011-12 compared to 1.7% during 2000-01 to 2004-05. In the post reform period , there was a considerable shift of resource allocation away from cereals to dairy farming, poultry, vegetables, fruits and so on. The agricultural growth was decelerated during the period 1997-98 to 2004-05.

The 11th five year plan gave emphasis on reducing yield gaps. Since then agricultural growth rate accelerated in states with low productivity and low irrigated areas. In relatively high irrigated states such as Punjab, Haryana, UP, West Bengal and high productivity states , the growth rate was lower since 2005-06.

The economic reform did not include any specific package designed for agriculture. It was thought that freeing agricultural market and liberal trade environment would provide price incentive leading to more output and investment in agricultural sector. The reform improved terms of trade for agriculture and widened choice of technology in this sector. The agricultural growth rate was 3.7% in the first six years of reform. The growth rate was more than 4% during 2004-08.

Q 6 How poverty is measured? What are the sources of data on poverty?

The calculation of poverty measurement requires distribution of household expenditure and a poverty line estimate.

Poverty Line- For estimating poverty the number of households below the poverty line is considered. Poverty line is linked to the amount of money that households need to be able to buy a minimum satisfactory diet. Minimum nutritional requirement is a debatable issue. Most acceptable figures are 2400 calories per person per day in rural areas and 2200 calories per person per day in urban areas.

Poverty Gap- It refers to proportionate shortfall of all the poor from poverty line and expressed in per capita terms. It reflects the average depth of poverty.

Head Count Ratio- It is the proportion of persons whose income falls below the poverty line. It is the most commonly used measure of poverty.

Lorenz Curve- This curve shows the relationship between the cumulative proportion of income and cumulative proportion of population. If there is a complete income equality, the Lorenz curve would be a 45 degree line.

Data Source- National Sample Survey Organisation (NSSO) household surveys are the basis for publications on poverty data. For calculating poverty line, consumption expenditure data is required. This information is available in National accounts Statistics (NAS) division of Ministry of Statistics and Programme Implementation (MOSPI).

Q 7 Describe the trends in poverty in India.

After economic reforms in India Indian economy has grown in a faster rate but the poverty level seems to have dropped rather slowly. The NSSO findings suggest that the number of people living below poverty line at 2004-05 was 37.2% whereas in 1999-2000 it was around 26.1%.

This indicates a rise in economic disparities. The percentage of people below poverty line declined during the period from 1973-74 to 1999-00 but then it rose sharply in 2004-05. After that it showed a declining trend until it reached a level of 22% in 2012-13.Economic reforms in 1991 could reduce the poverty level marginally. After few years of reforms poverty rose and then showed a declining trend.

Q 8 Mention some of the poverty alleviation programme undertaken by Government.

Pradhan Mantri Gram Sadak Yojna- It is a scheme with the primary objective of providing connectivity to all unconnected habitations in rural areas.

Indira Awas Yojna- The objective of IAY is to provide financial assistance for construction and upgradation of houses to BPL rural households belonging to scheduled castes and scheduled tribes communities.

Swarajayanti Gram Swarojgar Yojna- It is self employment programme implemented for rural poor. The objective of SGSY is to bring people above poverty line by providing them income generating assets through bank credits and government subsidy.

Swarajayanti Shahari Rojgar Yojna- It is a urban poverty alleviation programme.

National Rural Employment Guarantee Scheme- It was launched in two hundred most backward districts in first phase and it was further extended to three thirty districts in the second phase.

Pradhan Mantri Kushal Vikas Yojna- This scheme was launched to provide skill training to 1.4 million youth. This plan was implemented with the objective of skill development and entrepreneurship through National Skill Development Corporation.

Q 9 Describe the trends in FDI flows in India

FDI inflows to India have been growing since 1991 and it rose sharply in 2006 when annual inflows nearly tripled in one year from \$7.6 billion to \$20 billion. It further increased to \$47 billion in 2008 before declining to \$27 billion in 2010 in the wake of global financial crisis. It again recovered to \$36.5 billion in 2011. It declined again and was at \$28 billion in 2013. India's share in global FDI inflow nearly doubled between 2006 and 2009. The gross fixed investment has also risen from 2.9% in 2005 to 6.6% in 2006.

Q 10 Describe the role of FDI in economic growth in India

FDI inflows can contribute to growth rate by augmenting the capital stock. It is important to examine the impact of FDI on domestic investment to evaluate the impact of FDI on growth. In case of India, the effect of FDI on domestic investment has not shown a statistically significant effect of FDI on domestic investment. Sometimes FDI projects crowded out or substitute domestic investments and sometimes it crowded in domestic investments. The effect of FDI inflows on domestic investments and therefore on economic growth in India is ambiguous in nature. The direction of causation between FDI and growth is also not clear in case of India because high rates may also attract more FDI inflows by enhancing investment climate. Therefore FDI-growth relationship is subject to causality bias in India.

Q 12 Mention the reasons for bank nationalization in India

At the time of independence, Indian banking system was not sound. There were hundreds of private banks under different management which were unscrupulous in nature.

Lacking any social purpose these banks often channelized funds to do business units in which bank management had its interest and thus contributed in a big way to growth of monopolies and concentration of economic power.

Overall economic activities suffered because priority sectors failed to get adequate funds.

Freedom of commercial banks was not in harmony with the concept of the socialist pattern of society which formally became the accepted goal of Indian economy.

The Hazari committee in 1947 clearly stated that it would be difficult to undertake credit planning unless the linked control of industry and banks would be transferred to the same hand by the nationalization of banks.

Therefore the government of India nationalized 14 commercial banks on July, 1969.

Q 13 Discuss the effect of bank nationalization on Indian economy

The Indian banking system underwent major structural transformation after bank nationalization. The efforts to expand branch network through nationalization of banks had a positive impact on deposit mobilization and overall savings rate.

Aggregate deposits of scheduled commercial banks which registered a negative growth in 1951-53 increased substantially in a gradual manner after bank nationalization and showed positive trends.

One of the objectives of nationalization of banks was to ensure that no productive endeavour fell short of credit support. The measures taken in bank nationalization programme had a positive impact on lending to agriculture as the share of agricultural credit in total bank credit increased from 2.2 % in 1967 to 8% in 1970 and further to 9.1% in 1974.

The share of rural branches increased sharply from 17.6% in 1969 to 58.2% in 1990.The credit deposit ratio in rural areas increased from 37.6% in 1969 to 60.6% in 1981 and this rate was maintained until the economic reform took place in 1991.

Q 14 Discuss the effect of bank nationalization Non Performing Assets (NPAs)

The expansion of banking network in terms of geographical coverage affected the quality of bank assets and profitability. The health of the bank also became a primary concern because of weak capital base. The government put pressure on the banks to achieve the mandatory goal of priority sector lending at the rate of 18% to agriculture. As a result, the loan given to farmers never returned and became a bad loan. The credit issued to agricultural sector and credit outstanding showed increasing trends over the years.

On the whole, loan advances to agriculture, exports and small scale industries showed a significant rise, while those to industry declined. It went down to 37.5% from 67.5% at the end of June 1989.

Narsimham committee (1991) criticized the credit programmes under bank nationalization together with mounting expenditure eroded the profitability of banks. In the post nationalization phase, overall profitability of banks was low and NPAs both as a percentage of total advances and as a percentage of assets was high.