<u>**Govt. Engineering college, Jhalawar**</u>

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Model Test Paper 3rd year 5th Sem

Subject:- Sociology and Economics for Engineers

Que.1Discuss the role of commercial Bank in a developing economy.

Que.2 Discuss the instrument of fiscal Policy.

Que.3 Distinguish between GNP, GDPO, NI, PI and DI.

Que.4 Social system is a system of social institution. Discuss

Que.5 Write a short note on:

a) Urban Society
b) Rural Society

Que.6 Discuss different forms of market structure.

Solution:-

Ans.1 Banks are one of the most important parts of any country. In this modern time money and its necessity is very important. A developed financial system of the country ensures to attain development. A modern bank provides valuable services to a country. To attain development there should be a good developed financial system to support not only the economic but also the society. So, a modern bank plays a vital role in the socio economic matters of the country. Some of the important role of banks in the development of a country is briefly showing below.

1. PROMOTE SAVING HABITS OF THE PEOPLE: Bank attracts depositors by introducing attractive deposit schemes and providing rewards or return in the form of interest. Banks providing different kinds of deposit schemes to its customers. It enable to create banking habits or saving habits among people.
2. CAPITAL FORMATION AND PROMOTE INDUSTRY: Capital is one of the most important parts of any business or industry. It is the life blood of business. Banks are increase capital formation by collecting deposits from depositors and convert these deposits in to loans advances to industries.
3. SMOOTHING OF TRADE AND COMMERCE FUNCTIONS: In this modern era trade and commerce plays vital role between any countries. So, the money transaction should be user friendly. A modern bank helps its customers to sent funds to anywhere and receive funds from anywhere of the world. A well developed banking system provides various attractive services like mobile banking, internet banking, debit cards, credit cards etc. these kinds of services fast and smooth the transactions. So, bank helps to develop trade and commerce
4. GENERATE EMPLOYMENT OPPORTUNITY: Since a bank promote industry and investment, there automatically generate employment opportunity. So, a bank enables an economy to generate employment opportunity.
5. SUPPORT AGRICULTURAL DEVELOPMENT: Agricultural sector is one of the integral part of any economy. Food self sufficiency is the major challenge and goal of any country. Modern bank promote agricultural sector by providing loans and advances with low rate of interest compared to other loans and advances schemes.
6. APPLYING OF MONITORY POLICY: Monitory policy is a important policy of any government. The major aim of monitory policy is to stabilize financial system of the country from the dangerous of inflation, deflation, crisis etc.
7. BALANCED DEVELOPMENT: Modern banks spreading its operations throughout the world. we can see number of big banks like citi bank, Baroda bank etc. It helps a country to spread banking activities in rural and semi urban areas. With the spreading of banking operations around the country, helps to attain balanced development by promoting rural areas.

Modern bank plays vital role in the socio- economic development of the country. A developed banking system enables the country to attain balanced development without any special consideration of rich and poor, cities and rural areas etc.

Ans.2 The objectives of the fiscal policy of the government are as follows:

Resource Mobilization

Fiscal policy allows the government to mobilize resources for public expenditure and development. There are three ways of resource mobilization viz. taxation, public savings and private savings through issue of bonds and securities.

Resource Allocation

The funds mobilized under fiscal policy are further allocated for development of social and physical infrastructure. For example, the government collected tax revenues are allocated to various ministries to carry out their schemes for development.

Redistribution of Income

The taxes collected from rich people are spent on social upliftment of the poor and this fiscal policy in a welfare state tried to reduce inequalities of income using resource allocation.

Price stability, control of Inflation, Employment generation

Government uses fiscal measures such as taxation and public expenditure to stabilize the prices and control inflation. Government also generates employment by speeding infrastructure development.

Balanced Regional Development

A large part of the government tax revenues are given out to less developed states as statutory and discretionary grant. This helps in the balanced regional development of the country.

