

AS- 2735
B.A. (HONS) (FIFTH SEMESTER) EXAMINATION, 2013
ECONOMICS
PAPER XIII
(INDUSTRIAL ECONOMICS-I)

SECTION – A

1. Very short answer type questions:
 - i. What do you understand by the Rural Industrialisation. **Rural Industrialisation is a process in which changes of a series of strategical production functions are taking place in the rural areas. It involves those basic changes that accompany the mecnanisation of an enterprise, the building of new industry, opening of a new market and the exploitation of a new territory in the rural area.**
 - ii. Which statement is the correct explanation for the right relationship between the Marginal Cost (MC) and Average Cost (AC)? **C) When AC curve takes the U-Shape then MC curve intersects the AC curve at its lowest point.**
 - iii. Who has given the idea of the localization of industries at the initial stage? **A) Prof. E.A. Rose.**
 - iv. Alfred Weber was from the country: **c) Germany.**
 - v. 'Discriminating Protection Policy' started on the recommendation of: **b) Industrial Commission.**
 - vi. As per the 1991 Industrial policy, the number of industries have been put up under negative list: **c) 06 (six).**
 - vii. It is not the merit of Vertical merger: **a) Large scale external expenditure.**
 - viii. Which year was the Indian Oil Corporation (IOC) established. **a) 1962**
 - ix. In which state was the Oil Research Factory situated: **a) Gujarat.**
 - x. In which Five Year Plan was the Bhilai Steel Plant established: **b) Second Five Year Plan.**

SECTION – B

2. How is the price determined in the perfect competition. Explain with the help of diagrams.
Introduction and Features: Perfect Competition is one of the types of Market structures. Perfect competition can be understood as the market where there are many sellers and buyers of the commodities. The commodities are homogenous. There is complete knowledge of the market system to the customers and sellers. There is a cut-throat competition in the system.
Here a single firm cannot influence the price of the commodity. The firms are price takers rather than price makers. There is free entry and free exit.

Price determination: The price is determined by two forces i.e. Supply and Demand. Supply of a commodity takes place after the production process is completed. The production process involves the factors of production in labour, land, capital, organization and entrepreneur. The remuneration to each of the factors is rendered to them, which in fact is included in the price of a commodity.

Similarly, there is a demand side which depends on the requirement and need of the persons for the particular commodity. Hence, the customers demand for the commodity with a certain price.

Diagrams showing the supply and demand should be drawn. Then diagram showing both supply and demand should be depicted.

Explanation of the diagrams.

Conclusion.

3. A monopolist neither gets profit, nor gets loss. Explain the situation with the help of a diagram.
 - Meaning and definition of monopoly.
 - Characteristics of monopoly: One seller and many buyers; control over the price i.e. price maker. Profit motive.
 - Diagram
 - Explanation of the diagram
 - Conclusion.
4. Explain the theory of localization of industries according to Alfred Weber.
 - Meaning and understanding of the localization of industries.
 - Theory: The localisation of industries will take place where the raw materials, market, demand for the commodities will be available. Moreover, the labour should be cheap enough. Less cost more production and demand should be applied.
 - Factors determining the industrial location: Transport cost, labour cost, distance, centralized factors, decentralized factors etc.
 - Diagram
 - Explanation of the diagram
 - Conclusion.
5. Define public enterprise and narrate its importance.
 - Public enterprise: Meaning
 - Types of enterprise
 - Objectives of public enterprise: Reduction in disparities of income and wealth, reduction in regional disparities, control on monopolies and concentration of economic power, social justice, defence industries, economical balance, infrastructure, exploitation of natural resources, rapid growth, optimum allocation of available resources, generation of additional resources, production in the line of planned priorities.
 - Importance of public enterprise: Economic development, social development, educational development and health infrastructures, road construction, electricity and water facilities etc. Some of the important points to be noted down: 1. National security and army related industries, 2. industries related to minerals, oils, ship making etc. 3. Capital oriented industries, 4. Technical perspective industries, 5. Industries depending on the ownership and control.
 - Problems
 - Suggestions

- Conclusions.

6. Explain the role played by Cement Industries in the industrial development in India.

Meaning: There are so many industries in India which are playing the role in the development of Indian Industrial arena. Most important of them are like Iron and Steel industries, cotton industries, jute industries, sugar industries, coal industries, engineering industries etc.

Cement industries has played an important role in the development of infrastructures like constructions of building, roads, railways, irrigation, electricity factories, bridges etc.

Start of the Cement industries in India in the year 1904. Then onwards it has developed all over India in terms of capacity, quantity and quality.

In the following years the industry has developed itself as shown below:

| Year | Established capacity | production |
|---------|----------------------|------------|
| 1950-51 | 33 | 27 |
| 1960-61 | 99 | 80 |
| 1970-71 | 180 | 143 |
| 1980-81 | 280 | 186 |
| 1990-91 | 600 | 488 |
| 1997-98 | 980 | 830 |
| 2000-01 | 1200 | 995 |
| 2001-02 | 1480 | 1096 |

Problems of Cement Industries: problem of localization, distance of coal mines, control of price and distribution of cement, unused established capacity, problem of modernization, unavailability of capital, financial problems, labour problems etc.

Present Scenario: Capital Rs. 10,000/- crores, 1.25 lacs labour employed, 81% of the production capacity has been concentrated in M.P (25%), Andhra Pradesh (17%), Rajasthan (11%), Karnataka (10%), Tamilnadu (10%), and Gujarat (8%).

Suggestions

Conclusion.

7. Discuss the problems of small scale industries and suggest proper remedial measures to mitigate the problems.

- Meaning and definitions of small scale industries: Are those industries, having paid up capital of worth Rs. 60 lacs (Machinery and plants). Here the buildings and land are excluded . – Government of India 1990.
- Problems of SSI: Inadequate raw materials, Financial problems, problems related to getting finance from the banks and other financial institutions. Mismanagement, problems related to wages and salaries, lack of strong labour union, low capacity of production, depreciation, lack of incentives, inadequate training facilities, problems related to taxation , etc.
- Measures: Import of raw materials, easy access to financial resources, proper management, proper coordination between the management and workers, management training, extension of financial facilities, rectification in the production system, adequate wages and salaries. Adequate incentives to the labour force. Encouragement to the investors etc.

- Conclusion.
8. Discuss the importance and achievements of the 9th and 10th Five Year Plan in terms of small and cottage industries.
- Meaning of small and cottage industries
 - Objectives of small and cottage industries
 - Importance and achievements in the 9th and 10th five year plan: Lack of unemployment and semi –employment, use in terms of auxiliary occupation, less amount of capital, equal income distribution, export assistance, national security, assistance to large scale industries, means of earning surplus income.
 - Problems: Inadequate raw materials, financial problems, lack of technological facilities, sale problems, competition at the international level.
 - Achievements: Financial facilities and incentives, commercial banks, State Financial Corporations, Co-operative banks, SIDBI, Margin Money Scheme for Sick Units, Credit Guarantee Scheme, Technical incentives and guidance, small industries development organization, small industries service institutes, National small industries corporation, District Industries Centres, Khadi and village industries commissions; Marketing support and export promotion – govt. purchase preference, price preference, tender marketing, advertisement and publicity, Export promotion etc.

The production and employment volumes are given as follows:

| Year | Volume of production (in crores) | Employment volume (in lacs) |
|---------|----------------------------------|-----------------------------|
| 1992-93 | 233436 | 120 |
| 1993-94 | 241648 | 133 |
| 1994-95 | 293990 | 146.5 |
| 1997-98 | 465171 | 167 |

- Conclusion