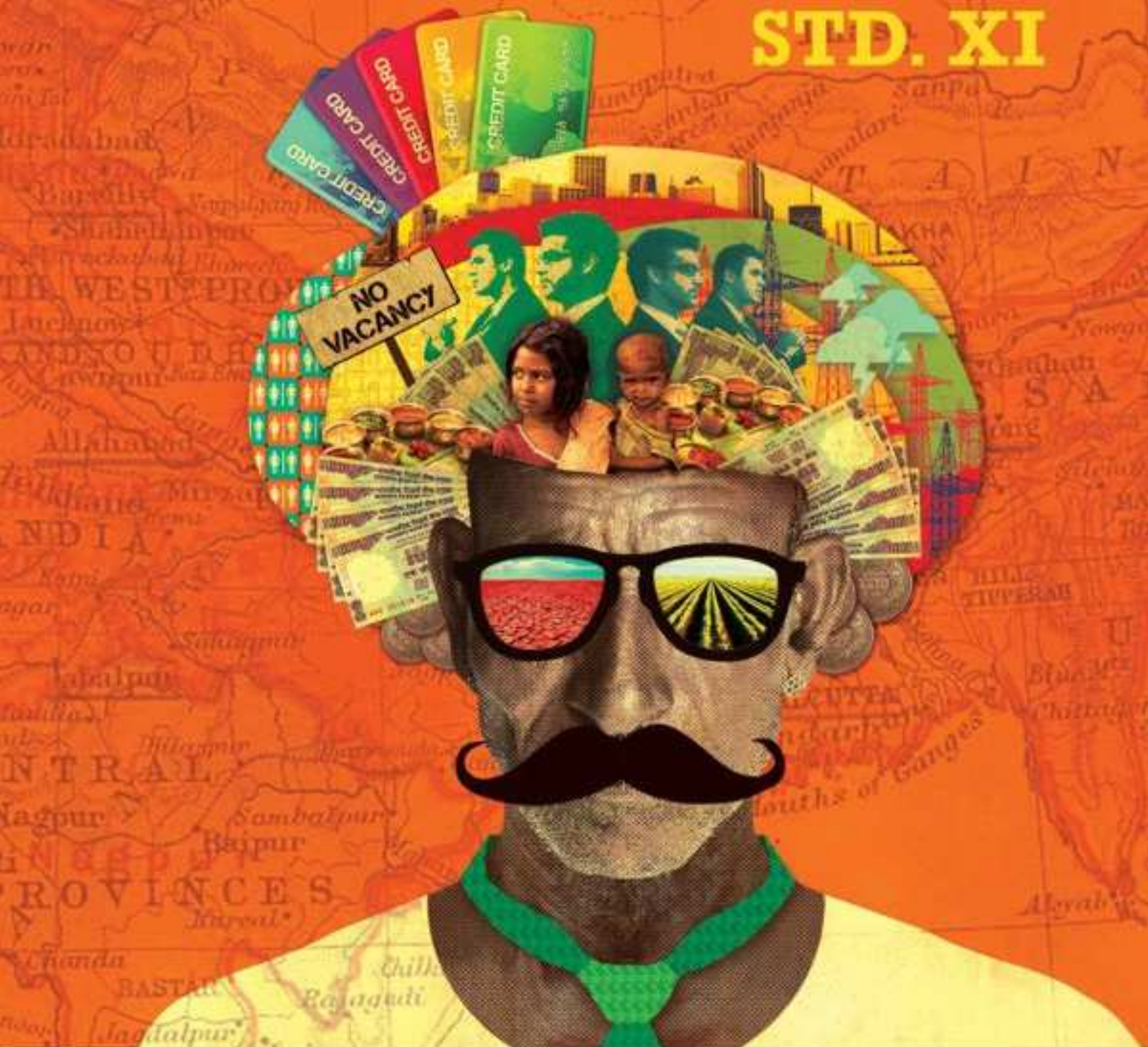


ECONOMICS

STD. XI



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Economics

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Std. XI Commerce

Economics

Salient Features :

- Exhaustive coverage of syllabus in Question Answer Format.
- Covers answers to all Textual Questions.
- Relevant Marking Scheme for Each Question.
- Includes Additional Important Questions for better preparation.
- Quick Review at the end of each chapter to facilitate quick revision.
- Simple and Lucid language.
- Self evaluative in nature.

Preface

We present to you "**Std. XI Commerce: Economics**" with a revolutionary fresh approach towards content and thus laying a platform for an in-depth understanding of the subject.

This book has been written according to the revised syllabus and guidelines as prescribed by the state board and covers answers for all textual questions.