Balance of Payments

Using fiscal policy measures government tries to promote exports to earn foreign exchange. This helps in maintaining favourable balance of trade and balance of payments.

Capital Formation and National Income

Fiscal policy measures help in increasing the capital formation and economic growth. Increased capital formation leads to increase in national income al

Components of Fiscal Policy

There are four key components of Fiscal Policy are as follows:

- Taxation Policy
- Expenditure Policy
- Investment & Disinvestment policy
- Debt / surplus management.

Taxation Policy

We have already discussed in detail about the taxation policy in previous module. The government gets revenue from direct and indirect taxes. Via its fiscal policy, government aims to keep the taxes as much progressive as possible. Further, judicious taxation decisions are very important for economy because of two reasons:

- Higher than usual tax rate will reduce the purchasing power of people and will lead to an decrease in investment and production.
- Lower than usual tax rates would leave more money with people to spend and this would lead to inflation.

Thus, the government has to make a balance and impose correct tax rate for the economy.

Expenditure Policy

Expenditure policy of the government deals with revenue and capital expenditures. These expenditures are done on areas of development like education, health, infrastructure etc. and to pay internal and external debt and interest on those debts. Government budget is the most important instrument embodying expenditure policy of the government. The budget is also used for deficit financing i.e. filling the gap between Government spending and income.

Investment and Disinvestment Policy

Optimum levels of domestic as well as foreign investment are needed to maintain the economic growth. In recent years, the importance of FDI has increased dramatically and has become an instrument of integrating the domestic economies with global economy.

Debt / Surplus Management

If the government received more than it spends, it is called surplus. If government spends more than income, then it is called deficit. To fund the deficit, the government has to borrow from domestic or foreign sources. It can also print money for deficit financing.

Ans.3 The concept of Gross Domestic product differs from gross national product only in one respect. Adjustment of net income from abroad with gross national product gives us gross domestic product Gross domestic product and Gross national product in closed economics are the same? In some countries like Saudi Arabia, Venezuela there exist wide difference between GDP and GNP. Foreign companies have made massive investments in these countries and returns on those investments are sizeable.

GDP = P (Q) + P (S)

Or GDP = GNP – Net income earned from abroad.

Gross National Product (GNP)

Gross National Product is defined as the gross value of the final products and services produced by the whole economy during a year including net income earned abroad.

GNP = P (Q) + P (S) + net factor income from abroad (NFIA)

Or, GNP = GDP + (X-M)

Where,

P = Market price

Q = Total output

S = Services

X = Export earnings

M = Import expenses

It is important to three things in connection with GNP.

(a) GNP Measures the gross value of goods and services in terms of money.

(b) GNP refers to the gross value of all final products produced by the whole economy during a year.

GNP does not include non-productive transactions.

Net National Product (NNP)

Productive capacity in most cases involves depreciation of fixed capital. For finding out the actual amount of production in a country, the amount of depreciation has been deducted from is gross national product. The amount of production that is available in a country for consumption, investment and government spending can be found out only after deducting the amount of deprecation from its gross national product. Met national product of a country is a more accurate measure of the output level achieved in the country. If a country for in stance uses its field capital more intensively, it can raise its gross national product considerably. However, these efforts will result in heavy capital depreciation on account of which net national product will not rise as fast as gross national product Net national product is a better index of growth. But even the figures of NNP alone do not tell us firmly whether an economy is recording growth or not.

For assessing the growth performance of an economy one should see rate of increase in net national product in relation to the rate of growth of population.

NNP= GNP-Depreciation

Or, NNP = Net domestic product +(X-M)

NNP is called the national income at market prices, because, it is expressed in market price.

Where,

Depreciation = Capital consumption allowance/wear and tear cost of assets.

National Income or Net national product at factor cost (NI or NNP at FC)

National income is the result of all the factors of production in the process of production. If the reward of all the factors of production is added the total amount is knows as National income at factor lost. In this total income the transfer payment made to factors of production is not included as it is not a payment for work. Thus, the national income at factor cost includes.

