

3.	Differentiate between short- run and long-run production function.	BL2	CLO3	10
4.	Discuss the characteristics of an Indifference Curve. Explain the conditions of the equilibrium of a consumer with the help of Indifference Curve.	BL2	CLO2	10
5.	Explain the characteristics of Oligopolistic Competition. Discuss the pricing policy under this form of market.	BL2	CLO3	10
Section C: Attempt any one question in the given Case Study.		BL	CLO	Marks (20)
<p><u>CASE STUDY</u></p> <p>India's economic growth for the financial year 2016 has been estimated at 7.6 per cent as compared with the revised estimate of 7.2 per cent in the previous year, aided largely by growth in the manufacturing sector. If the new projection materialises, India will be the fastest growing major economy in the world, overtaking China. The latest projection is a shade better than the Finance Ministry's earlier estimate of 7 to 7.5 per cent. However, the GDP growth for the third quarter of this financial year slowed to a four-quarter low at 7.3 per cent. In the second quarter, it had grown by 7.7 per cent. Growth in gross fixed capital formation, a proxy for investment, fell significantly in the third quarter, compared to the second, because of lacklustre private investments. According to data, growth figures were revised sharply upwards for the second quarter from 7.4 per cent; and from 7 per cent to 7.6 per cent for the first quarter. To meet the revised figure of 7.6 per cent growth in the entire current year, the GDP has to increase by 7.8 per cent in the last quarter. Economic Affairs Secretary Shaktikanta Das attributed the estimated higher growth to reforms initiated by the government. However, very few economists and market experts were ready to take the official data at face value, which they said was at odds with weak exports, railway freight, cement production, investment and flat order books that pointed to weakness in the economy. "All our qualitative and quantitative data checks suggest that GDP growth decisively decelerated in FY2016 as compared to FY2015, whilst the GDP data is suggesting that growth accelerated in FY2016," said Ritika Mankar Mukherjee, Economist, Ambit Capital. In nominal terms, however, GDP would grow just 8.6 per cent in the current financial year, which would make the fiscal consolidation exercise of the government a tad challenging. At Rs 135.67 lakh crore GDP, fiscal deficit at 3.9 per cent means Rs 5.29 lakh crore. This is over 26,000 crore less than Rs 5.55 lakh crore estimated at the time of the Budget. The Budget had assumed the nominal GDP growth at 11.5 per cent. The Centre's fiscal deficit already stood at Rs 4.88 lakh crore till December of the current financial year. The government will have to restrict it within Rs 41,000 crore (Rs 5.29 lakh crore minus Rs 4.88 lakh crore) in the January-March period. For the next financial year, the government will have to just narrow the gap between the expenditure and the revenue, by over Rs 13,000 crore to retain the target of 3.5 per cent of GDP on the assumption that, in nominal terms, it would also grow the same 8.6 per cent in 2016-17. This should not have been a problem for the government, caught in a dilemma of sticking to the fiscal consolidation road map or deferring it by a year more. However, the</p>				

government will have to bear the extra burden of Rs 1.1 lakh crore to implement One Rank, One Pension for retired Army personnel and the Seventh Pay Commission recommendations. If the government sticks to the plan, the Reserve Bank of India will find it easier to cut the policy rate to spur economic growth. Chief Economic Adviser Arvind Subramanian said agriculture has to be a focus for policy action. The industry lauded the numbers and expressed hope that better monsoon and further reforms will help expand the economy at even a faster pace.

According to the data released by the Central Statistics Office (CSO), the growth in manufacturing and farm sectors during the fourth quarter accelerated to 9.3 per cent and 2.3 per cent, respectively. The core sector data in April too indicated momentum in the economic activity as it grew at the rate of 8.5 per cent in the month, the highest in the last four years. Commenting on GDP numbers, Economic Affairs Secretary Shaktikanta Das said India can move towards 8 per cent growth with better agriculture production. "The various measures that the government has been taking in the last couple of years is beginning to show results and overall there are green shoots....this year hopefully with good monsoon we should look at a growth closer to 8 per cent," he said. Finance Secretary Ashok Lavasa said, "We should work towards seeing this (GDP growth) number grow. We are focusing on capital spending in infra and social spending." "Growth rate in the 4th quarter of 2015-16 at 7.9% almost hits the magical 8% mark. Good days ahead," NITI Aayog Vice Chairman Arvind Panagariya tweeted. The CSO has also revised the GDP growth rate for previous quarters of 2015-16 - 7.5 per cent for April-June, 7.6 per cent for July-September and 7.2 per cent for October-December. The 7.6 per cent growth rate for 2015-16 is the same as projected by the CSO in its advance estimates of national income earlier in February this year. CII Director General Chandrajit Banerjee too said that the economy would achieve close to 8 per cent growth in 2016-17, "riding on the crest of strong macro-economic fundamentals, positive business sentiment and pro-growth monetary and fiscal policies".

"Growth of 7.6 per cent for the fiscal year 2015-16 is in line with the advance estimates...In the current global economic scenario, this is a commendable performance and comes on the back of comprehensive reform measures undertaken by the government," said FICCI President Harshvardhan Neotia.

As per the CSO data, GDP of the mining and quarrying segment grew by 8.6 per cent in the last quarter of 2015-16 whereas electricity, gas, water supply and other utility services recorded a growth rate of 9.3 per cent. Similarly, the construction sector grew at 4.5 per cent, trade, hotels, transport and communication at 9.9 per cent, financial, real estate and professional services at 9.1 per cent, and public administration, defence and other services at 6.4 per cent in the fourth quarter of 2015-16. According to the new concept of Gross Value Added (GVA), farm sector grew at 1.2 per cent in 2015-16 as against contraction of 0.2 per cent in the previous fiscal year.

However, the mining and quarrying segment recorded a growth of 7.4 per cent in FY2016, down from 10.8 per cent in the previous fiscal year. According to data, the Gross National

	Income at current prices was estimated at Rs 134.19 lakh crore in 2015-16, against Rs 123.41 lakh crore during 2014-15, showing a rise of 8.7 per cent. The per capita income at current prices during 2015-16 is estimated to have attained a level of Rs 93,293 as compared to the first revised estimate for the year 2014-15 of Rs 86,879 showing a rise of 7.4 per cent. The GDP at current prices for 2015-16 is estimated at Rs 135.76 lakh crore, showing a growth rate of 8.7 per cent over the first revised estimates of GDP for the year 2014-15 of Rs 124.88 lakh crore. The real GDP or GDP at constant (2011-12) prices for 2015-16 is now estimated at Rs 113.50 lakh crore showing a growth rate of 7.6 per cent over the first revised estimates of GDP for 2014-15 of Rs 105.52 lakh crore, it added.			
1.	Based on the data of the Gross Domestic Product (GDP) given in the case study, analyze the economic growth of India for the given period.	BL4	CLO4	20
2.	Considering the given data, analyze of the present economic situation of India.	BL4	CLO4	20
3.	Analyze the factors which led to the growth acceleration in the FY 2016.	BL4	CLO4	20
