

Written as per the revised syllabus prescribed by the Maharashtra State Board
of Secondary and Higher Secondary Education, Pune.

STD. XI

Economics

Third Edition: May 2016

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.
- Mnemonics to facilitate easy answer recall.
- Quick Recap at the end of each chapter to facilitate quick revision.
- Simple and Lucid language.
- Includes GG - our very own mascot.

Printed at: **Repro India Ltd.,** Mumbai

© Target Publications Pvt. Ltd.

No part of this book may be reproduced or transmitted in any form or by any means, C.D. ROM/Audio Video Cassettes or electronic, mechanical including photocopying; recording or by any information storage and retrieval system without permission in writing from the Publisher.

P.O. No. 21710

10171_10730_JUP

PREFACE

We present to you "**Std. XI: Economics**" with a revolutionary fresh approach towards content 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 per the State Board and covers answers to all the textual questions.

In addition to this, we have included extra questions in 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.

We have incorporated "Mnemonics" to facilitate easy answer recall. Every chapter ends with a Quick Recap to facilitate quick revision of the lesson learnt. The model questions are provided with relevant marking schemes so as to highlight the importance of each question.

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.

Gyan Guru (GG)

We present to you our mascot 'GG', who has been proudly introduced by us for the very first time. GG is a student-buddy who pops up throughout the book and draws your attention to important bits of knowledge also termed as 'Good to Know'. These 'Good to Know' sections help you understand a concept distinctly with a corresponding example from your immediate environment. This is our initiative in education that helps linking learning to life and we're hopeful that you are going to love it.



Contents

Sr. No.	Topic Name	Page No.
	Section 'A'	
1	Economic Growth and Economic Development	1
2	Quality of Human Life	14
3	Major Challenges before Indian Economy	
	(A) Population	25
	(B) Poverty	40
	(C) Unemployment	54
	(D) Current Challenges	68
4	Economic Reforms Since 1991 and its Features	73
5	Economic Planning	91
6	Infrastructure Development in India	102
	Section 'B'	
7	Introduction to Statistics	122
8	Collection and Organization of Data	129
9	Graphical Presentation of Data	147
10	Measures of Central Tendency	173
11	Index Numbers	216

Note: All Textual questions are represented by * mark.

01. Economic Growth and Economic Development

Introduction

Being students of commerce, we often tend to hear words such as 'growth' and 'development'. These words are often used interchangeably in a broader sense. However, these two terms connote different meanings when dealt with practically.

Let's take an example of a farmer to validate this point:

Ramesh is a small farmer who earns a moderate living by selling crops that grow in his farm. For the 'growth' of his business, he needs a market for his produce. He also needs to get a good price for his stock. The factors pertaining to sales and price are quantitative in nature and hence determine 'growth' constraints.

However, the above factors alone cannot lead to the 'development' of his business. In addition to fair price and access to large markets, his development is dependent on the following factors:

- Scientific education (on farming). This is because, educational institutions that conduct specialized courses in farming help in educating the farmers and their children about the best practices that need to be followed to increase the yield.
- Access to real time information regarding changing climatic and weather conditions to minimize losses that occur on account of untimely monsoon rains.
- Access to high yielding variety of seeds at subsidized rates to reduce wastages.
- Information regarding the appropriate fertilizer to be used.
- Farmer-friendly tools and equipments to make the laborious task of farming relatively easy.
- Easy finance to purchase automated machinery that reduces the time while harvesting of the crop.

The above factors determine the 'development' part of business. Such factors are 'qualitative' in nature and have a direct bearing on the way a business is conducted. More favourable the qualitative factors more would be the development achieved by the farmer.

In this chapter, you will learn the difference between the dual concepts of 'economic growth' and 'economic development'.

Economic Growth: Meaning and Features

*Q.1.
Ans:

Define or explain: Economic Growth

[2]

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

***Q.2.****What are the features of Economic Growth?****[4]****Ans:**

Economic growth refers to an increase in the amount of goods and services produced in a country over a specific period of time. It has a quantitative dimension.

