

Chapter 2

National Income Accounting – 2,10,15 marks on final

Formula

1. Gross Domestic Product (GDP) at M_p = Three methods
($p_1 \cdot Q_1 + p_2 \cdot Q_2$)

- Expenditure method
- Income method
- Product method

2. Gross National Product (GNP) at M_p = GDP at M_p + NFIFA .
Where NFIFA:- Net factor income from Abroad

NFIFA= Income from abroad- income earned by a foreigner in a country

3. Net National Product (NNP) at M_p = GNP at M_p – Depreciation
Where Depreciation = Capital consumption allowances

4. Net National Product (NNP) at F_c = NNP at M_p – Net Indirect Tax
Where Net Indirect tax = Indirect Tax – Subsidy

5. National Income (NI) = NNP at F_c

6. Personal Income (PI) = NI – Undistributed corporate profit – Corporate income tax – Social security contribution + Transfer payment.

7. Disposable Income (DI) = PI – personal tax

Profit = Dividend + Undistributed profit (R/E) + Corporate income tax

Gross Domestic Product (GDP) at Mp Under Expenditure Methods

$$= C + I + G + (X - M)$$

Personal consumption expenditure (c) + Gross Private Domestic Investment (i) + Government Expenditure (G) + Net Export (X-M)
Where..

Net Export = Export (x) – Import (M)

Gross private domestic investment (I) =

- Net fixed capital formation + Depreciation + change in stock
- Gross fixed investment + change in stock
- Net investment (net capital formation) + Depreciation

Where;

Change in stock = Closing stock – Opening stock

Gross Domestic Product (GDP) at Mp Under Income Methods

GDP at Mp = Wages and salary + Rent + Interest + Profit + Mixed income + Income from self employee + proprietors income + depreciation + Net indirect Tax

Where;

- Compensation of employee = Wages and salary + Bonus +

Other facilities

- Operating Surplus = Rent + Interest + Profit
- Profit = Dividend + Undistributed Profit(R/E) + Corporate income tax

Q-1 Calculate GDP at FC from the following data:

GDP at MP = Rs. 2,000 billion

Indirect taxes = Rs. 300 billion

Subsidies = Rs. 100 billion.

$$\text{GDP at FC} = \text{GDP at Mp} - \text{Net indirect Tax}$$

Where Net indirect tax = Indirect tax – Subsidy

$$= 300 - 100$$

$$= 2000 - 200$$

$$= \text{Rs. 1800}$$

$$= 200$$

Q-2 Calculate NNP at FC (NI) from the following data:

GDP at MP = Rs. 5,000 crore

Net indirect taxes = Rs. 800 crore

Net factor income from abroad = Rs. 1,000 crore

Depreciation = Rs. 500 crore.

Solution,

GDP at Mp = Rs. 5000 crore

GNP at Mp = GDP at Mp + NFIFA

$$= 5000 + 1000 = \text{Rs. 6000 crore}$$

NNP at Mp = GNP at Mp – Depreciation

$$= 6000 - 500 = \text{Rs. 5500 crore}$$

NNP at FC = NNP at Mp – Net indirect Tax

$$= 5500 - 800$$

$$= \text{Rs. } 4,700$$

NI = NNP at FC

Q-3 Calculate PI from the following data:

Items	Rs. in crore
National income	12,000
Corporate tax	100
Undistributed corporate profit	1,000
Social security contribution	500
Transfer payments	2,000

$$= \text{Rs. } 4,700$$

crore

Solution,

PI = NI – Undistributed Corporate profit – Corporate tax – SSC + Transfer payment

$$= 12,000 - 1000 - 100 - 500 + 2000$$

$$= \text{Rs. } 12,400$$

Q-4 If personal income is Rs. 12,400 crore, personal taxes (direct taxes) is Rs. 1,500 crore and total consumption expenditure of private sector is Rs. 10,000 crore, find out disposable income and personal saving.

DI = PI – personal tax (Direct Tax)

$$= 12,400 - 1500$$

$$= \text{Rs. } 10,900 \text{ crore}$$

Personal saving = DI – Consumption

$$= 10,900 - 10,000 = \text{Rs. } 900 \text{ crore}$$

Q-7 Consider the following hypothetical national income data and answer the following questions:

Items	Rs. in crore
Consumption of fixed capital	600
Government expenditure	2,000
Net factor income from abroad	100
Private final consumption expenditure	8,000
Net exports	-100
Opening stock	300
Closing stock	400
Gross private investment	2,300

a) Calculate GDP at MP.

b) Calculate GNP at MP.

Solution,

$$\text{GDP at Mp} = C + I + G + (X-M)$$

$$= \text{Private final consumption} + \text{Gross private investment} + \text{Government expenditure} + \text{Net export}$$

$$= 8000 + 2300 + 2000 - 100$$

$$= \text{Rs. } 12,200 \text{ crore}$$

$$\text{GNP at Mp} = \text{GDP at Mp} + \text{NFIFA}$$

$$= 12,200 + 100$$

$$= \text{Rs. } 12,300 \text{ crore.}$$

Q-6 From the following hypothetical data. Find GDP at MP and GDP at FC: [TU Model]

Items	Rs. in crore
Net indirect taxes	38
Depreciation	34
Net income from abroad	-3
Rent	10
Profit	25
Interest	20
Wages and salaries	170
Employer's contribution to social security scheme	30
Mixed income (Income from self employment)	5

Solution,

GDP at Mp = Rent + profit + interest + wages and salaries + ECSSSH + mixed income + depreciation + Net indirect tax

Descriptive Answer Questions

1. **2078 Q. No. 17** Consider the following figures for national income accounts:

Description	Rs. in Million
Wages and salaries ✓	44,000
Proprietor's income ✓	6,000
Government Consumption ✓	6,000
Receipts from the rest of the world ✓	800
Private consumption expenditure ✓	52,960
Changes in inventories ✓	-400
Subsidy ✓✓	1600
Rental income ✓	1800
Net interest ✓	3,000
Dividends ✓	3,600
Mixed-income ✓	2,000
Social security contributed by Employer's ✓	3,000
Corporate income ✓	10,000
Direct taxes ✓	1860
Current transfers from the rest of the world ✓	5,000
Corporate income taxes ✓	2,400

Capital consumption allowance ✓	3,200
Social insurance payment ✓	13,600
Current transfers from government ✓	8,000
Indirect business taxes ✓	3,600
Imports ✓	2,600
Government Investment ✓	3,600
Payments to the rest of the world ✓	1,600
Net fixed capital formation ✓	10,800
Exports ✓	1440
Current transfers from business firms ✓	3,000
Interest paid by the consumer ✓	4,000

- Compute NNP_{mp} by both income and expenditure methods.
- Compute personal disposable income.
- State the significance of real GDP in economic analysis.
- What types of conceptual difficulties are encountered in the measurement of GDP by product method?

[(4+4)+2+2+3]

Solution

2077 Q.N 13 Given,

GDP at Mp = Rs. 3000 Million

GNP at MP = GDP at Mp + Net factor income from Abroad

$$= 3000 + 10$$

$$= \text{Rs. } 3010 \text{ million}$$

NNP at mp = GNP at mp – depreciation (Capital cons. Allowances)

$$= 3010 - 600$$

$$= \text{Rs. } 2410 \text{ million}$$

NNP at Fc = NNP at Mp – Net indirect Tax

$$= 2410 - (400 - 0)$$

$$= \text{Rs. } 2010 \text{ million}$$

NNP at Fc = NI

NI = Rs. 2010 million

PI = NI – Social security contribution – Undistributed corporate profit – Corporate income tax +
Transfer payment

$$2010 - 500 - 125 + 725$$

$$= \text{Rs. } 2110 \text{ million}$$

Where,

Corporate Profit = Dividend + Undistributed corporate profit + Corporate Income Tax 300

$$= 175 + X + 0$$

Undistributed corporate profit = $300 - 175 = \text{Rs. } 125 \text{ million}$

DI = PI – Personal Tax

$$= \text{Rs. } 2110 - 415$$

$$= \text{Rs. } 1695 \text{ million}$$

d. What types of conceptual framework are used in the product method? [10]

2. 2077 Q.No. 13] Calculate the GNP, NNP, NI, PI & DI from the data give below:

Items	Rs. in million
1 Gross domestic product	3,000
2 Net factor income from abroad	10
3 Capital consumption allowance	600
4 Indirect taxes	400
5 Corporate profits	300
6 Social security contribution	500
7 Government & business transfers	725
8 Dividends	175
9 Personal taxes	415

Ans: (a) GNP = Rs. 3,010; NNP = Rs 2,410; NI = Rs 2,010; PI = Rs 2,110 and DI = Rs 1,695
(b) Personal Income (c) Disposable

2074 Q. N 13

GDP at Mp By Income Method:

GDP at Mp = Rent + Interest + Profit + Compensation of employee + Net indirect tax + Consumption of fixed capital

$$= 40+60 +120 + 800+ 100 + 20$$

$$= \text{Rs. } 1140 \text{ million}$$

GNP at MP = GDP at Mp + NFIFA

$$= 1140+ 20 = \text{Rs. } 1160 \text{ Million}$$

GDP at Mp by Expenditure :

$$C+ I + G + (X- M)$$

Private consumption expenditure + Net domestic capital + Dep. + Government expenditure + Net Export

The following are the information of an economy

S.N.	Heading	Amount (Rs. in million)
1.	Rent	
2.	Private final consumption expenditure C	
3.	Net exports X - M	
4.	Interest	
5.	Profit	
6.	Government final consumption expenditure G	
7.	Net domestic capital formation	
8.	Compensation of employees	
9.	Consumption of fixed capital	
10.	Net indirect taxes	
11.	Net factor income from abroad	

Calculate GNP_{MP} by income method and expenditure method.

$$800 + 100+20+200+20 = \text{Rs. } 1140 \text{ million GNP}$$

at Mp = GDP at mp + NFIFA

$$= 1140 + 20 = \text{Rs. } 1160 \text{ million}$$

Solution

From Income Method:

GDP at MP =

Profit + Net indirect Tax + compensation of employees+ Rent + Interest + Mixed income +

Depreciation

= 720 + 110 + 1200 + 200 + 270 + 600 + 100 = Rs. 3200 in crores.