National income at factor cost = Wages + Rent + Interest + Profits Transfer Payment.

National income at factor lost reflects the distributive aspect of NI.

Or, NI or NNP at FC = NNP at MP – Net Indirect taxes.

Personal Income (PI)

Personal income is the component of the net national product, which goes to the households, and the productive activity is carried out through joint efforts of these factors. Yet the whole of net National income is not distributed among them. A part goes to government as corporate profits, another part is retained by corporate enterprises as undistributed profits and yet another part is paid out as social security contribution. The households get the transfer payment from the Government, which adds to their personal income in short,

Personal income = National income – corporate taxes – undistributed profits – social security contribution + transfer payments.

Disposable Income (DI)

On excluding the amount of direct taxes from the personal income of a country one gets its disposable personal income symbolically. It can be stated as.

Disposable income = personal income – personal taxes (Direct taxes), fines, etc.

Or, DI = consumption + saving

The concept of disposable income is very useful in computing the real purchasing power of the country. It also gives us information regarding the personal consumption, pattern. It refers to that part of the personal income, which is actually available to the households.

Per Capita Income (PCI)

It is the income of an individual for a year. It is worked out by dividing the national income with the total population of the country. Income per head, normally defined as the national income divided by the total population.

Per capital income (PCI) = National income of the given year/No of Population of the given yeart

Ans.4 Social institutions are a system of behavioral and relationship patterns that are densely interwoven and enduring, and function across an entire society. They order and structure the behavior of individuals by means of their normative character. Institutions regulate the behavior of individuals in core areas of society:

a) family and relationship networks carry out social reproduction and socialization;

b) institutions in the realm of education and training ensure the transmission and cultivation of knowledge, abilities and specialized skills;
c) institutions in the labor-market and economy provide for the production and distribution of goods and services;
d) institutions in the realm of law, governance and politics provide for the maintenance of the social order;
e) while cultural, media and religious institutions further the development of contexts of meaning, value orientations and symbolic codes.

Social institutions are important structural components of modern societies that address one or more fundamental activity and/or specific function. Without social institutions, modern societies could not exist. Societies consist of a range of institutions that play myriad specific roles in facilitating human social life, and which themselves are dependent upon one another for the performance of their respective functions. A given institution can also perform different functions at once and/or over time. In this respect they differ from formal organizations, which are hierarchically differentiated via an organizational structure and serve primarily to facilitate rational action (Zweckhandeln) and the realization of particular interests.

In sociological theory, there are three prevailing interpretations of social institutions: functionalist approaches, Marxist-inspired conflict-oriented explanations, and neo-institutionalist approaches. Functionalist approaches in the tradition of Durkheim and Parsons emphasize the importance of social institutions for the maintenance of social systems. Social integration is only possible when institutions perform core functions. Three such functions can be distinguished: first, institutions structure human social relationships and serve as a catalyst for the role expectations with which individuals are confronted in their everyday actions. Second, institutions regulate the distribution of gratifications and the allocation of suitable persons to positions of power. Third, by means of symbols, policies and ideologies, certain social institutions represent and stabilize the value canons and contexts of meaning of social systems. In contrast to functionalist approaches, conflict theory (Coser) has as its point of departure the insight that because conflict and inequality are inherent in modern societies, social institutions do not perform equally well for all members of society. From this perspective, institutions are seen as instruments for the realization of power and hegemony, and help stabilize prevailing inequalities. For scholars in this tradition, it is easy to demonstrate that ethnic minorities, women and those in lower social strata benefit less from the functioning of institutions, or are shaped by them in specific ways. Moreover, several members of the Frankfurt School of critical theory (Adorno, Horkheimer, Marcuse) underscore that institutions can function in manipulative and alienating ways, for they serve first and foremost to legitimate prevailing power relations. They can even have anomic and dysfunctional effects, as is sometimes the case in "total institutions" (Goffman, Foucault) such as psychiatric institutions, prisons or military barracks.