The features of Economic Growth are as follows: **[Mnemonic: EPIC PC]**

i. No solution to Economic Problems:

- Economic growth does not provide any solution to the economic problems faced such as poverty, inequality, unemployment etc.
- It solely concentrates on the increase in production of goods and services.

ii. Continuous Process:

- Economic growth 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.

iii. Increase in 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 **I**ncome. This is considered as a feature of economic growth.

iv. Quantitative Concept:

- Economic growth refers to an increase in the amount of goods and services produced in a country over a specific period of time.
- The concept pulls attention towards the aspect of size or quantity or number.
- 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.

v. 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.

vi. Lack of Structural Changes:

- Economic growth does not cause any structural changes in the economy.
- Structural change refers to the long term shift in the nation's structure.
- **For e.g.** An agrarian economy transforming into an industrialized economy. The economy, in this stage, mainly depends upon the growth in the primary sector i.e. agriculture.

 Indicators of Economic Growth ***Q.3.****What are the indicators of Economic Growth?****[4]****Ans:**

Economic growth refers to an increase in the amount of goods and services produced in a country over a specific period of time. It has a quantitative dimension.

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

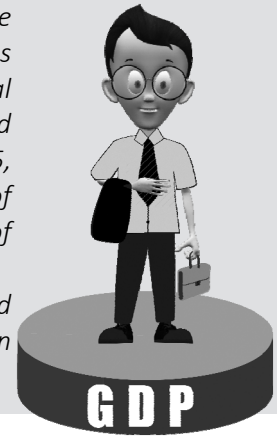


i. Increase in Gross Domestic Product (GDP):

- GDP is the monetary value of all the finished goods and services produced within a country's borders, during a period of one year.
- Increase in Gross Domestic Product (GDP) is the main indicator of economic growth.
- 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, 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.

Good to Know:

- The Indian economy expanded 7.3% year-on-year in the last quarter of 2015. However, it was lesser as compared to 7.7% growth in the previous quarter. The manufacturing sector rose by 12.6% while farm output was down by 1%. GDP annual growth rate in India averaged 6.04% from 1951 to 2015, reaching an all time high of 11.40% in the first quarter of 2010.
- Source: Ministry of Statistics and Programme Implementation (MOSPI).



ii. Increase in Per Capita Income (PCI):

- Per Capita Income (PCI) refers to the annual average income of a person.
- An increase in PCI indicates an increase in the economic growth of an economy.
- It can be calculated as:

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

Good to Know:

- India's PCI rose by 9.7% i.e. \$1,631 in 2014 from \$1,487 in 2013. The growth rate in per capita income in 2014 was higher than the 0.4% rise in 2013 over \$1,481 in 2012.



- A rise in 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):

- Per Capita Consumption (PCC) basically indicates the extent of material well-being and the standard of living of the people in an economy.
- Consumers intend to increase their standard of living by increasing their spending viz. by consuming more goods and services. Hence, an increase in PCC is considered as an indicator of economic growth.
- PCC in simple terms refers to the quantum of money spent by an individual in a year on consumption of goods and services.
- 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:

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

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



Economic Development: Meaning and Features

*Q.4.

Ans:

Explain the concept of Economic Development.

[4]

- The concept of economic development is a wider concept than 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.

Traditional Approach:

- 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 share of 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.

Modern Approach:

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 in National Income i.e. dominance of industry rather than agriculture.
- Functioning of economy for welfare of the people.

Definitions of Economic Development

- 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 multi-dimensional 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.5.

Ans:

What are the features of Economic Development?

[4]

Economic development is a planned growth. It implies economic growth along with progressive changes in certain areas which determine the material well being of the people. Thus, it has a qualitative dimension rather than a quantitative one.

The features of Economic Development are as follows: **[Mnemonic: SLICES of Pear]**

i. 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 development of skills, discipline and modernity etc.



- ii. **Long Term Process:**
 - Economic development implies that the increase in real national income should be sustained over a period of time. Thus, it is a long term process.
- iii. **Increase in Real National Income:**
 - Economic development considers an increase in the 'real national income' rather than 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.
- iv. **Qualitative Concept:**
 - Economic development can be explained in qualitative terms such as changes in wants, goods, institutions etc.
 - It possesses a qualitative dimension.
- v. **Role of Economic and Non-economic Factors:**
 - Both, economic as well as non-economic factors play an important role in the development of the country.
 - Economic factors include foreign trade, supply of capital, sound infrastructure, talented entrepreneurs etc.; whereas, non-economic factors include political freedom, stable government, efficient social structure and outlook of people etc.
- vi. **Structural Transformation:**
 - Economic development helps in changing the structure of the economy from agrarian to industrial economy and further 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 in GDP, higher is the economic development of the nation.
- vii. **Public Participation:**
 - Economic development is possible only when citizens of the country participate and co-operate with each other in the process of development.