GNP at Mp = GDP at Mp + Net factor income from Abroad
= 3200 + 30
= Rs. 3230 in crores.

NNP at Mp = GNP at Mp – Depreciation
= 3230 – 100 = Rs. 3130 in crores.

NNP at FC = NNP at Mp – Net indirect tax = National Income
= 3130 – 110 = Rs. 3020 in crore.

17. 2073 Q.No. 13

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Consider the following data and calculate GDP_{MP}, GNP_{MP}, and National Income by Income and expenditure method. [10]

Items	Rs. in Crores
Govt. final consumption expenditure	1,000
Profits	1,000
Net indirect tax	720
Private final consumption expenditure	110
Net exports	1510
Compensation of employees	- 20
Rent	1,200
Interest	200
Net factor income from abroad	270
Mixed income	30
Gross domestic capital formation	600
Depreciation	710
	100

Ans: GDP_{MP} = Rs. 3,200 Crores, GNP_{MP} = Rs. 3,230 Crores and NI = Rs. 3,020 Crores

18. 2072 Q.No. 14

From Expenditure Method:

GDP at MP = C + I + G + (X - M)

Government final consumption expenditure + Private final Consumption expenditure – Net export + Gross domestic capital formation = 1000 + 1510 – 20 + 710 = Rs.3200 in crores.

GNP at Mp = GDP at Mp + Net factor income from Abroad
= 3200 + 30
= Rs. 3230 in crores.

NNP at Mp = GNP at Mp – Depreciation
= 3230 – 100 = Rs. 3130 in crores.

NNP at FC = NNP at Mp – Net indirect tax = National Income
= 3130 – 110 = Rs. 3020 in crore.

18. 2072 Q.No. 14

With the help of following information calculate GDP_{MP}, GNP_{MP} and NNP_{MP} by using both income and expenditure method. [10]

Items	Rs. in billion
Interest ✓	Rs.590
Proprietor's income ✓	484
Corporate profit ✓	598
Net exports ✓	-134
Consumption expenditure ✓	5164
Capital consumption allowance ✓	878
Indirect business taxes ✓	676
Compensation of employees ✓	4746
Rents ✓	- 28
Gross private investment ✓	1340
Government purchases of goods & services ✓	1630

Ans: DDP_{MP} = Rs. 8,000 billion; GNP_{MP} = Rs. 8,000 billion; NNP_{MP} = Rs.7,122 billion

National Income

2078 Q.N 17

By, Income Method

$$\begin{aligned}\text{GDP at Mp} &= \text{wages and salaries} + \text{Proprietor income} + \text{Rental income} + \\ &\text{Net interest} + \text{Mixed income} + \text{Social security contribution by employee} \\ &+ \text{Corporate income} + \text{Capital consumption allowances} + \text{Net indirect tax} \\ &= 44000 + 6000 + 1800 + 3000 + 2000 + 3000 + 10000 + 3200 + \\ &\quad (3600 - 1600) \\ &= \text{Rs. 75000 in million}\end{aligned}$$

$$\begin{aligned}\text{GNP at MP} &= \text{GDP at Mp} + \text{Net factor income from Abroad} \\ &= 75000 + (800 - 1600) \\ &= \text{Rs. 74,200 in million}\end{aligned}$$

$$\begin{aligned}\text{NNP at Mp} &= \text{GNP at Mp} - \text{Capital consumption allowances} \\ &= 74,200 - 3200 = \text{Rs. 71,000 in million}\end{aligned}$$

$$\begin{aligned}\text{NNP at Fc} &= \text{NNP at Mp} - \text{Net indirect tax} \\ &= 71,000 - (\text{Indirect Business Tax} - \text{subsidy}) \\ &= 71000 - (3600 - 1600) \\ &= \text{Rs. 69,000 in million}\end{aligned}$$

$$\text{NNP at Fc} = \text{NI}$$

$$\text{National Income} = \text{Rs. 69,000 million}$$

By, Expenditure Method

$$\text{GDP at Mp} = C + I + G + (X - M)$$

= government consumption + private consumption expenditure + capital consumption allowances + change in stock + Government investment + Net capital formation + Export – Import

= 6000 + 52960 + 3200 + 3600 – 400 + 10800 + (1440 – 2600)

= Rs.75,000 in million

GNP at MP = GDP at Mp + Net factor income from Abroad

= 75000 + (800 – 1600)

= Rs. 74,200 in million

NNP at Mp = GNP at Mp – Capital consumption allowances

= 74,200 – 3200 = Rs. 71,000 in million

NNP at Fc = NNP at Mp – Net indirect tax

= 71,000 – (Indirect Business Tax – subsidy)

= 71000 – (3600 – 1600)

= Rs. 69,000 in million

B) Personal Income =?

PI = NI – Social security contribution – Undistributed corporate profit – Corporate income tax + Transfer payment

= 69,000 – 13600 – 4000 – 2400 + 16000

=rs. 65,000 in million

DI = PI – Direct tax

= 65,000 – 1860

= Rs. 63140 in million

Where,

Profit (Corporate Income) = Dividend + undistributed profit +
Corporate income tax

Or, 10,000 = 3600 + x let + 2400

Undistributed corporate profit = Rs. 4000

Transfer payment = 3000 + 8000 + 5000 =rs. 16000

29. 2078 Q.No. 17

Consider the following figures for national income accounts:

Description	Rs. in Million
Wages and salaries	44,000
Proprietor's income	6,000
Government consumption	6,000
Receipts from the rest of the world	800
Private consumption expenditure	52,960
Changes in inventories	-400
Subsidy	1,600
Rental income	1,800
Net interest	3,000
Dividends	3,600
Mixed -income	2,000
Social security contributed by employer's	3,000
Corporate income	10,000
Direct taxes	1,860
Current transfers from the rest of the world	5,000
Corporate income taxes	2,400
Capital consumption allowance	3,200
Social insurance payment	13,600
Current transfers from government	8,000
Indirect business taxes	3,600
Imports	2,600
Government investment	3,600
Payments to the rest of the world	1,600
Net fixed capital formation	10,800
Exports	1,440
Current transfers from business firms	3,000
Interest paid by the consumer	4,000

a. Compute NNP_{mp} by both income and expenditure method.

Unit -4 Keynesian Macro Economy

Q.N 1) Explain the Keynesian Theory of Employment Or Theory of Effective Demand. (10 marks) - Ans:

Theory of Keynesian was 1st developed by a systematic theory of employment by “ J.M Keynes” in his book “ The General theory of Employment, Interest and money” Published in 1936. Keynesian theory is also called the “ Effective demand theory of employment” or Principle of effective demand.”

According to his theory, The cause of Unemployment is deficiency of effective demand and methods to solve unemployment problem is to raise effective demand.

This theory is based on the following Assumption:

- a) Short-period analysis
- b) Perfect competition market
- c) Closed Economy
- d) Macro-economy Analysis
- e) Law of diminishing return
- f) Labor has a money illusion



According to Keynes, Effective demand is determined by the Principle of Effective demand like i) Aggregate demand Function and ii) Aggregate supply function. The origin of Keynesian theory of employment is based on the Principle of effective demand.

Effective demand = National Income (y)

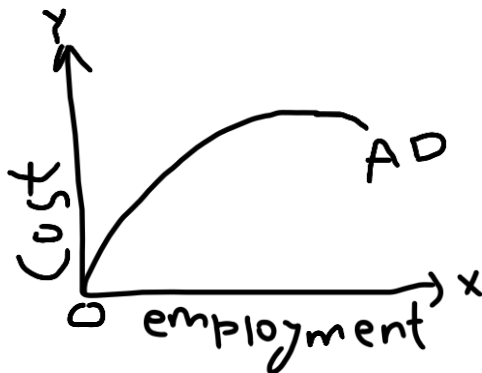
Or Expenditure on consumption and investment (C + I)

Determination of effective demand

Effective demand is determined by ADF and ASF

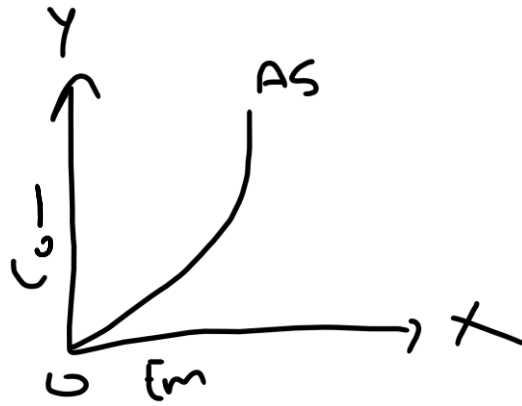
1) ADF (Aggregate demand Function)

- ADF is the relationship between various levels of employment and expected income from the sales of output.
- If employment Increases Output also increases and sales from income also increased.
- It can be shown in following figures.



2) ASF (Aggregate supply Function)

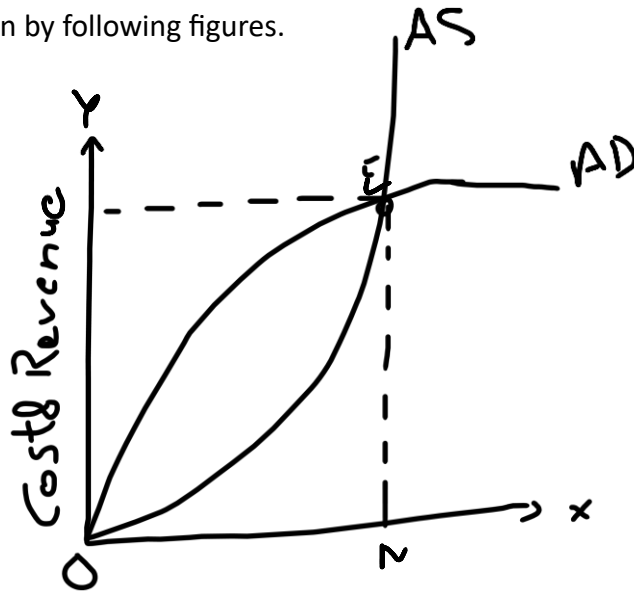
- ASF is the relationship between the various levels of employment and the amount of money that an entrepreneur must get from the sales of output.
- If employment increases the increase in output or Aggregate supply price.
- It can be shown in the following figure.