In addition to this, we have included extra questions for each lesson that not only aim at covering the entire topic but also make students ready to face the competition. The sub-topic wise classified "question and answer" format of this book helps students in easy comprehension.

Furthermore, we have provided model answers to each question in the form of pointers which makes it easy for students to memorize and reproduce the answers in their examinations. The model questions are provided with relevant marking schemes so as to highlight the importance of each question.

Every chapter ends with a Quick Review to facilitate quick revision of the lesson learnt.

We are sure this study material will turn out to be a powerful resource for students and facilitate them in understanding the concepts of this subject in the most lucid way.

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

Please write to us on: mail@targetpublications.org

Best of luck to all the aspirants!

Yours faithfully,

Publisher

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01**ECONOMIC GROWTH AND ECONOMIC DEVELOPMENT****Contents:**

- 1.1 Introduction
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- 1.8 Distinguish Between: Economic Growth and Economic Development

1.1 Introduction

Q.1. Give reasons or explain: Economic Growth and Economic Development are not one and the same. [2]

- Ans:** i. Initially, the terms economic development and economic growth were regarded as synonyms but later on few modern economists started using them as different concepts.
- ii. Economic Growth refers to an increase in the amount of the goods and services produced in a country over a specific period of time.
- iii. On the other hand, Economic Development refers to the economic growth along with progressive changes in certain important variables which helps in determining the social as well as political well being of the people.
- iv. However, it has been observed that, economic development leads to the economic growth of a country.

Q.2. State with reasons, whether you agree or disagree with the statement: Economic Development and Economic Growth are synonyms. [4]

Ans: No, I do not agree with the above statement.

Reasons:

- i. Before 1960, the terms economic development and economic growth were regarded as synonyms but later on few modern economists started using them as different concepts.
 - ii. Growth is a natural conception whereas development is deliberate and planned.
 - iii. For eg., due to increasing population, if the number of students in a college increases, it is known as growth.
 - iv. Beside this, if there is progress in infrastructure, placement, sports, social and cultural activities etc., then it is known as development.
 - v. Economic Growth refers to an increase in the amount of the goods and services produced over a specific period of time in a country.
 - vi. On the other hand, Economic Development refers to the economic growth along with progressive changes in certain important variables which helps in determining the social as well as political well being of the people. It includes literacy, life expectancy, unemployment and poverty.
 - vii. However, it has been observed that, economic development leads to the economic growth of the country.
- Thus, Economic development and economic growth are not regarded as synonyms.

1.2 Economic Growth: Meaning and Definition

***Q.3. Define or explain: Economic Growth [2]**

- Ans:** i. Economic Growth refers to an increase in the amount of goods and services produced in a country over a specific period of time. It is a quantitative dimension.
- ii. In the words of **J. K. Mehta**, "Economic growth indicates the quantitative increase in National Income."
- iii. According to **Prof. Miller**, "Economic growth is a process whereby an economy's real per capita income increases over a longer period of time."

- iv. According to **Simon Kuznet**, “Economic growth is a long term rise in capacity to supply increasing diverse economic goods to its population, this growing capacity being based on advanced technology and the institutional and ideological adjustments that it demands.”

[Note: Any 2 definitions are expected]

1.3 Features of Economic Growth

Q.4. *What are the features of Economic Growth? OR

Explain the characteristics of Economic Growth. [4]

Ans: The features of Economic Growth are as follows:

i. Continuous Process:

Economic Growth is a continuous process. It refers to the continuous increase in the production of goods and services by making the optimum usage of available resources. However, a temporary and sudden increase in the Gross National Product (GNP) during the boom period cannot be regarded as increase in economic growth.

ii. Increase in Per Capita Real Income:

Economic growth takes place when there is an increase in Real National Income or Per Capita Real Income. Real National Income refers to the nation’s total output of final goods and services in physical or real terms rather than in monetary terms. If the rate of growth of population is lower than the rate of increase in real income, then there is an increase in the Per Capita Real Income.

iii. Long Term Process:

Economic Growth is a long term process. It is measured in terms of increase in National Income which takes place over a longer period of time.

iv. Quantitative Concept:

The term economic growth pulls attention towards the aspect of size or quantity or number. It has a quantitative dimension and not a qualitative one. Economic growth takes into consideration the increase in National Income and does not consider the nature of wants, quality of goods, taste and preference of the consumers and so on.

v. Lack of Structural Changes:

Economic growth does not cause any structural changes in the economy. The economy, in this stage, mainly depends upon the growth in the primary sector i.e. agriculture (in India).

vi. Economic Problems:

Economic growth does not provide any solution to the economic problems faced such as poverty, inequality, unemployment etc.