Indicators of Economic Development

***Q.6.**
Ans:

What are the indicators of Economic Development? [8]

Economic development is a planned 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.

The important indicators of Economic Development are as follows:

[Mnemonic: SPEECH on PCI³]

- i. **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.
- ii. **Per Capita Consumption (PCC):**
 - PCC basically indicates the extent of material well-being and the standard of living of the people in an economy.
 - Consumers intend to increase their standard of living by increasing their spending viz. by consuming more goods and services. Hence, an increase in PCC is considered as an indicator of economic development.
 - PCC in simple terms refers to the quantum of money spent by an individual in a year on consumption of goods and services.



- 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:

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

iii. **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 indicates that the economic development of an

economy is mainly due to the creative talents of the entrepreneurs.

- Entrepreneur is the person with some special qualities such as ability to innovate, hard work, vision, self confidence, positive attitude, etc.

iv. **Environmental Balance:**

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

- The process of economic development causes environmental imbalance. This happens due to pollution, over-exploitation of natural resources, etc. Such practices must be avoided 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.

v. **Per Capita Income (PCI):**

- Per Capita Income (PCI) is another important indicator of economic development. It is defined as 'Average income of a nation'.

- 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 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.

- It can be calculated as:

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

Good to Know:

- India is country of villages and still majority of population is living in villages. Development of villages is really most important challenge for the India's economy. Dairy Co-operatives in general and Amul in particular has done this job very successfully. It has created jobs, and stopped migration from villages and given new face to village life.





Do you Know?

Following table shows India's PCI at Market Price:

Year	PCI at Market Price (₹)
1950-51	3,687
1990-91	7,321
2009-10	40,745

vi. 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.

Do you Know?

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

vii. 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 that depend upon life expectancy, infant mortality and literacy.

Good to Know:

- Kerala has had a commendable record in terms of the Physical Quality of Life Index. Indicators of P.Q.L.I like infant mortality (13%), female literacy (87.86%), life expectancy for males (69) and females (72) are well above all Indian levels. The major reason for this achievement is Kerala's focus on the service sector. About 37% of the total annual expenditure of the State is earmarked for health and education. Another reason is the existence of a larger network of health infrastructure with 961 Primary Health Centers and 5094 sub-centers.



**viii. Capital Formation:**

- Capital formation is another indicator of economic development that depends upon the rate of capital formation which further depends upon savings.
- It means converting savings into physical productive assets such as transport facilities, electricity generation, dams, modern technology etc.
- Increase in capital formation leads to increase in economic development of the nation.

ix. Industrial Progress:

- The Industrial progress plays a significant role in the economic development of a nation.
- During the period of Second Five Year Plan, Indian industries got an opportunity to expand. This further 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.

x. Human Development Index (HDI):

- 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. Per Capita HDI is the simple average of these three factors.
- 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 further 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.

xi. Gross National Income or GNP:

- According to **Dr. Kuznet**, real GNP is a 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.

**Good to Know:**

- *Gross National Product in India increased to ₹ 56738.60 billion in 2014 from ₹ 54166.60 billion in 2013. GNP in India averaged ₹ 14869.24 billion from 1951 to 2014, reaching an all time high of ₹ 56738.60 billion in 2014.*
- *Source: Reports by Central Statistical Organization*

Multiple Choice 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. Economic development considers an increase in the _____.
(**Real National Income** / Nominal National Income / GDP / GNP)
8. Economic factors include _____.
(**foreign trade** / political freedom / efficient social structure / outlook of people)
- *9. In modern times, _____ is an economic leader.
(**entrepreneur** / actor / social worker / minister)
- *10. Industrial development increases _____.
(poverty / population / **urbanization** / unemployment)
11. The social and ideological changes lead to _____ in the country.
(**modernization** / unemployment / poverty / population)
- *12. Economic growth without _____ is possible.
(**economic development** / education / capital / trade)
13. Economic development is _____ concept.
(one dimensional / two dimensional / **multi dimensional** / none of these)

Match the Pairs

II.

Match the correct pairs:

[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).

True or False

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

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

**Distinguish Between**

IV.

**Distinguish between the following:
Per Capita Income and National Income.**

[5 marks each]

1.
Ans:

Sr. No.	Per Capita Income	National Income
i.	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.
ii.	PCI reflects the economic welfare and standard of living of the people in an economy during a given time period.	NI reflects the growth level attained by an economy during a given time period.
iii.	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.