Cross References
→Education → Class → Civil Society → Conflict of Interest → Family → Economy → Labour Market → Power, Power-Relations → Religion → Mass Media

Ans.5 a) An urban living is similar to having the facilities of modern social life. Social interaction is fast and formal. The rate of social change is faster due to education in, technology, industry and urbanization. A complex social life is found in which the people or different races, professions, castes and religions live together. Anonymity is an important trait.

Characteristics of Urban Society

Dense Settlement Pattern: In urban societies, houses are constructed contiguous to each other due to shortage of land. Millions of populations resides within few kilometer of me area which shows high density of population.

Palatial Houses: Houses are made using brick, stone, marble and other modern infrastructure. A lot of palatial houses can be seen in these societies costing millions of rupees.

Urban Facilities: Urban facilities like electricity, gas, telephone, drinking water system, mobile phone, fax, internet, road networks, air ports, shopping mall and commercial center etc. are available in urban society.

Formal Social Interaction: Interaction among the members of society is generally of formal type. Secondary group and organizations have a lot of importance and played important role in need fulfillment.

Formal Group Life: Group life in this society is also of formal type. Formation of group is based on the need and common interests. Members get close to each other in order to fulfill their needs.

Division of Labor: Very clear and complex division of labor is found in every walks of life. People are trained for their job and functions according to needs of the people. Shortage of houses due to shortage of land and population pressure, there is always shortage of houses for the people of this society.

Social Institutions and Social Organizations: Basic social institutions and their working organizations are found fulfilling the very needs of the people.

Social Change: A high rate of social change is found. People of this society appreciate social change and are prone to adopt it rapidly.

Anonymity: Due to high population pressure, fast life, and social differentiation, a high degree of anonymity is found causing crime and violence.

High Standard of Living: Due to availability of civic facilities, industry and business activities, high standard of living is found comparing with rural society.

B) Rural Society Meaning

Rural society which is sparsely populated with emphasis on agricultural professions. Simple culture with natural environment and informal social life are the conditions rural life. Homogeneity in professions, dress, language and customs of social life is usually found in such people. The rate of change is slow due to slow means of communication. Agriculture is their profession.

Characteristics of Rural Society

Following are the characteristics of rural areas.

1. **Rural settlement:** they have open settlements. Pattern of houses are scattered and having open houses covering vast area for courtyard.
2. **Mud constructed houses:** most of the houses in these kinds of societies are mud constructed. Although use of bricks and stone is increasing in the societies.
3. **Agriculture:** most of the people of these societies are associated with agriculture profession. Some of them are also involve in labor related to agriculture.
4. **Informal social norms:** informal social norms are more important and practiced than the formal norms.

5. **Informal social groups:** informality among different groups is found. In the evening, people are used to sit at common place called '*dei-a'* sharing daily activities and talking issues of the common interests.
6. **Informal social interaction:** Interaction is more frequent, deep, face-to-face and informal among the members of society.
7. **Informal social control:** Modes of social control in rural life and society is informal and more effective than the formal one. *Panchayat* system is very much effective and use for the solution of their day to day problem.
8. **Low literacy rate:** Literacy rate in this kind of societies is generally low and females are discouraged to go for formal education.
9. **Less social change:** These types of societies are relatively static. Very slow and selective modes of social change takes place.
10. **Attachment with religion:** people of rural areas are emotionally attached with religious beliefs. Knowledge of the people in this society about religion is generally poor and they are the follower of *imam masjid* or religious scholars in their social life.
11. **Poor urban facilities:** urban facilities like hospital, schools, colleges, universities, paved roads, electricity, gas, telephone, internet, cable, recreational parks, big shopping malls etc. are lacking behind in this society.

Ans.6 Here are five forms of market structure and they are as follows.