Q.5. Give reasons or explain the following statements: [2 marks each]

***i. Economic Growth is a Quantitative Concept.**

Ans: a. Economic Growth refers to an increase in the amount of the goods and services produced in a country over a specific period of time.

b. The concept pulls attention towards the aspect of size or quantity or number.

c. It takes into consideration various quantitative aspects such as increase in National and Per Capita Income whereas it fails to consider nature of wants, quality of goods, taste of the consumers and so on.

Thus, Economic Growth is termed as a quantitative concept.

ii. Economic Growth is a continuous process.

Ans: a. According to **Prof. Miller**, “Economic growth is a process whereby an economy’s real per capita income increases over a longer period of time.”

b. Here, a temporary increase in the National Income cannot be considered as economic growth.

c. It is a process of continuous increase in the production of goods and services by making the best possible utilization of resources.

Thus, it is said that economic growth is a continuous process.

1.4 Indicators of Economic Growth

***Q.6. What are the indicators of Economic Growth? [4]**

Ans: The important indicators used to measure the Economic Growth are as follows:

i. Increase in Gross Domestic Product (GDP):

Increase in Gross Domestic Product (GDP) is the main indicator of economic growth.

Few economists define economic growth in terms of National Income aggregates.

According to them, economic growth is a process whereby an economy's GDP increases over a long period of time.

It means that economic growth implies increased output of goods and services.

Also, it is necessary to ensure that the increase in GDP must be steady over a long period of time.

ii. Increase in Per Capita Income (PCI):

Per Capita Income (PCI) is another indicator of economic growth.

An increase in PCI indicates an increase in the economic growth of an economy.

PCI is calculated by dividing the total national income of a country by its total number of population.

A rise in the PCI is possible when the growth of national income is more than the growth of population.

As per the Economic Survey of 2010-11, the PCI in India was ₹ 40,745 in 2009-10.

iii. Increase in Per Capita Consumption (PCC):

Increased standard of living and welfare of the people in an economy depends upon the higher Per Capita Consumption (PCC).

PCC of an economy is obtained by dividing the total private consumption expenditure of a nation by its total population.

As per the Economic Survey of 2010-11, the PCC in India was ₹ 23,626 in 2009-10.

Q.7. Give reasons or explain: Increase in Gross Domestic Product (GDP) is the main indicator of economic growth. [2]

- Ans:**
- Economists define economic growth in terms of National Income aggregates.
 - According to their view, economic growth is a process whereby an economy's GDP increases over a long period of time.
 - It states that economic growth implies increased output of goods and services.
- Thus, increase in GDP is termed as the main indicator of economic growth of an economy.

Q.8. Define or explain the following concepts: [2 marks each]

***i. Per Capita Income**

- Ans:**
- Per Capita Income (PCI) refers to the average income of a person annually.
 - It is calculated by dividing the total national income of a country by its total number of population.
 - It can be calculated as:

$$PCI = \frac{\text{National Income}}{\text{Total Population}}$$
 - A rise in the PCI is possible when the growth of national income is more than the growth of population.

ii. Per Capita Consumption

- Ans:**
- Per Capita Consumption (PCC) basically indicates the extent of material well-being and the standard of living of the people in an economy.
 - PCC of the economy is obtained by dividing the total private consumption expenditure of a nation by its total population.
 - It can be calculated as:

$$PCC = \frac{\text{Total Private Consumption Expenditure}}{\text{Total Population}}$$

1.5 Economic Development: Meaning and Definition

***Q.9. Explain the concept of Economic Development. [4]**

- Ans:**
- The concept of economic development is a wider concept when compared to economic growth.
 - It implies economic growth along with progressive changes in certain areas which determine the well being of the people. Thus, it has a qualitative dimension rather than a quantitative one.
 - There are two main approaches to the concept of economic development viz. Traditional approach and Modern approach.
 - According to Traditional Approach, economic development implies sustained annual increase in GDP at 5% to 7% or more along with changes in the structure of employment and production.
 - On the other hand, Modern Approach includes improvement in material welfare, eradication of mass poverty, illiteracy, reduction of unemployment etc.

Q.10. Explain the Traditional Approach of Economic Development. [4]

- Ans:**
- Traditional approach is one of the main approaches to the concept of economic development.
 - According to this approach, economic development implies sustained annual increase in Gross Domestic Product (GDP) at 5% to 7% or more along with changes in the structure of employment and production.
 - It indicates a fall in the share of primary sector and an increase in the manufacturing as well as tertiary sector.
 - However, under such an approach, the objectives relating to eradication of poverty, reduction of inequalities and unemployment failed to receive the required importance.