So, Determination of equilibrium level of employment by principle of effective demand

According to Keynesian theory, the equilibrium level of output determined by ADF and ASF .

It can be explain by following figures.



1) Psychological law of consumption.

→ The psychological law of consumption was propounded by J.M Keynes.

So, This law is also known as "keynesian psychological law of consumption". According to this law, "Aggregate real income increases, Aggregate consumption also increases, but not by as much as income." In other word, people spend more on consumption when their income increase but not consumption all their income because a part of income is saved. Hence, those process called psychological law of consumption.

This law of consumption based on following Assumption:

- No change in institutional and psychological factors.
- Normal situation
- 3) Existence of a laissez-faire capitalist Economy
- 4) Income changed but other factor constant.

So, this theory also have some proposition for more clearence:

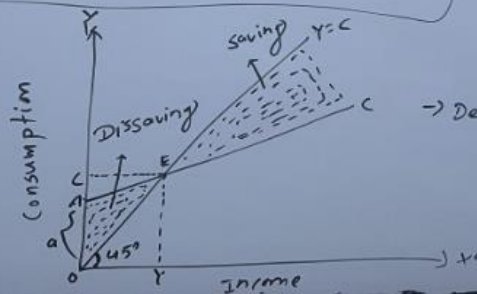
- a) When total income increases, total consumption also increases but by a some amount saved
- b) The increased Amount of income divided into saving & consumption

1) Psychological law of consumption.

The psychological law of consumption can be clearly by the help of following Schedules:

Income (Y)	Consumption (C)	Saving (S) = Y - C
100	100	0
200	180	20
300	250	50
400	310	90
500	360	140

→ Describe is important.



→ Describe is important.

IS = LM Model unit – 5 = 15 Makrs IS (Product Market)

Equilibrium condition

$$AD = AS$$

$$C+I = Y$$

$$\text{Or } Y = C+I$$

LM (Money market)

Equilibrium condition

$$Ms = Md$$

$$M_s = M_t + M_{ps}$$

5. 2079 Q.No. 17 Consider the following features of the hypothetical economy.

$$C = 300 + 0.75(Y - T)$$

$$T = 240 + 0.2Y$$

$$I = 600 - 6000i$$

$$G = 300 \text{ billion}$$

$$M_s = 600 \text{ billion}$$

$$M_t = 0.5 Y$$

$$M_{sp} = 300 - 9000i$$

- Calculate the equilibrium income and rate of interest.
- It is realized that the economy is trapped in an economic depression. In order to remove recession, the government has implemented an expansionary fiscal policy and increased its expenditure by 300 billion. The central bank has also supported government and increased the money supply by 300 billion. What will be the simultaneous effect on equilibrium national income and rate of interest?
- State the characteristics of economic depression. Are these policies effective to remove depression? Give your critical comment. [5+5+(2+3)]

Given,

From IS Model (Product Market)

For the Equilibrium Income

$$Y = C + I + G$$

$$\text{Or, } Y = 300 + 0.75(Y - T) + 600 - 6000i + 300$$

$$\text{Or, } Y = 300 + 0.75(Y - \{240 + 0.2Y\}) + 900 - 6000i$$

$$\text{Or, } Y = 1200 + 0.75(Y - 240 - 0.2Y) - 6000i$$

$$\text{Or, } Y = 1200 + 0.75(0.8Y - 240) - 6000i$$

$$\text{Or, } Y = 1200 + 0.6Y - 180 - 6000i$$

$$\text{Or, } Y - 0.6Y = 1020 - 6000i$$

$$\text{Or, } 0.4Y = 1020 - 6000i$$

$$\text{Or, } Y = \frac{1020 - 6000i}{0.4}$$

$$0.4$$

$$\text{Or, } Y = 2550 - 15000i \dots\dots\dots \text{Eq. i}$$

From LM Model (Money Market) $M_s = M_d$ Or, $M_s = M_t$

+ M_{ps}

$$\text{Or, } 600 = 0.5Y + 300 - 9000i$$

$$\text{Or, } 600 - 300 + 9000i = 0.5Y$$

$$\text{Or, } 300 + 9000i = 0.5Y$$

$$\text{Or, } Y = 300 + 9000i / 0.5$$

$$\text{Or, } Y = 300/0.5 + 9000/0.5i$$

$$\text{Or, } Y = 600 + 18000i \dots \dots \dots \text{Eq. ii}$$

For the Equilibrium Level of Income $IS = LM$

$$\text{Or, } 2550 - 15000i = 600 + 18000i$$

$$\text{Or, } 2550 - 600 = 18000i + 15000i$$

$$\text{Or, } 1950 = 33000i$$

$$\text{Or, } i = 1950 / 33000$$

$$\text{Or, } i = 5.90\%$$

And putting the value of i in eq. ii

$$Y = 600 + 18000 * 0.059$$

$$= 600 + 1062$$

=Rs. 1662 in billion..

2080 Q. N 19 Chapter - 5

Solution.

Given,

$$I = 400 - 4000i$$

$$M_{sp} = 200 - 2000i$$

$$G = 500$$

$$M_t = 0.5Y$$

$$C = 400 + 0.75(Y - T)$$

$$T = 200 + 0.2Y$$

$$M_s = 800$$

Now

I) To, find out equilibrium rate of interest and output.

From IS Model (Product Market)

For the Equilibrium Income Y

$$= C + I + G$$

$$\text{Or, } Y = 400 + 0.75(Y - T) + 400 - 4000i + 500$$

$$\text{Or, } Y = 1300 + 0.75\{ Y - (200 + 0.2Y) \} - 4000i$$

$$\text{Or, } Y = 1300 + 0.75(Y - 200 - 0.2Y) - 4000i$$

$$\text{Or, } Y = 1300 + 0.75Y - 150 - 0.15Y - 4000i$$

$$\text{Or, } Y = 1300 + 0.6Y - 150 - 4000i$$

$$\text{Or, } Y - 0.6Y = 1150 - 4000i$$

$$\text{Or, } 0.4Y = 1150 - 4000i$$

$$\text{Or, } Y = 1150/0.4 - 4000i/0.4$$

$$\text{Or, } Y = 2875 - 10000i \dots \text{Eq. I}$$

From LM Model (Money Market) $M_s = M_d$ Or, $M_s = M_t$

+ M_{sp}

$$\text{Or, } 800 = 0.5Y + 200 - 2000i$$

$$\text{Or, } 800 - 200 = 0.5Y - 2000i$$

$$\text{Or, } 600 = 0.5Y - 2000i$$

$$\text{Or, } 600 + 2000i = 0.5Y$$

$$\text{Or, } 600/0.5 + 2000i/0.5 = Y$$

$$\text{Or, } Y = 1200 + 4000i \dots \text{Eq. ii}$$

19. **2080 Q.No. 19** Let, the structural equations for the money market and product market in a hypothetical economy are given as follows: [Unit 5]

$I = 400 - 4000i$	$M_{sp} = 200 - 2000i$	$G = 500$
$M_t = 0.5Y$	$C = 400 + 0.75(Y - T)$	

SOLUTION TO EXAM 2080 **279**

$T = 200 + 0.2Y$ $M = 800$

- Determine equilibrium rate of interest and output.
- What will be the simultaneous effect on the equilibrium rate of interest and output when government increases its planned expenditure by Rs. 100 billion and central bank increases money supply by Rs. 200 billion?
- Are these fiscal and monetary measures effective to control inflation? Give your comments. [6+6+3] [Unit 5]

For the Equilibrium Level of Income $IS = LM$

$$\text{Or, } 2875 - 10000i = 1200 + 4000i$$

$$2875 - 1200 = 4000i + 10000i$$

$$\text{Or, } 1675 = 14000i$$

$$\text{Or } i = 8.36\%$$

And putting the value of i in Eq. I

$$Y = 2875 - 10000i$$

$$= 2875 - 10000 * 8.36$$

$$= 2875 - 836$$

$$Y = \text{Rs } 2039 \text{ in billion}$$

Handwritten scribbles and symbols, possibly including a question mark and some illegible characters.

Inflation and business Cycle = 15 Mark's Theory Fixed

Answer Questions

If PIN for all goods was increased from 124.5 in 2005-06 to 131.5 in 2006-07, find inflation rate. Ans: 5.62%

Suppose nominal GNP in 2011-12 was 30 crore and real GNP was Rs. 25 crore, find GNP deflator for 2011-12 and rate of inflation. Ans: 120 and 20%

If GDP deflator in 2007 was 100.50 and 2008 was 105.50, find the rate of inflation. Ans: 4.97%

If CPI of 2012 was 9.25 percent and was increased to 11.25 percent in 2013, find rate of inflation. Ans: 21.62%

From the following table, compute real GNP deflator and rate of inflation

Year	Nominal GNP	Real GNP	CPI
2010-11	4,414	13,759	128
2011-12	5,158	14,535	151

Ans: 17.96%

Descriptive Answer Questions

From the following data compute.

- Real GNP
- GNP deflator and rate of inflation

Year	Nominal GNP (in billion)	Wholesale PIN (2000-01 = 100)
2005-06	54,195	228.1
2006-07	61,583	251.0

Ans: ● Rs. 23,759.32 billion and Rs. 24,535.06 billion ● GNP deflator: 228.1 and 251.0; Rate of inflation 10.04%

Construct CPI number for the year 2013 from the data given below. Find inflation rate.

Commodity	Base year 2012		Price in 2013
	Price (p_0)	Quantity (q_0)	
Orange	12	15	16
Mango	15	10	18
Apple	17	8	19

Ans: 122.75 and 22.75%

Unit – 7 : Monetary Theory

1. What is meant by exchange rate?

English:

The **exchange rate** is the price of one currency in terms of another. It determines the exchange rate, which is the amount of one currency required to purchase a unit of another (e.g., 1 USD = 130 NPR).

Nepali:

विनिमय दर भनेको एउटा मुद्राको अर्को मुद्रामा भएको मूल्य हो। यसले एक मुद्रा किन्ने अर्को मुद्राको कति आवश्यक पर्छ भन्ने निर्धारण गर्छ (उदाहरण: 1 अमेरिकी डलर = 130 नेपाली रुपैयाँ)।

2. What is the money market?

English:

The **money market** is a financial market where short-term borrowing and lending of funds (usually for less than one year) take place. It includes instruments like Treasury Bills, Commercial Papers, and Certificates of Deposit.