*2.
Ans:

Per Capita Income and Per Capita Consumption.

Sr. No.	Per Capita Income	Per Capita Consumption
i.	Per Capita Income (PCI) refers to the annual average income of a person.	Per Capita Consumption (PCC) basically indicates the extent of material well-being and the standard of living of the people in an economy.
ii.	It can be calculated as: $PCI = \frac{\text{National Income}}{\text{Total Population}}$	It can be calculated as: $PCC = \frac{\text{Total Private Consumption Expenditure}}{\text{Total Population}}$
iii.	It is an indicator of economic productivity.	It is an indicator of standard of living of people.

*3.
Ans:

Economic Growth and Economic Development.

Sr. No.	Economic Growth	Economic Development
i.	Economic growth means an increase in the real national income of the country.	Economic development implies economic growth along with progressive changes in certain areas which determine the well being of the people.
ii.	It is narrow in scope and has a quantitative dimension.	It is wide and broader in scope and has a qualitative dimension.
iii.	Economic growth is possible without economic development.	Economic development is not possible without economic growth.
iv.	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 improved standard of living.
v.	Here, more priority is given to the production of goods and services.	Here, more priority is given to the distribution of goods and services.
vi.	Here, the share of agricultural sector is more in National Income.	Here, the share of industrial and service sector is more in National Income.
vii.	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.



4. Agriculture and Industry.

Ans:

Sr. No.	Agriculture	Industry
i.	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.
ii.	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.
iii.	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.
iv.	For e.g., Cultivation of cotton, sugarcane etc. is an agricultural activity.	For e.g., When cotton is converted into cotton cloth and sugarcane into sugar, it undergoes manufacturing activity.

Give Reasons

V.

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

Ans:

- Economic development considers both economic as well as non-economic aspects.
 - Economic factors include talented entrepreneurs. Talented entrepreneurs play a pivotal role in developing an economy.
 - They possess the capacity to take risks, to recognize business opportunities, to innovate new things and to work hard.
 - They are optimistic in nature and possess a vision for future. Moreover, entrepreneurs help to keep the wheels of the economy moving.
- Thus, economic development requires a class of talented entrepreneurs.

Agree or Disagree

VI.

State with reasons, whether you agree or disagree with the following statements: [4 marks each]

*1.

The concepts of economic development and economic growth are the same.

Ans:

No, I do not agree with the above statement. *[Economic growth and economic development are not one and the same]*

Reasons:

- 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.
- Growth is a natural conception, whereas, development is deliberate and planned.
- **For e.g.** Due to increasing population, if the number of students in a college increases, it is known as Growth. Beside this, if there is progress in infrastructure, placement, sports, social and cultural activities etc., it is known as Development.
- Economic Growth refers to an increase in the amount of the goods and services produced over a specific period of time in a country.
- 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.
- However, it has been observed that, economic growth leads to the economic development of the country.

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



***2. 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.
- Entrepreneur is the one who holds the 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.

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

Ans: No, I do not agree with the above statement. *[PCC is a superior indicator than PCI]*

Reasons:

- PCI refers to the annual average income of a person, whereas, PCC indicates the extent of material well-being and the standard of living of the people in an economy.
- PCI is an indicator of economic productivity, whereas, PCC is an indicator of standard of living of the people.
- 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.
- However, PCC is considered as more realistic and practical indicator when compared to PCI as it reflects the standard of living of people.
- PCC also reflects the level of poverty and income inequality in an economy.

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

Additional Questions for Revision

Q.1. Define or explain the following concepts: [2 marks each]

***i. Per Capita Income.**

Ans: Refer Q.3. Point (ii)

***ii. Industrial Progress.**

Ans: Refer Q.6. Point (ix)

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

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

Ans: Refer Q.2. Point (iv)

***ii. Industrial progress is an important indicator of economic development.**

Ans: Refer Q.6. Point (ix)

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

***i. Per Capita Consumption.**

Ans: Refer Q.3. Point (iii)

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

Ans: Refer Q.6. Point (x)

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

Ans: Refer Q.4. "Definitions of Economic Development"

[Note: Any 2 definitions are expected]



*Q.5.
Ans:

Explain the concept of Land Productivity.

[4]

Refer Q.6. Point (vi)

QUICK RECAP