Q.11. Explain the modern approach of Economic Development. [4]

- Ans:** Modern economists such as **Charles P. Kindleberger** and **Bruce Herrick** have given the concept of economic development. According to their approach, economic

development is generally defined to include the following:

- Improvement in the standard of living of people or material welfare especially for low income groups.
- Reduction of unemployment, infant mortality rate etc.
- Eradication of mass poverty, illiteracy, disease etc.
- Changes in the share of various sectors to National Income i.e. dominance of industry rather than agriculture.
- Functioning of economy for welfare of the people.

Q.12. Define or explain: Economic Development [2]

- Ans:**
- In the words of **Meier and Baldwin**, "Economic development is a process whereby an economy's real national income increases over a long period of time."
 - According to **Michael Todoro**, "Development must be conceived of as a multidimensional process involving changes in structure, attitudes, institutions as well as the acceleration of economic growth, the reduction of inequality and eradication of absolute poverty."
 - According to **Milton Friedman**, "Economic Development is an innovative process that leads to the structural transformation of social system."

[Note: Any 2 definitions are expected]

***Q.13. Explain any two definitions of Economic Development. [4]**

Ans: Refer Q.12.

[Note: Any 2 definitions are expected]

1.6 Features of Economic Development

Q.14.*What are the features of Economic Development?

OR

Explain the characteristics of Economic Development. [4]

Ans: The features of Economic Development are as follows:

- Qualitative Concept:**
Economic development can be explained in qualitative terms such as changes in wants, goods, institutions etc.

- ii. **Sectoral Transformation:**
Economic development occurs due to shift of population from primary sector to the secondary and finally to service sector. Such a change indicates level of skills, discipline and modernity etc.
- iii. **Structural Transformation:**
Economic development helps in changing the structure of the economy from agrarian to industrial and in turn into a large service sector. Due to this, the share of agriculture declines and that of industrial and service sector increases in Gross Domestic Product (GDP). In other words, higher the share of service sector to GDP, higher is the economic development of the nation.
- iv. **Public Participation:**
Economic development is possible only when citizens of the country participate and co-operate with each other in the process of development.
- v. **Role of Economic and Non-economic Factors:**
Economic and non economic factors, both play an important role in the development of the country. Economic factors include foreign trade, supply of capital, proper infrastructure, talented entrepreneurs etc. Whereas, non economic factors include political freedom, stable government, efficient social structure and outlook of people etc.
- vi. **Long Term Process:**
The concept and process of economic development takes place for a longer period of time. For eg., Increase in real national income should be sustained over a period of time.
- vii. **Increase in Real National Income:**
Economic Development considers an increase in the Real National Income rather than the increase in Nominal (monetary) National Income. Here, the Real National Income refers to the total output of goods and services whereas nominal national income refers to real national income multiplied by the Price Level.

Q.15. Write a short note on: Features of Economic Development. [3]
Ans: Refer Q.14
[Note: Any 6 points are expected]

1.7 Indicators of Economic Development

***Q.16. What are the indicators of Economic Development?** [8]

Ans: The important indicators of Economic Development are as follows:

- i. **Productivity Per Hectare of Land:**
Land productivity is an important indicator of economic development. Higher the productivity of land, higher is the economic development. Land productivity is the average yield in kilograms of a crop per hectare of land. It can be calculated as:

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

The agricultural productivity mainly depends upon the soil, climate, rainfall, chemical fertilizers, seeds, equipments etc.

In India, till the beginning of economic planning in 1950-51, the agricultural production was very low.

Since then it is increasing constantly. Following table shows the increase in food grains production:

Agriculture Production in India

Year	Food grains production (In Million Tonnes)
1950-51	50.8
1990-91	176.4
2008-09	234.7

- ii. **Industrial Progress:**
The Industrial progress plays a very significant role in the economic development of a nation. During the period of Second Five Year Plan, Indian industries got an opportunity to expand which helped in increasing the national output and per capita income. As and when the industries started to expand, the share of industrial sector in the GDP started increasing leading to

the rise in employment, output and income in other sectors also.

Apart from this, modernization, urbanization, education, technical knowledge etc. is also related to the process of industrialization.

iii. Per Capita Income (PCI):

Per Capita Income (PCI) is another important indicator of economic development.

An increase in PCI indicates an increase in economic development.

In other words, it indicates economic welfare of the country.

Some economists prefer Real Per Capita Income to Real National Income. This is mainly because, economic development will have no meaning if it fails to increase the standard of living of the common people.

According to the Economists, “economic development is a process whereby an economy’s real per capita income increases over a long period of time”.

A rise in the PCI is possible when the growth of national income is more than the growth of population.