Nepali:

मुद्रा बजार भनेको अल्पकालीन कोष (सामान्यतया १ वर्ष भन्दा कम) उधारो र ऋण दिने वित्तीय बजार हो। यसमा ट्रेजरी बिल, कर्मर्सियल पेपर, र जमानत प्रमाणपत्र जस्ता साधनहरू समावेश छन्।

3. State the motives for demand for money according to Keynes.

English:

Keynes identified **three motives** for holding money:

1. **Transaction Motive** – For daily expenses.
2. **Precautionary Motive** – For emergencies.

3. **Speculative Motive** – To invest when profitable opportunities arise.

Nepali:

केन्जले पैसाको मागका तीन कारण बताएका छन्:

1. **लेनदेन उद्देश्य** – दैनिक खर्चका लागि।
2. **सावधानी उद्देश्य** – आकस्मिक आवश्यकताका लागि।
3. **सट्टाबाजी उद्देश्य** – फाइदाजनक अवसर आएमा लगानी गर्न।

4. Point out any four objectives of monetary policy.

English:

Four objectives of monetary policy are:

1. **Price Stability** – Controlling inflation.
2. **Full Employment** – Maximizing job opportunities.
3. **Economic Growth** – Encouraging GDP expansion.
4. **Exchange Rate Stability** – Preventing excessive currency fluctuations.

Nepali:

मौद्रिक नीतिका चार उद्देश्यहरू:

1. **मूल्य स्थिरता** – मुद्रास्फीति नियन्त्रण गर्ने।
2. **पूर्ण रोजगारी** – रोजगारी बढाउने।
3. **आर्थिक वृद्धि** – जीडीपी विस्तार गर्ने।
4. **विनिमय दर स्थिरता** – मुद्राको अत्यधिक उतारचढाव रोक्ने।

Long Answer Questions (Detailed Explanations)

5. Assess the features of the monetary policy (2023-24) of Nepal.

English:

Introduction:

The **monetary policy of Nepal (2023-24)** is designed by the Nepal Rastra Bank (NRB) to maintain economic stability, control inflation, and support growth.

Key Features:

1. **Inflation Control** – Targets inflation at 6.5%.
2. **Interest Rate Management** – Adjusts policy rates to influence borrowing.
3. **Liquidity Management** – Ensures sufficient money supply in banks.
4. **Exchange Rate Stability** – Prevents sharp NPR depreciation.
5. **Credit Flow to Productive Sectors** – Prioritizes agriculture, SMEs, and infrastructure.
6. **Digital Payment Promotion** – Encourages fintech and cashless transactions.
7. **Banking Sector Reform** – Strengthens financial regulations.
8. **Foreign Reserve Management** – Maintains adequate reserves for imports.
9. **Support for COVID Recovery** – Aids affected businesses.
10. **Financial Inclusion** – Expands banking access in rural areas.

Nepali:

परिचय:

नेपालको **मौद्रिक नीति (२०२३-२४)** नेपाल राष्ट्र बैंक (NRB) ले आर्थिक स्थिरता, मुद्रास्फीति नियन्त्रण, र वृद्धि समर्थन गर्न बनाएको हो।

मुख्य विशेषताहरू:

1. **मुद्रास्फीति नियन्त्रण** – ६.५% मा लक्षित।
2. **ब्याज दर व्यवस्थापन** – ऋण लिन प्रभाव पार्ने नीति दर समायोजन।
3. **तरलता व्यवस्थापन** – बैंकहरूमा पर्याप्त पैसा आपूर्ति।
4. **विनिमय दर स्थिरता** – नेपाली रुपैयाँको अत्यधिक गिरावट रोक्ने।

5. उत्पादनशील क्षेत्रमा ऋण प्रवाह – कृषि, एसएमई, र पूर्वाधारलाई प्राथमिकता।
6. डिजिटल भुक्तानी प्रवर्द्धन – फिनटेक र क्याशलेस लेनदेन बढाउने।
7. बैंकिंग क्षेत्र सुधार – वित्तीय नियमहरू कडा गर्ने।
8. विदेशी मुद्रा भण्डार व्यवस्थापन – आयातका लागि पर्याप्त भण्डार।
9. कोभिड पुनर्प्राप्ति समर्थन – प्रभावित व्यवसायहरूलाई सहयोग।
10. वित्तीय समावेशीकरण – ग्रामीण क्षेत्रमा बैंकिंग पहुँच बढाउने।

6. What is monetary policy? Explain its objectives in a developing country like Nepal.

English:

Definition:

Monetary policy refers to the actions taken by a central bank (e.g., Nepal Rastra Bank) to control money supply, interest rates, and credit availability to achieve macroeconomic goals.

Objectives in Nepal:

1. **Price Stability** – Keeps inflation low (target: ~6%).
2. **Economic Growth** – Supports GDP expansion via credit access.
3. **Employment Generation** – Funds SMEs to create jobs.
4. **Exchange Rate Stability** – Prevents NPR volatility.
5. **Financial Sector Stability** – Regulates banks to prevent crises.
6. **Poverty Reduction** – Promotes inclusive lending.
7. **Infrastructure Development** – Funds large projects.
8. **Foreign Reserve Management** – Ensures import capacity.
9. **Digital Economy Promotion** – Encourages e-banking.
10. **Crisis Management** – Addresses shocks like COVID-19.

Nepali:

परिभाषा:

मौद्रिक नीति भनेको केन्द्रीय बैंक (जस्तै NRB) ले मुद्रा आपूर्ति, ब्याज दर, र ऋण उपलब्धता नियन्त्रण गर्ने कार्य हो, जसले आर्थिक लक्ष्यहरू पूरा गर्छ।

नेपालमा उद्देश्यहरू:

1. **मूल्य स्थिरता** – मुद्रास्फीति कम (~६% लक्ष्य)।
2. **आर्थिक वृद्धि** – ऋण पहुँचले जीडीपी बढाउने।
3. **रोजगार सिर्जना** – एसएमईलाई कोष दिने।
4. **विनिमय दर स्थिरता** – नेपाली रुपैयाँको अस्थिरता रोक्ने।
5. **वित्तीय क्षेत्र स्थिरता** – बैंकहरू नियमन गर्ने।
6. **गरिबी निवारण** – समावेशी ऋण प्रवर्द्धन।
7. **पूर्वाधार विकास** – ठूला परियोजनाहरूमा लगानी।
8. **विदेशी मुद्रा भण्डार व्यवस्थापन** – आयात क्षमता सुनिश्चित।
9. **डिजिटल अर्थतन्त्र प्रवर्द्धन** – इ-बैंकिंग बढाउने।
10. **संकट व्यवस्थापन** – कोभिड-१९ जस्ता आघात समाधान।

7. Define money supply. What are its determinants?

English:

Definition:

Money supply refers to the total amount of monetary assets (cash, deposits, etc.) available in an economy at a given time.

Determinants:

1. **Central Bank Policies** – NRB's open market operations.
2. **Commercial Bank Lending** – Credit creation by banks.
3. **Public Demand for Cash** – Preference for holding money.
4. **Government Fiscal Policy** – Deficit financing impacts liquidity.

5. **Foreign Exchange Reserves** – Affects domestic currency supply.
6. **Economic Growth** – Higher GDP increases money circulation.
7. **Interest Rates** – Influences saving vs. borrowing.
8. **Technological Factors** – Digital payments reduce cash demand.
9. **Political Stability** – Affects investor confidence.
10. **Global Economic Conditions** – Foreign investment flows.

Nepali:

परिभाषा:

मुद्रा आपूर्ति भनेको निश्चित समयमा अर्थतन्त्रमा उपलब्ध कुल मौद्रिक सम्पत्ति (नगद, जम्मा, आदि) हो।

निर्धारकहरू:

1. **केन्द्रीय बैंक नीति** – NRB को खुला बजार कार्यहरू।
2. **वाणिज्य बैंक ऋण** – बैंकहरूले सिर्जना गरेको ऋण।
3. **नगदको जनताको माग** – पैसा राख्ने प्रवृत्ति।
4. **सरकारी राजस्व नीति** – घाटा वित्तीयले तरलता प्रभावित गर्छ।
5. **विदेशी मुद्रा भण्डार** – घरेलु मुद्रा आपूर्ति प्रभावित गर्छ।
6. **आर्थिक वृद्धि** – उच्च जीडीपीले मुद्रा प्रवाह बढाउँछ।
7. **ब्याज दर** – बचत र उधारोमा प्रभाव।
8. **प्रविधिगत कारक** – डिजिटल भुक्तानीले नगद माग घटाउँछ।
9. **राजनीतिक स्थिरता** – लगानीकर्ता विश्वास प्रभावित गर्छ।
10. **वैश्विक आर्थिक अवस्था** – विदेशी लगानी प्रवाह।

8. Define monetary policy. What are the major instruments of monetary policy?

English:

Definition:

Monetary policy is the process by which a central bank (e.g., Nepal

Rastra Bank) controls the money supply, interest rates, and credit conditions to achieve macroeconomic stability and growth.

Major Instruments:

1. **Open Market Operations (OMO)** – Buying/selling government securities.
2. **Bank Rate Policy** – Adjusting the central bank's lending rate.
3. **Cash Reserve Ratio (CRR)** – Mandating banks to reserve a % of deposits.
4. **Statutory Liquidity Ratio (SLR)** – Requiring banks to maintain liquid assets.
5. **Repo & Reverse Repo Rates** – Short-term lending/borrowing rates for banks.
6. **Moral Suasion** – Persuading banks to follow policies.
7. **Credit Rationing** – Limiting loans to specific sectors.
8. **Margin Requirements** – Setting collateral standards for loans.
9. **Foreign Exchange Interventions** – Buying/selling forex to stabilize currency.
10. **Quantitative Easing** – Injecting money during crises.