1. **Perfect Competition or Ideal Rivalry market**

A perfectly competitive market is one in which the number of buyers and sellers is very large, all engorged in buying and selling a standardised product without any unnatural precincts and possessing perfect knowledge of market at a time. In the words of Koulsayaiannis, "Perfect competition is a market structure characterised by a complete absence of rivalry among the individual are price takers and in which there is freedom of entry into and exit from industry."

Characteristics of Perfect Competition

1. Large Number of Buyers and Sellers – The first stipulation is that the number of buyers and sellers must be so large that none of them individually is in a position to influence the price and output of the industry as a whole. The demand of individual buyer relative to the total demand is so small that he cannot influence the price of the product by his individual action.

2. Freedom of Entry or Exit of Firms – The next situation is that the firms must be at liberty to enter or leave the industry. It entails that whenever the industry is earning huge profits, fascinated by these profits some new firms enter the industry. In case of loss being sustained by the industry, some firms leave it.

3. Standardised Products – Each firm producers and sells a standardised commodity so that no buyer has any preference for the product of any individual seller over others. This is feasible if units of the same commodity manufactured by diverse sellers and ideal surrogates.

4. Absence of Artificial Restrictions – The consequent stipulation is that there is entire directness in buying and selling of commodities. Sellers and buyers are at liberty to buy and sell.

5. Perfect Mobility of Commodities – Another requirement of perfect rivalry is the perfect mobility of commodities and factors amidst industries. Commodities are at liberty to shift to those areas where they can bring the highest price.

6. Perfect knowledge of Market Conditions – This condition implies a close contact amidst buyers and sellers. Traders possess absolute knowledge about the prices at which commodities are being purchased and sold and the prices at which others are prepared to purchase and sell.

2. **Monopoly Market**

Monopoly is defined by Salvatore as "Monopoly is the form of market organisation in which there is a single firm selling a commodity for which there are no close substitutes."

There are some characteristics of monopoly such as

1. There is only one seller

2. Entire control on the supply of the product is in the hands of monopolist

3. Under monopoly, a firm itself is an industry; it can be a sole proprietorship, partnership, JSCs etc.

4. There is no close surrogate of a monopolist's product. The event of cross elasticity of demand is least possible.

5. There are restrictions on the entry of the other firms in the area of monopoly product.

3. **Duopoly**

Duopoly is a special case of the theory of oligopoly in which there are only two sellers and they are absolutely independent and no conflicts arise amongst them. A variation in price and productivity of one will affect the other and hence the other bearing loss has to match up with the price of the competitor.

4. **Oligopoly**

Oligopoly is a market stipulation in which there are a few firms selling standardised or varied commodities. It is complex to point out the number of firms in competition among the few. With only a few concerns in the market, the action of one firm is tending to afflict the others. An oligopoly industry produces either a standardised product or assorted products. The former is called pure and perfect oligopoly and the latter is called imperfect or discriminated oligopoly.

There are some characteristics of Oligopoly.

1. Interdependence among the sellers in the oligopolistic market. Each oligopolistic firm knows that changes in its price, advertising, product characteristics etc. may lead to counter-moves by competition.

2. Advertisement outlay is more in the case of oligopolists and consumer services.

3. Lack of consistency in the size of firms is another feature. Some may be small, others very large. Such a situation is asymmetrical.

4. Demand Curve is not easy to be traced out in an oligopolistic market.

5. **Monopolistic Competition**

Monopolistic competition denotes to a market condition on where there are many firms selling a varied product. “There is competition which is keen, though not perfect, among many firms making very similar products.” No firm can have any perceptible influence on the price output policies of the other sellers nor can it be influenced much by their actions. Thus monopolistic competition denotes to competition among a large number of seller producing close but not perfect substitutes for each other.

Its features

There are a number of features. They are as follows. Large number of sellers, Product differentiation, Freedom of Entry and Exit of Firms, Nature of Demand Curve, Independent Behaviour, Product Groups, Selling Costs and non-price competition.