The PCI is calculated by dividing the Total National Income by its Total Population.

It can be calculated as:

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

Following table shows the India’s PCI at Market Price:

Year	PCI at market price (₹)
1950-51	3,687
1990-91	7,321
2009-10	4,745

iv. Per Capita Consumption (PCC):

Increased standard of living and welfare of the people in an economy depends upon the higher Per Capita Consumption (PCC).

It can be calculated as:

$$PCC = \frac{\text{Total Private Consumption Expenditure}}{\text{Total Population}}$$

Economic Development is a sustained, secular improvement in material well-being which may be reflected in the production, consumption, exchange and distribution of goods and services.

Thus, it clearly means that the aim is to satisfy wants which determines the standard of living and welfare of the people.

Hence, more emphasize is given to PCC rather than PCI.

Since 1991, India’s PCC is showing an upward movement.

v. Qualitative Entrepreneurship:

Qualitative entrepreneurship is one of the important indicators of economic development. Entrepreneur is a person who runs an enterprise. Talented and efficient entrepreneurs are required for the economic development as they keep the wheels of the economy moving. The history of developed countries indicate that the economic development of an economy is largely due to the creative talents of the entrepreneurs. Entrepreneur is the one who possessess the ability to identify business opportunities, have a quality to innovate, hard work, vision, self confidence, positive attitude, social responsibility etc.

vi. Physical Quality of Life Index (PQLI):

Overall well being and quality of life of the people are the important factors on which the development of the economy largely depends. PQLI is one such indicator which refers to the overall well being of the people which depends upon life expectancy, infant mortality and literacy.

vii. Human Development Index (HDI):

HDI refers to a process of enlarging people’s choices and well being. It consists of three basic components of human development namely life expectancy, education and GDP. Per Capita HDI is the simple average of these three factors. An upward movement in HDI can be considered as an improvement in human development.

viii. Structural Transformation:

Structural transformation such as changes in attitudes, ideologies, institutions etc. can be considered as an important indicator of economic development. Such changes further lead to modernization and urbanization in the country.

ix. Environmental Balance:

Environment consists of climate, soil, water etc. on which a nation's agriculture and industrial sector depends.

Environmental imbalance is caused due to pollution, over exploitation of natural resources etc. by the process of economic development; which should be prevented for the sake of future generations.

It is the responsibility of the nation to achieve sustainable economic development with the help of eco friendly practices and environmental conservation.

x. Capital Formation:

Capital formation is another indicator of economic development that depends upon the rate of capital formation which in turn depends upon savings.

It means converting savings into physical productive assets such as transport facilities, electricity generation, dams, modern technology etc.

Also, increase in capital formation would lead to increase in economic development of the nation.

xi. Gross National Income or GNP:

According to **Dr. Kuznet**, real GNP is an useful indicator of economic development.

It refers to the total market value of all final goods and services produced in an economy during a particular year including net income from abroad.

Q.17. Explain the indicators of Economic Development. [4]

Ans: The indicators of Economic Development are as follows:

i. Productivity Per Hectare of Land:

Higher the productivity of land, higher is the economic development.

Land productivity is the average yield in kilograms of a crop per hectare of land. It is shown as:

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

The agricultural productivity mainly depends upon the soil, climate, rainfall, chemical fertilizers, seeds, equipments etc.

ii. Industrial Progress:

During the period of Second Five Year Plan, Indian industries got an opportunity to expand which helped in increasing the national output and per capita income.

As and when the industries started to expand, the share of industrial sector in the GDP started increasing leading to the rise in employment, output and income in other sectors also.

iii. Per Capita Income (PCI):

Per Capita Income indicates economic welfare of the country.

Some economists prefer Real Per Capita Income to Real National Income. This is mainly because, economic development will have no meaning if it fails to increase the standard of living of common people.

A rise in the PCI is possible when the growth of national income is more than the growth of population.

It can be calculated as:

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

iv. Per Capita Consumption (PCC):

Increased standard of living and welfare of the people in an economy depends upon the higher Per Capita Consumption (PCC).

It can be calculated as:

$$\text{PCC} = \frac{\text{Total Private Consumption Expenditure}}{\text{Total Population}}$$

The aim is to satisfy wants which determines the standard of living and welfare of the people.

Hence, more emphasis is given to PCC rather than PCI.