Nepali:

परिभाषा:

मौद्रिक नीति भनेको केन्द्रीय बैंक (जस्तै NRB) ले मुद्रा आपूर्ति, ब्याज दर, र ऋण सर्तहरू नियन्त्रण गरी आर्थिक स्थिरता र वृद्धि हासिल गर्ने प्रक्रिया हो।

प्रमुख उपकरणहरू:

1. **खुला बजार कार्यहरू (OMO)** – सरकारी प्रतिभूति किनबेच।
2. **बैंक दर नीति** – केन्द्रीय बैंकको ऋण दर समायोजन।
3. **नकद आरक्षित अनुपात (CRR)** – बैंकले जम्माको एक निश्चित % राख्नु।
4. **वैधानिक तरलता अनुपात (SLR)** – बैंकले तरल सम्पत्ति राख्नु।

5. रेपो र उल्टो रेपो दर – बैंकहरूका लागि अल्पकालीन ऋण/उधारो दर।
6. नैतिक अनुरोध – बैंकहरूलाई नीति पालना गर्न प्रेरित गर्ने।
7. ऋण राशनिंग – निश्चित क्षेत्रहरूमा ऋण सीमित गर्ने।
8. मार्जिन आवश्यकता – ऋणका लागि जमानतको मापदण्ड तोक्ने।
9. विदेशी मुद्रा हस्तक्षेप – मुद्रा स्थिर गर्न विदेशी मुद्रा किनबेच।
10. मात्रात्मक सजिलोकरण – संकटकालीन अवस्थामा पैसा थप्ने।

Unit 8: Government Finance

1. State the types of budgets.

- Surplus budget, Deficit budget, Balanced budget.
 - अधिशेष बजेट, घाटा बजेट, सन्तुलित बजेट।
-

2. What are the sources of deficit financing?

- Printing new currency, borrowing from central bank, borrowing from public, foreign loans.
 - नयाँ मुद्रा छापने, केन्द्रीय बैंकबाट ऋण लिने, जनसाधारणबाट ऋण लिने, विदेशी ऋण।
-

3. Prepare a list of objectives of fiscal policy.

- Economic stability, employment generation, price stability, economic growth, equitable distribution of income.
 - आर्थिक स्थिरता, रोजगार सृजना, मूल्य स्थिरता, आर्थिक वृद्धि, आयको न्यायोचित वितरण।
-

4. What is budget?

- A financial plan of income and expenditure for a specific period.
 - निश्चित अवधिको आम्दानी र खर्चको वित्तीय योजना।
-

5. Write the methods of deficit financing.

- Borrowing from the central bank, borrowing from the public, foreign loans, printing money.
- केन्द्रीय बैंकबाट ऋण, जनसाधारणबाट ऋण, विदेशी ऋण, मुद्रा छापने।

Q.6 Mention the features of budgetary policy of Nepal.

Answer:

Introduction

Budgetary policy refers to the government's plan regarding income and expenditure. In Nepal, the budgetary policy is prepared and presented annually to achieve economic development, social justice, and stability.

Features

1. **Annual Nature** – Nepal's budgetary policy is prepared and implemented for one fiscal year.
 2. **Development-Oriented** – Focus on infrastructure, employment, and economic growth.
 3. **Social Welfare Focused** – Gives priority to education, health, and poverty reduction.
 4. **Resource Mobilization** – Emphasizes use of internal and external resources.
 5. **Fiscal Discipline** – Maintains balance between income and expenditure to avoid inflation and deficit.
-

Introduction

बजेटिय नीति भन्नाले सरकारको आम्दानी र खर्चसम्बन्धी वार्षिक योजना हो। नेपालमा यो नीति आर्थिक विकास, सामाजिक न्याय र स्थिरता कायम गर्न प्रस्तुत गरिन्छ।

Features

1. **वार्षिक प्रकृति** – बजेटिय नीति प्रत्येक आर्थिक वर्षका लागि तयार गरिन्छ।
2. **विकासमुखी** – पूर्वाधार, रोजगारी र आर्थिक वृद्धिमा ध्यान दिन्छ।
3. **सामाजिक कल्याणमुखी** – शिक्षा, स्वास्थ्य र गरिबी निवारणमा प्राथमिकता दिन्छ।
4. **स्रोत परिचालन** – आन्तरिक तथा बाह्य स्रोतको उपयोगमा जोड दिन्छ।
5. **राजस्व शिस्त** – आय र खर्चमा सन्तुलन राखी मुद्रास्फीति र घाटा नियन्त्रण गर्छ।

Q.7 Describe the components of fiscal federalism.

Introduction

Fiscal federalism means the financial relationship between central, provincial, and local governments. It determines how revenue is collected and how expenditure responsibilities are shared.

Components

1. **Division of Powers** – Clear division of responsibilities among central, provincial, and local levels.
2. **Revenue Assignment** – Allocation of tax and non-tax revenues to each level.
3. **Expenditure Responsibility** – Assigning expenditure functions to each government level.
4. **Intergovernmental Transfers** – Grants and transfers from central to provincial and local bodies.
5. **Financial Autonomy** – Local governments have authority to mobilize resources independently.

Introduction

राजस्व संघीयता भन्नाले केन्द्र, प्रदेश र स्थानीय सरकारबीचको वित्तीय सम्बन्धलाई जनाउँछ। यसले आम्दानी संकलन र खर्चको जिम्मेवारीलाई बाँडफाँड गर्छ।

Components

1. **अधिकारको बाँडफाँड** – केन्द्र, प्रदेश र स्थानीय सरकारबीच स्पष्ट जिम्मेवारी बाँडफाँड।
2. **राजस्व बाँडफाँड** – कर तथा गैरकर राजस्वको विभाजन।
3. **खर्चको जिम्मेवारी** – खर्चको जिम्मेवारी प्रत्येक तहलाई तोकिएको।
4. **अन्तःसरकारी हस्तान्तरण** – केन्द्रबाट प्रदेश र स्थानीय तहमा अनुदान/स्रोत हस्तान्तरण।
5. **वित्तीय स्वायत्तता** – स्थानीय तहले आफ्नै स्रोत परिचालन गर्ने अधिकार।

Q.8 What is fiscal policy? What are its objectives?

Introduction

Fiscal policy is the use of government revenue and expenditure to influence the economy. It plays an important role in stabilizing the economy and promoting development.

Objectives

1. **Economic Stability** – Control inflation and maintain price stability.
2. **Employment Generation** – Create jobs through investment in projects.
3. **Economic Growth** – Encourage production and infrastructure development.
4. **Equitable Distribution** – Reduce income inequality through taxation and welfare.
5. **Balance of Payment Stability** – Promote exports and control imports.

Introduction

राजस्व नीति भन्नाले सरकारको आम्दानी र खर्च प्रयोग गरी अर्थतन्त्रलाई प्रभावित गर्ने नीति हो। यसले आर्थिक स्थिरता र विकासमा महत्वपूर्ण भूमिका खेल्छ।

Objectives

1. **आर्थिक स्थिरता** – मुद्रास्फीति नियन्त्रण र मूल्य स्थिरता कायम।
2. **रोजगारी सिर्जना** – योजनामूलक परियोजनाबाट रोजगार अवसर।
3. **आर्थिक वृद्धि** – उत्पादन तथा पूर्वाधार विकासलाई प्रोत्साहन।
4. **न्यायोचित वितरण** – कर प्रणाली र सामाजिक खर्चमार्फत असमानता घटाउने।
5. **भुक्तानी सन्तुलन** – निर्यात बढाउने र आयात नियन्त्रण गर्ने।

Q.9 Define government budget. Explain the components of government budget with reference to Nepal.

Introduction

A government budget is a financial statement showing estimated income and expenditure of the government for a fiscal year. In Nepal, the budget is presented annually by the finance minister.

Components

1. **Revenue Budget** – Income from taxes and non-tax sources.
2. **Expenditure Budget** – Spending on development and recurrent activities.
3. **Surplus/Deficit Budget** – Balance between income and expenditure.
4. **Development Budget** – Allocation for infrastructure and growth projects.
5. **Social Budget** – Expenditure for health, education, and welfare.

Finance minister of Nepal
2082/1083 → Nishnu Prasad
Prudal

Introduction

सरकारी बजेट भन्नाले सरकारको एक आर्थिक वर्षका लागि अनुमानित आम्दानी र खर्चको विवरण हो। नेपालमा यो बजेट प्रत्येक वर्ष अर्थमन्त्रीले प्रस्तुत गर्छन्।

Components

1. **राजस्व बजेट** – कर तथा गैरकर आम्दानी।
2. **खर्च बजेट** – विकास र नियमित खर्च।
3. **अधिशेष/घाटा बजेट** – आय र खर्चको सन्तुलन।
4. **विकास बजेट** – पूर्वाधार र विकास परियोजनामा खर्च।
5. **सामाजिक बजेट** – शिक्षा, स्वास्थ्य र सामाजिक सुरक्षामा खर्च।

Q.10 What are the various sources of government revenue?

Introduction

Government revenue is the income collected by the government to finance its expenditure. In Nepal, revenue is collected from both tax and non-tax sources.

Sources

1. **Taxes** – Direct and indirect taxes like income tax, VAT, excise duty.
2. **Non-tax Revenue** – Fees, fines, and service charges.
3. **Grants and Aid** – Foreign grants from donor agencies.
4. **Borrowings** – Loans from internal and external sources.
5. **Public Enterprises Income** – Profit from government-owned corporations.

