**Role of the Government towards the Development of the Country**

**Article Shared by Tushar seth**

**Role of the Government Can Broadly Be Divided into Two Parts:**

**1. Direct Role:**

The government is a social-welfare organization. It works for the benefits of the common people without making any motive to maximize profit.

Hence, the main agenda of the government is welfare maximization.

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**The direct involvement of the government towards the country’s development is summarized below:**

**(a) Agricultural Growth:**

India is an agro-based country. The main occupation of the Indians is agriculture and its allied activities like farming, poultry, cattle rearing, fishing, animal husbandry etc. According to recent statistics, about 67 per cent of the labor force in India is engaged in agriculture. They are producing about 22% of the country’s GDP (Gross Domestic Product).

However, due to defective planning and improper implementation the productivity of Indian agriculture is very poor. Improper land tenure system, wrong landholding inadequate credit system, primitive technology and old system of ploughing and irrigation etc. are the main reasons behind low productivity of Indian agriculture. To overcome all these difficulties, government adopts several measures, including land reforms, new tenancy system, economic subsidy etc. for the growth of per hectare agricultural production.

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**(b) Industrial Growth:**

In the Second Five Year plan the Government of India had given huge emphasis on the development of basic and heavy industries like steel, iron, cement, power etc. Although consumer goods industries are growing up properly, but the capital goods industries have lost their momentum. Most of the industries have become sick and weak. To save these situations, in 1991 the Government of India adopted New Industrial Policy.

By the policy of privatization, the government gives enough license to the private sectors for developing consumer goods industries along with few heavy engineering goods. However, the core basic industries like defense, railway, power and energy etc. are still under the government hand. Proper credit facilities and adequate subsidies are also provided to the industrialists to increase their scale of production.

**(c) Development of Socio-Economic Infrastructures:**

In order to maintain a smooth functioning between agriculture and industrial sectors, a sound socio-economic infrastructure is necessary. Thus, government is investing huge amount money of for the development of overhead capitals like energy, power, transport, communications, education, health, housing etc. Moreover, the government is also giving stress on the development of other tertiary sectors like banking finance, insurance etc.

**(d) Efficient Utilization of Resources:**

All the countries have different types of natural and economic resources for their own use. These resources are used optimally to satisfy maximum wants among the economy. This will enable the country to achieve the path of economic development. Hence, efficient utilization of domestic resources is the main role of the government.

**(e) Maintain Law and Order:**

The government or the state plays an important role in maintaining peace law and order within the economy through effective administrative system. The state runs defense, police and court to maintain peace and order both externally and internally.

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**(f) Social Distributive Justice:**

To implement social distributive justice, i.e., to reduce inequalities between rich and poor, the government plays a vital role in an economy. The government takes several measures in this context, such as;

**(i) Progressive Taxation:**

Here rate of taxation increases along with the increase in income. For example, rich or high-income earning people will give more taxes, while poor people will either pay low taxes or no taxes at all.

**(ii) Economic Subsidy:**

The state gives economic subsidies to the poor people for the consumption of necessary goods. Again, it also gives subsidies to the poor farmers for buying their seeds, fertilizers, pesticides etc. during the time of cultivation.

**(g) Control of Monopoly:**

The state adopts several controls to give benefits to the citizens. The Government of India took the policy of MRTP (Monopolies and Restrictive Trade Practices) Act to control the economy from the hand of few monopolists and also to stop consumers, exploitation. Moreover, the state also adopts social monopoly like Indian Railway, Post & Telegraph to give a bit of relief’ to the common mass.

**(h) Active Participation:**

**The state actively participates into the economy on the following grounds:**

(i) To maintain price stability or to control inflation;

(ii) To stop black marketing, by the policy of price ceiling;

(iii) Direct intervention during the time of political disorder or chaos;

(iv) Direct participation during financial or economic crisis,

(v) Sole intervention during the time of war emergency or natural disasters,

(vi) Regular supply of essential commodities to the weaker section of the society through effective Public Distribution System (PDS).

**2. Indirect Role:**

In spite of several direct roles, the government also plays different indirect roles for the rapid economic development of the country.

**These indirect measures or roles are briefly given below:**

**(a) Fiscal Policy:**

All the government policies related with public revenue and expenditures, i.e., taxes and subsidies, are related with fiscal policies. With the proper implementation of these policies the state tries to raise economic development of the country.

**It helps to perform following functions:**

(I) To control inflation,

(ii) To increase capital formation,

(iii) To maintain equalities of income and wealth;

(iv) To stabilize market.

**(b) Monetary Policy:**

The government along with the Central Bank with the help of this policy controls the money market. In India, Reserve Bank of India (RBI) along with all the commercial banks tries to control and regulate the money supply. During the time of inflation, i.e., excessive rise in price level, the government with the help of RBI checks the money supply and credit creation. On the other hand, during deflationary situation money supply increases.

**(c) Price Measures:**

The main objective of the state is to safeguard the common mass from the exploitation of private entrepreneurs. In this connection, the state sometimes adopts the price measures of essential commodities and services through the policies of price ceiling and price flooring.

**(d) International Trade Policy:**

According to Simon Kuznets, “Trade is the engine of economic growth.” The government controls and regulates the trade policies by imposing tariffs, quotas, duties etc. The main intention of the trade policies to regulate exports and imports for improving the Balance of Payment (BOP) situations and increasing the stock of foreign exchange reserves. All the above measures, i.e., both direct and indirect roles, are performed by the government to achieve economic development and to create the concept of Welfare State.