- v. **Qualitative Entrepreneurship:**
Entrepreneur is a person who runs an enterprise. Talented and efficient entrepreneurs are required for the economic development as they keep the wheels of the economy moving. He is the one who possesses the ability to identify business opportunities, have a quality to innovate, hard work, vision, self confidence, positive attitude, social responsibility etc.
- vi. **Physical Quality of Life Index (PQLI):**
PQLI is the indicator which refers to the overall well being of the people which depends upon life expectancy, infant mortality and literacy.
- vii. **Human Development Index (HDI):**
HDI refers to the process of enlarging people's choices and well being. It consists of three basic components of human development namely life expectancy, education and GDP.
- viii. **Structural Transformation:**
Structural transformation such as changes in attitudes, ideologies, institutions etc. can be considered as an important indicator of economic development. Such changes further lead to modernization and urbanization in the country.
- ix. **Environmental Balance:**
Environment consists of climate, soil, water etc. on which nation's agriculture and industrial sector depends.
Environmental imbalance is caused due to pollution, over exploitation of natural resources etc. by the process of economic development; which should be prevented for the sake of future generations.
It is the responsibility of the nation to achieve sustainable economic development with the help of eco friendly practices and environmental conservation.
- x. **Capital Formation:**
Capital formation depends upon the rate of capital formation which in turn depends upon savings.
It means converting savings into physical productive assets such as transport facilities, electricity generation, dams, modern technology etc.

- xi. **Gross National Income or GNP:**
GNP refers to the total market value of all final goods and services produced in an economy during a particular year including net income from abroad.

Q.18. *Define or explain: Industrial Progress

OR

***Give reasons or explain: Industrial progress is an important indicator of economic development. [2]**

Ans: Refer Q.16. (ii)

Q.19. Distinguish between the following:

[2 marks each]

***i. Per Capita Income and National Income.**

Ans:

No.	Per Capita Income	National Income
a.	Per Capita Income (PCI) is the average income of an individual during a given period of time.	National Income (NI) is the money value of all final goods and services produced in an economy during the period of one year.
b.	PCI reflects the economic welfare and standard of living of the people in an economy during a given specified time period.	NI reflects the growth level attained by an economy during a given specified time period.
c.	It is derived by dividing the National Income by the Total Population of an economy.	It is derived by aggregating the money value of all final goods and services produced in an economy during that financial year along with the net income earned from abroad.

ii. Per Capita Income and Per Capita Consumption.

Ans:

No.	Per Capita Income	Per Capita Consumption
a.	Per Capita Income is derived by dividing the National Income by the Total Population of an economy.	Per Capita Consumption of an economy is derived by dividing the total private consumption expenditure of a nation by total population.
b.	It is calculated at current prices as well as at constant prices.	It is mostly calculated at current prices.
c.	It is an indicator of economic productivity.	It is an indicator of standard of living of people.

Q.20. Write short notes on: [3 marks each]

***i. Per Capita Consumption.**

Ans: Refer Q.16 (iv)

***ii. H.D.I.**

- Ans:**
- Human Development Index (HDI) refers to the process of enlarging people's choices and well being. It is measured in terms of the expectancy of life, education achievement and GDP.
 - It is the index used by the United Nations to measure the progress of a country. HDI is an important indicator of economic development.
 - It involves availability of better health and educational facilities which in turn helps to improve the overall efficiency and productivity of the people of the economy.
 - Here, an upward movement in HDI indicates improvement in human development.

iii. Sectoral Shift.

Ans: a. Shift/transformation in various sectors from primary to secondary and in turn into tertiary is responsible for the economic development of an economy.

- A significant amount of shift has been noticed in the industrial sector as such sectors contribute in providing employment opportunities.
- Hence, people engaged in primary sector prefer shifting to industrial sector.
- Moreover, such shift aids in the development of various services such as transport, trade, storage, communication, banking etc.
- This in turn, again resulted in the shift of population from manufacturing to service sector.

***Q.21.Explain the concept of Land Productivity.**

[4]

Ans: Refer Q.16. (i)

Q.22. State with reasons, whether you agree or disagree with the following statements:

[4 marks each]

***i. An entrepreneur plays a dominant role in economic development of a country.**

Ans: Yes, I do agree with the above statement.

Reasons:

- Entrepreneur is a person who runs an enterprise. Talented and efficient entrepreneurs are required for the economic development as they are the ones who keep the wheels of the economy moving.
- He is the one who possess ability to identify the business opportunities, have a quality to innovate, to do hard work, possess vision, self confidence, positive attitude, social responsibility etc.
- Also, the history of developed countries indicates that the economic development is largely due to creative talents of the entrepreneurs.
- Due to all such reasons, qualitative entrepreneurship is considered as an essential indicator of economic development of the economy.

Thus, an entrepreneur plays a dominant role in economic development of a country.

ii. **Per Capita Income (PCI) is a superior indicator than Per Capita Consumption (PCC).**

Ans: No, I do not agree with the above statement.