Introduction

सरकारी राजस्व भन्नाले सरकारले आफ्नो खर्च पूरा गर्न संकलन गर्ने आम्दानीलाई जनाउँछ। नेपालमा कर र गैरकर दुवै बाटोबाट राजस्व उठाइन्छ।

Sources

1. कर – प्रत्यक्ष र अप्रत्यक्ष कर जस्तै आयकर, मूल्य अभिवृद्धि कर, उत्पाद शुल्क।
 2. गैरकर राजस्व – शुल्क, जरिवाना, सेवा शुल्क।
 3. अनुदान र सहायता – दातृ निकायबाट प्राप्त हुने विदेशी अनुदान।
 4. ऋण – आन्तरिक र बाह्य स्रोतबाट लिइने ऋण।
 5. सार्वजनिक उपक्रम आम्दानी – सरकारी कम्पनीहरूको नाफा।
- **Total Budget of Nepal (FY 2025/26): NPR 1,964.11 billion (\approx 1.964 trillion).**
 - **Breakdown:**
 1. **Recurrent Expenditure: NPR 1,180.64 billion**
 2. **Capital Expenditure: NPR 352.35 billion**
 3. **Financial Management (Debt Repayment, etc.): NPR 431.12 billion**

(Source: Ministry of Finance, Nepal Budget Speech 2082/83)

नेपाली

- नेपाल सरकारको कुल बजेट (आर्थिक वर्ष २०८२/८३): रु १,९६४.११ अर्ब (अर्थात् १.९६४ खर्ब)।
- विभाजन:
 1. पुनरावृत्ती खर्च: रु १,१८०.६४ अर्ब
 2. पुँजीगत खर्च: रु ३५२.३५ अर्ब
 3. वित्तीय व्यवस्थापन (ऋण भुक्तानी आदि): रु ४३१.१२ अर्ब

(स्रोत: नेपाल सरकार, अर्थ मन्त्रालय, बजेट वक्तव्य २०८२/८३)

Home work:

- ① Define Government Budget and Explain its Components.
- ② Mention features of budgetary policy of Nepal.
- ③ What is federalism? Describe its major Components.
- ④ Describe various Sources of government revenue in Nepal.
- ⑤ Difference between Surplus, Deficit and Balanced budget with Example.
- ⑥ Describe the challenges of budget implementation in Nepal.

Unit – 9 Global economics

1. What are the cost drivers of globalization?

The major cost drivers of globalization are the factors that reduce cost differences across countries. These include economies of scale in production, advancements in technology that make communication and transportation cheaper, global competition that forces companies to cut costs, and availability of cheaper labor and raw materials in international markets. All these elements push businesses to expand globally for lower costs and higher efficiency.

विश्वव्यापीकरणका लागत चालकहरू भन्नाले ती तत्वहरूलाई जनाउँछ जुन विभिन्न देशबीच लागतको अन्तर घटाउँछन्। उत्पादनमा पैमाना अर्थतन्त्र, प्रविधिको प्रगतिले गर्दा सस्तो सञ्चार र यातायात, कडा अन्तर्राष्ट्रिय प्रतिस्पर्धाले लागत कम गर्नुपर्ने दबाव, र सस्तो श्रम तथा कच्चा पदार्थको पहुँच जस्ता कारणहरूले व्यवसायलाई विश्व बजारमा विस्तार गर्न प्रेरित गर्छन्।

2. What are the determinants of demand for foreign exchange?

The demand for foreign exchange arises mainly from international transactions. Its determinants include imports of goods and services, repayment of foreign loans, payments for foreign travel, investment abroad, remittances sent by workers, and speculation in currency markets. When these activities increase, the demand for foreign exchange also rises.

विदेशी मुद्राको माग अन्तर्राष्ट्रिय लेनदेनबाट उत्पन्न हुन्छ। यसको निर्धारकहरूमा वस्तु तथा सेवाको आयात, विदेशी ऋण भुक्तानी, विदेश यात्रा खर्च, विदेशमा लगानी, श्रमिकहरूले पठाउने रेमिट्यान्स, र मुद्रा बजारमा हुने अटकलहरू पर्दछन्। यी गतिविधिहरू बढ्दा विदेशी मुद्राको माग पनि बढ्छ।

3. Prepare a list of advantages of foreign employment.

Foreign employment provides various advantages. It helps reduce unemployment in the home country, brings in remittance which improves the national economy, allows workers to gain new skills and experiences, improves the living standards of families, and strengthens international relationships.

विदेशी रोजगारका केही प्रमुख फाइदाहरू छन्। यसले स्वदेशमा बेरोजगारी घटाउँछ, रेमिट्यान्स भित्र्याएर राष्ट्रिय अर्थतन्त्र सुदृढ बनाउँछ, कामदारहरूले नयाँ सीप र अनुभव आर्जन गर्न सक्छन्, परिवारको जीवनस्तर सुधारिन्छ, र अन्तर्राष्ट्रिय सम्बन्ध मजबुत हुन्छ।

4. Write any four demerits of foreign direct investment.

Foreign direct investment, though beneficial, has some drawbacks. It may create economic dependency on foreign countries, lead to profit repatriation where money flows out of the host country, cause exploitation of natural resources, and sometimes harm domestic industries by creating unfair competition.

विदेशी प्रत्यक्ष लगानीका केही कमजोरीहरू पनि छन्। यसले अर्थतन्त्रलाई विदेशी मुलुकमा निर्भर बनाउन सक्छ, नाफा विदेश लगेपछि भित्रिएको पूँजी बाहिर जान्छ, प्राकृतिक स्रोतसाधनको दोहन हुन सक्छ, र कहिलेकाहीं असमान प्रतिस्पर्धा सिर्जना गरी घरेलु उद्योगलाई कमजोर बनाउन सक्छ।

5. Do you agree that globalization solves the economic problems like high unemployment, low productivity, BOP disequilibrium, etc. faced by developing countries like Nepal? Give your critical comment.

Globalization indeed helps developing countries to some extent by creating opportunities for trade, foreign employment, technology transfer, and foreign investment. It reduces unemployment by opening foreign labor markets, increases productivity through modern technology, and improves foreign exchange reserves through remittances and exports. However, globalization cannot fully solve such problems. It often creates dependency on foreign nations, drains local talent through brain drain, and widens inequality between rich and poor. For a country like Nepal, globalization is a double-edged sword—it brings opportunities but also risks.

मुख्य बिन्दुहरू:

- बेरोजगारी घटाउने: विदेशी रोजगारी र बहुराष्ट्रिय कम्पनीहरूले रोजगारीका अवसर ल्याउँछन्।
- उत्पादकत्व बढाउने: प्रविधि र सीपको हस्तान्तरणले उत्पादन क्षमता सुधार गर्छ।
- भुक्तानी सन्तुलन (BOP) सुधार: निर्यात, रेमिट्यान्स र विदेशी लगानीले विदेशी मुद्राको स्रोत बढाउँछ।
- तर पूर्ण समाधान होइन: विदेशीमा निर्भरता बढ्छ, मस्तिष्क पलायन हुन्छ, असमानता र सांस्कृतिक असरहरू देखिन्छन्।

☞ निष्कर्ष: नेपालजस्ता विकासशील देशले विवेकपूर्ण नीति बनाएर मात्र विश्वव्यापीकरणको फाइदा लिन सक्छ, अन्यथा यसले नयाँ समस्या पनि जन्माउँछ।

6. State the forms of globalization. How does globalization create positive and negative effects in the developing economy?

Globalization can be observed in various forms:

1. **Economic globalization** – Free trade, foreign investment, remittance flows.
2. **Technological globalization** – Transfer of IT, communication, and modern innovations.
3. **Cultural globalization** – Exchange of culture, lifestyle, education.
4. **Political globalization** – International cooperation, treaties, global governance.

5. **Social globalization** – Mobility of people, ideas, and social values across borders.

Positive effects in developing economies:

- Employment opportunities expand through foreign jobs and industries.
- Access to modern technology, better healthcare, and quality education.
- Increase in exports and inflow of remittance supports economic growth.
- Helps in improving living standards and reducing poverty.

Negative effects in developing economies:

- Dependence on foreign countries and loss of economic sovereignty.
- Brain drain due to migration of skilled manpower.
- Exploitation of natural resources by foreign companies.
- Cultural dominance leading to decline of local traditions.

विश्वव्यापीकरणले विकासशील अर्थतन्त्रलाई एकातिर रोजगारी, प्रविधि र व्यापारमा अवसर दिन्छ भने अर्कोतिर निर्भरता, स्रोत दोहन र संस्कृतिमा असर पार्छ।

7. Explain the merits and demerits of foreign direct investment in reference to developing countries like Nepal.

Merits of FDI:

- Brings capital and reduces investment gap.
- Creates employment opportunities in new industries.
- Provides modern technology and management skills.
- Expands exports and increases foreign currency earnings.
- Improves infrastructure and industrial development.

Demerits of FDI:

- Profits are often repatriated to foreign countries.
- Leads to overexploitation of natural resources.

- Creates monopoly and destroys local small industries.
- Increases dependency on foreign investors.
- Sometimes political interference and loss of sovereignty.

नेपालका लागि FDI लाभदायक भए पनि सावधानीपूर्वक नीति नबनाएसम्म यसले घरेलु उद्योग कमजोर पार्न सक्छ र विदेशीमा निर्भरता बढाउँछ।

Q.9 (2074 Q.No.19)

What are the merits and demerits of globalization for a country like Nepal?

Answer in English

Globalization means the increasing connection and interdependence among countries in terms of trade, culture, technology, and ideas. For a country like Nepal, globalization has both positive and negative impacts.

Merits of Globalization in Nepal:

1. **Access to International Market:** Nepalese products like handicrafts, carpets, and tea can be sold worldwide.
2. **Employment Opportunities:** Youths get jobs abroad, reducing unemployment.
3. **Technology Transfer:** Modern technologies, education systems, and medical facilities are introduced.
4. **Cultural Exchange:** Nepalese people can learn new cultures while promoting Nepali culture globally.
5. **Foreign Investment:** Helps in infrastructure development such as hydropower, roads, and tourism.

Demerits of Globalization in Nepal:

1. **Brain Drain:** Skilled manpower often leaves the country for better opportunities abroad.
2. **Cultural Erosion:** Western lifestyle may weaken traditional Nepali culture and values.
3. **Economic Dependency:** Nepal becomes more dependent on foreign countries.
4. **Exploitation of Resources:** Foreign companies may misuse Nepal's natural resources.
5. **Unequal Benefits:** Only urban areas and elites benefit more, while rural people are left behind.

☞ In short, globalization is like a double-edged sword for Nepal. If managed properly, it can bring prosperity; if not, it may increase dependency and inequality.

विश्विकरण भन्नाले व्यापार, संस्कृति, प्रविधि र विचारका क्षेत्रमा देशहरूबीचको सम्बन्ध र परस्पर निर्भरतालाई जनाउँछ। नेपालजस्तो देशका लागि यसको फाइदा र बेफाइदा दुबै छन्।

नेपालमा विश्विकरणका फाइदा:

१. **अन्तर्राष्ट्रिय बजारको पहुँच:** नेपाली हस्तकला, कार्पेट, चिया जस्ता उत्पादन विदेशमा बेच्न सकिन्छ।
२. **रोजगारी अवसर:** युवाहरूले विदेशमा काम पाउँछन्, बेरोजगारी घट्छ।
३. **प्रविधि स्थानान्तरण:** आधुनिक शिक्षा, स्वास्थ्य सेवा र प्रविधि भित्रिन्छ।
४. **संस्कृतिक आदानप्रदान:** अन्य संस्कृतिबाट सिक्ने अवसर र नेपाली संस्कृति प्रचार हुने मौका।
५. **विदेशी लगानी:** जलविद्युत, पर्यटन, सडक जस्ता पूर्वाधार विकासमा मद्दत।

नेपालमा विश्विकरणका बेफाइदा:

१. **मस्तिष्क पलायन:** दक्ष जनशक्ति विदेश जाने क्रम बढ्छ।
२. **संस्कृति हराउने खतरा:** पश्चिमी शैलीले नेपाली मौलिकता कमजोर बनाउँछ।
३. **आर्थिक निर्भरता:** नेपाल बढी विदेशी देशमा निर्भर बन्छ।
४. **स्रोत साधनको दोहन:** विदेशी कम्पनीले प्राकृतिक स्रोतको दुरुपयोग गर्न सक्छन्।
५. **असमान विकास:** शहरी क्षेत्र बढी फाइदा लिन्छन्, ग्रामीण क्षेत्र पछि पर्छन्।

☞ त्यसैले, विश्विकरण नेपालका लागि अवसर पनि हो, चुनौती पनि हो।

Q.10 (2073 Q.No.19)

What do you mean by foreign employment? Explain the advantages of it.

Answer in English

Foreign employment means working in a foreign country for earning income. Many Nepalese go abroad, especially to Gulf countries, Malaysia, Korea, and Japan, for employment opportunities.

Advantages of Foreign Employment:

1. **Source of Income:** Remittance supports families and the national economy.
2. **Employment Opportunity:** Reduces the unemployment problem in Nepal.
3. **Improves Living Standard:** Families can afford better education, health care, and housing.
4. **Skill Development:** Workers gain new skills, experiences, and knowledge.
5. **Foreign Currency Earnings:** Strengthens Nepal's economy by increasing foreign currency reserves.
6. **Social Change:** Brings modern ideas, awareness, and a new lifestyle in society.

☞ Thus, foreign employment plays a vital role in uplifting the economy and lifestyle of Nepalese, though it also has challenges.

नेपालीमा उत्तर

वैदेशिक रोजगार भन्नाले आय-आर्जनको लागि अन्य देशमा गएर काम गर्नु हो। धेरै नेपालीहरू रोजगारीका लागि खाडी मुलुक, मलेसिया, कोरिया, जापान आदि देशमा जान्छन्।

Unit 10: Contemporary Macroeconomics Issues in Nepalese Perspectives

1. 2080 Q.No. 9: Core Values of Economic Development

English:

The core values of economic development are:

1. **Sustenance:** The ability to meet basic needs like food, shelter, and clothing.
2. **Self-esteem:** The feeling of self-respect and independence that comes from being a productive member of society.
3. **Freedom from servitude:** The capacity to make choices and escape from oppressive structures like poverty and ignorance.

Nepali:

आर्थिक विकासका मुख्य मूल्यहरू यस प्रकार छन्:

१. निर्वाह: खाना, आवास र लुगा जस्ता आधारभूत आवश्यकताहरू पूरा गर्न सक्ने क्षमता।
२. आत्म-सम्मान: समाजको एक उत्पादक सदस्य हुनुभएकोले आउने आत्म-सम्मान र स्वतन्त्रताको भावना।
३. दासत्वबाट स्वतन्त्रता: गरिबी र अज्ञानता जस्ता दमनकारी संरचनाबाट मुक्त हुने र छनौट गर्न सक्ने क्षमता।

2. 2080 Q.No. 10: Components of Financial Inclusion

English:

The main components of financial inclusion are:

1. **Access:** Availability of formal financial services (banks, agents, ATMs).
2. **Usage:** Regular use of financial products like savings, credit, and insurance.
3. **Quality:** Services that are affordable, suitable, and provided with dignity.
4. **Welfare:** Positive impact on people's economic well-being and resilience.

Nepali:

वित्तीय समावेशनका प्रमुख घटकहरू यस प्रकार छन्:

१. पहुँच: औपचारिक वित्तीय सेवाहरू (बैंक, एजेन्ट, एटिएम)को उपलब्धता।
२. उपयोग: बचत, ऋण, र बीमा जस्ता वित्तीय उत्पादनहरूको नियमित प्रयोग।
३. गुणस्तर: सस्तो, उपयुक्त, र गरिमासाथ प्रदान गरिएका सेवाहरू।
४. कल्याण: मानिसहरूको आर्थिक भलाइ र resilience मा सकारात्मक प्रभाव।

3. 2079 Q.No. 10: Determinants of Financial Inclusion

English:

Any four determinants are:

1. **Income and Wealth:** Higher income increases the ability to use financial services.
2. **Financial Literacy:** Knowledge about financial products and their benefits.
3. **Technology and Infrastructure:** Access to mobile phones, internet, and bank branches.

4. Government Policies: Regulations that promote access, like no-frills bank accounts.

Nepali:

कुनै चार निर्धारकहरू यस प्रकार छन्:

१. आम्दानी र सम्पत्ति: उच्च आम्दानीले वित्तीय सेवाहरू प्रयोग गर्ने क्षमता बढाउँछ।
२. वित्तीय साक्षरता: वित्तीय उत्पादनहरू र तिनका फाइदाहरूको ज्ञान।
३. प्रविधि र पूर्वाधार: मोबाइल फोन, इन्टरनेट, र बैंक शाखाहरूको पहुँच।
४. सरकारी नीतिहरू: पहुँचलाई बढावा दिने नियमहरू, जस्तै जीरो-ब्यालेन्स बैंक खाता।

4. 2078 Q.No. 3 / 2075 Q.No. 7: Methods of Privatization

English:

Main methods of privatization are:

1. Public Offering of Shares: Selling shares of a state-owned company to the public via the stock market.
2. Private Sale: Directly selling the public enterprise to a private company or investor.
3. Voucher Privatization: Distributing vouchers to citizens that can be used to buy shares of companies.
4. Management/Employee Buyout: Selling the enterprise to its existing management or employees.

Nepali:

निजीकरणका प्रमुख विधिहरू यस प्रकार छन्:

१. शेयर सार्वजनिककरण: सार्वजनिक कम्पनीको शेयर स्टक मार्केटमार्फत जनतालाई बेच्नु।
२. निजी बिक्री: सार्वजनिक उद्यमलाई सिधै निजी कम्पनी वा लगानीकर्तालाई बेच्नु।
३. भाउचर निजीकरण: नागरिकहरूलाई भाउचर वितरण गर्नु जुन कम्पनीहरूको शेयर किन्न प्रयोग गर्न सकिन्छ।
४. प्रबन्ध/कर्मचारी खरिद: उद्यमलाई यसको विद्यमान प्रबन्धन वा कर्मचारीहरूलाई बेच्नु।

5. 2077 Q.No. 8: Sources of Economic Growth

English:

Major sources of economic growth are:

1. Physical Capital: Increase in machinery, tools, and infrastructure.
2. Human Capital: Improvement in skills, education, and health of the workforce.
3. Technology: Advancements and innovation in production processes.
4. Natural Resources: Effective utilization of land, minerals, and other resources.

Nepali:

आर्थिक वृद्धिका प्रमुख स्रोतहरू यस प्रकार छन्:

१. भौतिक पूँजी: मेसिनरी, उपकरण, र पूर्वाधारमा वृद्धि।
२. मानव पूँजी: कर्मचारीहरूको सीप, शिक्षा, र स्वास्थ्यमा सुधार।
३. प्रविधि: उत्पादन प्रक्रियामा अग्रसरता र नवीनता।
४. प्राकृतिक स्रोतहरू: जमीन, खनिज, र अन्य स्रोतहरूको प्रभावकारी उपयोग।

6. 2077 Q.No. 9 / 2075 Q.No. 8: Absolute vs. Relative Poverty

English:

पोर सिरे → सरकारी को सिरे

- **Absolute Poverty:** Inability to afford basic human needs (food, water, shelter). It is a universal measure based on a fixed income threshold (e.g., living on less than \$2.15 a day).
- **Relative Poverty:** Defined in comparison to the economic standards of others in society. It measures income inequality (e.g., earning less than 50% of the median income in a country).

Nepali:

- **निरपेक्ष गरिबी:** आधारभूत मानवीय आवश्यकताहरू (खाना, पानी, आवास) किन्न नसक्ने अवस्था। यो एक निश्चित आय सीमामा आधारित एक सार्वभौमिक मापन हो।
- **सापेक्ष गरिबी:** समाजमा अरुको आर्थिक मानकहरूको तुलनामा परिभाषित। यसले आय असमानतालाई मापन गर्दछ (जस्तै: एक देशमा मध्य आयभन्दा ५०% कम कमाउने)।

7. 2074 Q.No. 8: Causes of Economic Inequality in Nepal

English:

Any two causes are:

1. **Regional Disparity:** Uneven development and investment between urban (e.g., Kathmandu) and rural areas (e.g., Karnali), leading to unequal opportunities.
2. **Social Discrimination:** Historical discrimination based on caste (e.g., Dalits) and ethnicity, limiting access to education, resources, and economic opportunities.

Nepali:

कुनै दुई कारणहरू यस प्रकार छन्:

१. क्षेत्रीय असमानता: सहरी (जस्तै: काठमाडौं) र ग्रामीण क्षेत्रहरू (जस्तै: कर्णाली) बीचको असमान विकास र लगानीले अवसरको असमानतालाई जन्म दिन्छ।

२. सामाजिक भेदभाव: जाति (जस्तै: दलित) र जातीयतामा आधारित ऐतिहासिक भेदभावले शिक्षा, स्रोत, र आर्थिक अवसरहरूको पहुँच सीमित गर्दछ।

8. 2074 Q.No. 9: Causes of Poverty

English:

Various causes of poverty include:

1. **Unemployment and Underemployment:** Lack of sufficient and productive jobs.
2. **Low Agricultural Productivity:** Dependence on subsistence farming with traditional methods.
3. **Lack of Education/Skills:** Inability to get well-paying jobs.
4. **High Population Growth:** Strains resources and reduces per capita income.