Reasons:

- a. Per Capita Income (PCI) is an indicator of economic productivity whereas Per Capita Consumption (PCC) is an indicator of standard of living of people.
- b. PCI is derived by dividing the National Income by the Total Population of an economy whereas PCC is derived by dividing the Total Private Consumption Expenditure of a nation by its Total Population.
- c. However, PCC is considered as more realistic and practical indicator when compared to PCI as it reflects the level of standard of people.

Thus, Per Capita Consumption (PCC) is a superior indicator than Per Capita Income (PCI).

iii. **Economic Development is considered as a more comprehensive term when compared to economic growth.**

Ans: Yes, I do agree with the above statement.

Reasons:

- a. Economic growth is a long term process whereby a country's national income increases. On the other hand, economic development refers to the economic growth plus progressive changes in certain areas which determine the welfare of the people and improves their quality of life.
- b. Economic growth is a narrow term whereas economic development is a more comprehensive and broader term.
- c. Economic growth takes into account only economic factors whereas economic development considers both economic as well as non-economic factors.

d. Also, economic growth has a quantitative concept whereas economic development has a qualitative concept.

e. Thus, economic growth is possible without economic development but economic development is not possible without economic growth.

Thus, Economic development is considered as a more comprehensive term when compared to economic growth.

Q.23. Give reasons or explain: Economic development requires a class of talented entrepreneurs. [2]

- Ans:**
- i. Economic development considers both economic as well as non-economic aspects.
 - ii. Economic factors include talented entrepreneurs etc. Talented entrepreneurs play a vital role in developing an economy.
 - iii. They possess the capacity to take risks, to recognize business opportunities, to innovate new things and to work hard.
 - iv. They are optimistic in nature and possess a vision for future. Entrepreneurs help to keep the wheels of the economy moving.

Thus, economic development requires a class of talented entrepreneurs.

1.8 Distinguish Between: Economic Growth and Economic Development

Q.24. Distinguish between the following: [2 marks each]

i. **Economic Growth and Economic Development.**

Ans:

Sr. No.	Economic Growth	Economic Development
a.	Economic Growth is a long term continuous process whereby a country's national income increases.	Economic Development refers to the economic growth plus progressive changes in certain variables which determine the welfare of the people.

b.	It is narrow in scope and has a quantitative concept.	It is wide and broader in scope and has a qualitative concept.
c.	Economic growth is possible without economic development.	Economic development is not possible without economic growth.
d.	It is relevant for developed countries wherein the quality of life is highly developed.	It is more required in less developed countries (LDC's) as development can result in improving standard of living.
e.	Here, more priority is given to the production of goods and services.	Here, more priority is given to the distribution of goods and services.
f.	Here, the share of agricultural sector is more in National Income.	Here, the share of industrial and service sector is more in National Income.
g.	It is one dimensional concept as it considers only economic factors.	It is multi dimensional concept as it considers both economic as well as non-economic factors.
h.	Its nature is spontaneous and reversible.	Its nature is deliberate and irreversible.

[Note: Any 4 points are expected]

***ii. Agriculture and Industry.**

Ans:

Sr. No.	Agriculture	Industry
a.	Agriculture is a practice of cultivating plants, food and other forms of life that are used to maintain life.	An industry is a group of companies that manufactures products and services which are closely related to each other.

b.	It includes activities that are undertaken by directly using natural resources.	It includes activities wherein natural products are changed into other forms through manufacturing process.
c.	The contribution to National Income through agriculture is higher in the agrarian economy especially of the less developed nations.	The contribution to National Income through industry is higher in the industrial economy especially of the developed nations.
d.	For eg., Cultivation of cotton, sugarcane etc is an agricultural activity.	For eg., When Cotton is converted into cotton cloth and sugarcane into sugar it undergoes manufacturing activity.

***Q.25.State with reasons, whether you agree or disagree with the statement: The concepts of economic development and economic growth are the same. [4]**

Ans: No, I do not agree with the above statement.

Reasons:

- i. Economic growth is a long term continuous process whereby a country's national income increases. On the other hand, economic development refers to the economic growth plus progressive changes in certain areas which determine the welfare of the people.
- ii. Economic growth is narrow in scope that posses a quantitative concept whereas economic development is broader in scope that possess a qualitative concept.
- iii. In Economic Growth, production of goods and services is the main priority whereas in Economic Development, distribution of goods and services is considered as the main priority.
- iv. Economic growth is spontaneous and reversible whereas economic development is deliberate and irreversible.

Thus, the concepts of economic development and economic growth are not one and the same.