Nepali:

गरिबीका विभिन्न कारणहरू यस प्रकार छन्:

१. बेरोजगारी र अल्परोजगारी: पर्याप्त र उत्पादक रोजगारीको अभाव।
२. कम कृषि उत्पादकता: परम्परागत विधिहरूसँग निर्वाह खेतीमा निर्भरता।
३. शिक्षा/सीपको अभाव: राम्रा जागिर पाउन नसक्ने अवस्था।
४. उच्च जनसंख्या वृद्धि: स्रोतहरूमा दबाव बढाउँछ र प्रति व्यक्ति आय घटाउँछ।

9. 2073 Q.No. 7: Advantages of Privatization

English:

Advantages of privatization are:

1. Increased Efficiency: Private companies are profit-driven, leading to better management and reduced costs.
2. Improved Quality of Goods/Services: Competition forces companies to improve their offerings.
3. Reduces Government's Financial Burden: The government no longer has to fund loss-making public enterprises.
4. Source of Government Revenue: Money from the sale of public assets.

Nepali:

निजीकरणका फाइदाहरू यस प्रकार छन्:

१. दक्षतामा वृद्धि: निजी कम्पनीहरू लाभ-प्रेरित हुन्छन्, जसले राम्रो व्यवस्थापन र लागत घटाउँछ।
२. सामान/सेवाको गुणस्तरमा सुधार: प्रतिस्पर्धाले कम्पनीहरूलाई आफ्नो सेवा सुधार्न बाध्य बनाउँछ।
३. सरकारको वित्तिय बोझ घटाउँछ: सरकारले घाटामा चलिरहेका सार्वजनिक उद्यमहरूलाई धन उपलब्ध गराउनु पर्दैन।
४. सरकारी राजस्वको स्रोत: सार्वजनिक सम्पतिको बिक्रीबाट प्राप्त रकम।

10. 2080 Q.No. 13 / 13. 2073 Q.No. 16: Explain the factors that cause poverty in Nepal. / Define poverty. What are the causes of poverty?

Answer:

1. Introduction

Poverty is a multifaceted socio-economic condition where individuals or communities lack the financial resources and essential capabilities to meet a minimum standard of living. This includes the inability to afford basic needs like food, clean water, shelter, healthcare, and education. In the Nepalese context, poverty is not merely a lack of income but a complex web of interconnected factors that trap a significant portion of the population in a cycle of deprivation and vulnerability.

2. Explanation of the Factors Causing Poverty in Nepal

- **i. Economic Factors:**
 - **High Unemployment and Underemployment:** Nepal's economy cannot generate enough quality jobs for its growing workforce. This leads to widespread unemployment and underemployment, where people work in low-paying, informal jobs with no security. The heavy reliance on subsistence agriculture, which is seasonal, further exacerbates this problem.
 - **Low Agricultural Productivity:** A large segment of the population depends on agriculture, which is often rain-fed and uses traditional methods. Small landholdings, lack of irrigation, limited access to modern technology, and quality seeds result in low yields, barely sufficient for subsistence, leaving no surplus for income generation.
- **ii. Social Factors:**
 - **Lack of Quality Education and Skills:** Illiteracy and a lack of vocational skills are major barriers to escaping poverty. Without education, people are confined to low-wage, manual labor. The quality of public education is often poor, and many cannot afford private schooling, perpetuating intergenerational poverty.
 - **High Population Growth Rate:** A high population growth rate puts immense pressure on limited resources like land, food, water, and job opportunities. It also strains public services, reducing the per capita availability of education and healthcare, making it harder for families to invest in each child's future.
- **iii. Political and Governance Factors:**
 - **Political Instability and Poor Governance:** Frequent changes in government and prolonged political transitions have hindered long-term economic planning and consistent policy implementation. Corruption, a lack of transparency, and inefficient bureaucracy divert resources away from poverty alleviation programs and discourage foreign investment.
 - **Weak Implementation of Policies:** While many policies and poverty reduction strategies exist on paper, their implementation at the grassroots level is often weak due to a lack of coordination, resources, and political will.

- **iv. Geographical and Infrastructural Factors:**
 - **Difficult Terrain and Remote Geography:** Nepal's mountainous and hilly terrain makes transportation, communication, and access to markets extremely difficult and costly. This isolates remote communities, limiting their access to education, healthcare, and economic opportunities.
 - **Lack of Basic Infrastructure:** Many rural areas lack essential infrastructure like roads, electricity, irrigation canals, and clean drinking water. This absence stifles economic activities, hinders agricultural productivity, and reduces the overall quality of life.
- **v. Socio-Cultural Factors:**
 - **Social Discrimination and Exclusion:** Deep-rooted caste-based discrimination (e.g., against Dalits) and gender inequality systematically exclude certain groups from resources, opportunities, and decision-making processes. This social exclusion is a fundamental cause of their persistent poverty.

3. Conclusion

In conclusion, poverty in Nepal is a chronic issue stemming from a complex interplay of economic stagnation, social backwardness, political instability, challenging geography, and discriminatory social structures. Addressing this deep-rooted problem requires a holistic, multi-sectoral, and long-term approach. Efforts must focus on creating employment, revolutionizing agriculture, improving education and healthcare, ensuring good governance, building infrastructure, and actively dismantling social barriers to create an inclusive and equitable society.

11. 2076 Q.No. 12: What is poverty? What measures would you suggest to alleviate it?

Answer:

1. Introduction

Poverty is a state of pronounced deprivation in well-being, where individuals or communities are unable to meet basic human needs for survival, such as food, water, sanitation, health, shelter, and education. It is characterized by a lack of income, resources, and capabilities to participate effectively in society. Alleviating poverty, especially in a country like Nepal, requires a strategic and multi-dimensional approach that targets its root causes.

2. Suggested Measures to Alleviate Poverty

- **i. Promoting Economic Opportunities:**
 - **Job Creation:** The government should promote labor-intensive industries, tourism, hydropower, and IT sectors through foreign direct investment (FDI) and supportive policies for small and medium enterprises (SMEs) to create massive employment opportunities.
 - **Agricultural Transformation:** Investing in agricultural research, providing subsidies on fertilizers and improved seeds, developing irrigation facilities, and promoting commercial and cooperative farming can modernize agriculture and increase farmers' incomes.

- **ii. Investing in Human Capital:**
 - **Quality Education and Vocational Training:** Making quality education accessible and affordable for all, with a special focus on girls and marginalized communities, is crucial. Integrating vocational and skill-based training into the curriculum can create a skilled workforce ready for the job market.
 - **Strengthening Healthcare:** Ensuring access to affordable and quality healthcare through a robust public health system reduces out-of-pocket expenses that often push families into poverty. Programs for nutrition, sanitation, and maternal health are vital.
- **iii. Improving Infrastructure and Access:**
 - **Connectivity:** Prioritizing the construction of roads, bridges, and transportation networks in rural and remote areas connects farmers to markets, students to schools, and patients to hospitals, unlocking economic potential.
 - **Energy and Technology:** Expanding access to reliable electricity and the internet enables new businesses, supports education, and allows communities to integrate into the digital economy.
- **iv. Ensuring Good Governance and Social Justice:**
 - **Targeted Social Security:** Well-managed social safety nets like direct cash transfers, old-age pensions, and subsidies for the ultra-poor can protect the most vulnerable from falling deeper into poverty.
 - **Empowerment and Inclusion:** Actively enforcing laws against discrimination and implementing affirmative action policies to empower women, Dalits, Janajatis, and other excluded groups is essential for inclusive development.

3. Conclusion

In summary, poverty alleviation is not a single-action task but a continuous process of empowering people. It requires a synergistic effort from the government, private sector, and civil society. By focusing on creating sustainable livelihoods, building human capabilities, developing infrastructure, and ensuring social justice, Nepal can break the vicious cycle of poverty and pave the way for equitable and sustainable development for all its citizens.

12. 2076 Q.No. 14: Explain the concept of economic growth and economic development. In what respect do they differ from each other?

Answer:

1. Introduction

Economic growth and economic development are two central themes in economics, often used interchangeably but representing distinct concepts. While growth is a necessary condition for development, it is not sufficient on its own. Understanding the difference between them is critical for formulating effective national policies.

2. Explanation of the Concepts

- **Economic Growth:** Economic growth is a **quantitative** and **narrow** concept. It refers to a sustained increase in a country's output of goods and services over a period of time. It is measured by the annual percentage increase in a country's Gross Domestic Product (GDP) or Gross National Product (GNP). Growth is primarily concerned with the increase in the size of the economy.
- **Economic Development:** Economic development is a **qualitative** and **broader** concept. It encompasses not just the rise in output but also the accompanying **qualitative improvements** in the standard of living of the population. It involves structural changes in the economy, such as a shift from agriculture to industry and services, and improvements in factors like life expectancy, literacy rates, and reduction in poverty and inequality.

3. Key Differences Between Economic Growth and Economic Development

Basis of Difference	Economic Growth	Economic Development
Concept	A narrow, purely economic concept. It is a quantitative measure.	A broader, normative concept. It is a qualitative and quantitative measure.
Scope	Concerned only with an increase in national and per capita income.	Concerned with increases in income as well as the overall well-being of the people (e.g., health, education).
Measurement	Measured by the increase in Real GDP or Real Per Capita Income .	Measured by indicators like the Human Development Index (HDI) , which combines income, education, and health.
Process	Automatic: It may happen automatically due to a rise in investment.	Deliberate: It requires conscious and targeted policy interventions by the government.
Relevance	It is possible without development (e.g., a rich country with high inequality).	Development is not possible without growth. Growth is a prerequisite for development.
Focus	Focuses on the efficiency of resource use to maximize output.	Focuses on equity and fair distribution of the benefits of growth among all sections of society.
Nature of Change	Indicates a unidimensional change (rise in output).	Indicates a multidimensional change (social, economic, political, and cultural).
Time Frame	A short-term process that can be seen annually.	A long-term and continuous process of transformation.