Objective Type Questions

I. Fill in the blanks with appropriate alternative given in the bracket:

[1 mark each]

1. Growth is a _____ concept.
(**natural** / planned / deliberate / purposeful)
2. Development is _____ concept.
(a normal / a natural / an actual / a **deliberate**)
3. Economic growth is a _____ concept.
(qualitative / **quantitative** / broad / large)
4. Economic growth is a _____ process.
(short term / medium term / **long term** / moderate term)
5. A temporary and sudden increase in the GNP during the _____ period cannot be regarded as increase in economic growth.
(recession / depression / **boom** / recovery)
- *6. Per Capita Income is _____ divided by the total population.
(per capita consumption / **national income** / human development / net national product)
7. PCC is obtained by dividing the _____ of a nation by its total population.
(**total private consumption expenditure** / human development / net national product / per capita income)
8. Economic development occurs due to shift from primary to _____ sector.
(agriculture / **secondary** / tertiary / none of these)
9. Economic development considers an increase in the _____.
(**Real National Income** / Nominal National Income / GDP / GNP)
10. Economic factors include _____.
(**foreign trade** / political freedom / efficient social structure / outlook of people)
- *11. In modern times, _____ is an economic leader.
(**entrepreneur** / actor / social worker / minister)

- *12. Industrial development increases _____.
(poverty / population / **urbanization** / unemployment)
13. The social and ideological changes lead to _____ in the country.
(**modernization** / unemployment / poverty / population)
14. _____ is a person who runs an enterprise.
(**Entrepreneur** / Consumer / Producer / Distributor)
15. Higher the productivity of land, _____ is the economic development.
(lower / **higher** / minor / small)
- *16. Economic growth without _____ is possible.
(**economic development** / education / capital / trade)
17. _____ of goods and services is the main priority in economic growth.
(**Production** / Distribution / Exchange / Consumption)
18. Economic development is _____ concept.
(one dimensional / two dimensional / **multi dimensional** / none of these)

II. Match the following: [1 mark each pair]

*1.

	Group A		Group B
i.	Agriculture	a.	Deliberate and Planned
ii.	Economic development	b.	Natural Growth
iii.	Economic Growth	c.	Secondary sector
iv.	Industry	d.	Primary sector

Ans: (i – d), (ii – a), (iii – b), (iv – c)

2.

	Group A		Group B
i.	One Dimensional	a.	Economic development
ii.	Qualitative Concept	b.	HDI
iii.	Education	c.	Industrial progress
iv.	Urbanization	d.	Economic Growth

Ans: (i – d), (ii – a), (iii – b), (iv – c)

III. State whether the following statements are True or False: [1 mark each]

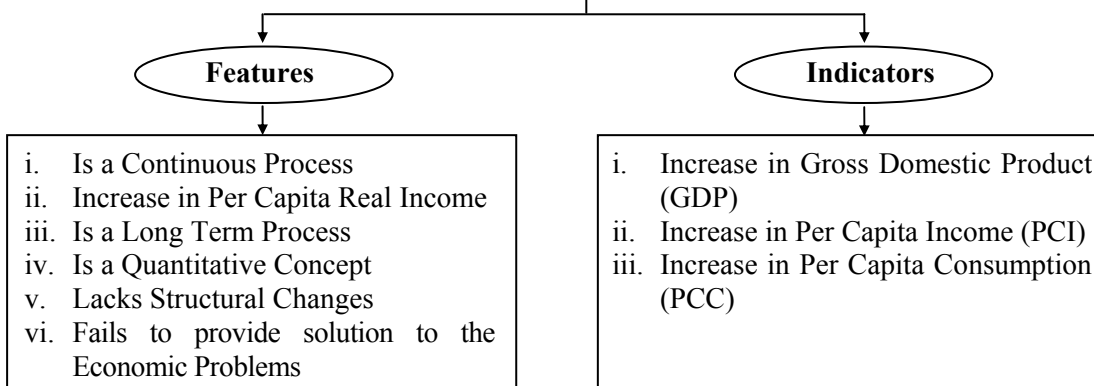
- *1. Economic Development is not so important for a country like India.
- *2. Economic growth means increase in Real National Income.
- *3. Economic Development involves only Economic Growth.
- *4. Economic development is smooth and simple process.
- 5. Economic development has been one of the universally accepted objectives since the Second World War.

- 6. Economic growth is spontaneous and reversible.
- 7. Since 1991, India's PCC is showing a downward movement.
- 8. Economic growth is a short term process.
- 9. PQLI depends upon life expectancy, infant mortality and literacy.

- Ans:**
- 1. False 2. True
 - 3. False 4. False
 - 5. True 6. True
 - 7. False 8. False
 - 9. True

Quick Review

Economic Growth



Economic Development

