

CBSE Class 12 Economics
Sample Paper 02 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. This question paper contains two parts: Part A - Macro Economics (40 marks) and Part B - Indian Economic Development (40 marks).
- ii. Marks for questions are indicated against each question.
- iii. Question No. 1-7 and Question No. 15 – 21 (including two Case Based Questions) are 1 mark questions and are to be answered in one word/sentence.
- iv. Case Based Questions (CBQ's) are Question No. 7 and Question No. 15.
- v. Question No. 8-9 and Question No. 22 – 23 are 3 marks questions and are to be answered in 60 - 80 words each.
- vi. Question No. 10-12 and Question No. 24 – 26 are 4 marks questions and are to be answered in 80-100 words each.
- vii. Question No. 13-14 and Question No. 27 – 28 are 6 marks questions and are to be answered in 100-150 words each.
- viii. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

PART A - MACRO ECONOMICS

1. Which one of the following is not a primary function of money?
 - a. Standard of deferred payments
 - b. Measure of value
 - c. Medium of exchange
 - d. None of these

OR

Bank rate is for:

- a. Commercial banks by the government
- b. Commercial banks by the central bank
- c. Central banks by the central bank
- d. Central bank by the commercial banks

2. Fill in the blanks:

If marginal propensity to save is 0.1 and an increase in national income is ₹500 crore, calculate an increase in investment _____.

3. Supply of money refers to quantity of money _____.

- a. as on 31st March
- b. as on any point of time
- c. during a fiscal year
- d. during any specified period of time

4. Which of the following transactions will be recorded in the current account of the Balance of Payments?

- a. Investments to abroad
- b. Borrowings from abroad
- c. Increase in foreign exchange reserves
- d. Factor income receipts from abroad

5. In $c = -a + by$

- a. 'a' is called intercept
- b. 'a' is called intercept
- c. 'a' is called interval
- d. 'a' is called ultracept

6. Foreign exchange reserves increase if:

- a. Govt. increases taxes
- b. Govt. increases taxes and Exports increase imports remain the same
- c. Imports increase exports remain the same
- d. Exports increase imports remain the same

7. **Read the following extract and answer the questions given below:**

Factor income generated during an accounting year within the domestic territory of a country is called domestic Income. Domestic territory includes territory lying within the political frontiers including territorial waters of the country and also ships and aircraft operated by residents of the country across different parts of the world. The domestic

territory also concludes fishing vessels, oil, and natural gas rigs, and floating platform operated by the residents of the country in the international waters or engaged in extraction in areas in which the country has the exclusive right of exploitation. The domestic territory also includes embassies, consulates and military establishments of the country located abroad.

To know national income, net factor income from abroad is added to domestic income. Net factor income from abroad is the difference between factor income earned by residents who are temporarily residing abroad and factor income earned by nonresidents who are temporarily residing in our country.

- i. India Embassy in Japan is a part of the domestic territory of _____. (India, Japan)
 - ii. If Indian fisherman operates their fishing ship in international waters of the Indian Ocean, it is a part of the domestic territory of _____. (India, non-Indian).
 - iii. Passenger planes operated by Air India between China and Japan are a part of the domestic territory of _____. (India, China)
 - iv. Embassy of the USA in India is a part of the domestic territory of _____. (India, USA)
8. Explain the concept of final products with the help of examples.
9. Calculate Net National Product at Market and Gross National Disposable Income:

Items	(Rs.in Arab)
Consumption of fixed capital	40
Change in stock	(-) 10
Net imports	20
Gross domestic fixed capital formation	100
Private final consumption expenditure	800
Net current transfers to rest of the world	5
Government final consumption expenditure	250
Net factor income to abroad	40
Net indirect tax	130

OR

Calculate Net National Product at Market Price from the following data.

S.no.	Contents	(Rs. in Crores)
(i)	Net Current Transfers to Abroad	30
(ii)	Mixed-Income	600
(iii)	Subsidies	20
(iv)	Operating Surplus	200
(v)	National Debt Interest	70
(vi)	Net Factor Income to Abroad	10
(vii)	Compensation of Employees	1,400
(viii)	Indirect Tax	100
(ix)	Domestic Product Accruing to Government	350
(x)	Current Transfers by Government	50

10. What happens if $AD > AS$ prior to the full employment level of output?

11. Explain any two functions of Central Bank.

OR

Explain the 'standard of deferred payment' function of money. How has it solved the related problem created by barter?

12. i. Differentiate between the concepts of demand for domestic goods and services and domestic demand for goods and services.

ii. Distinguish between Current Account Deficit and Current Account Surplus.

13. Explain the role of the following in correcting Excess Demand in an Economy.

i. Bank Rate

ii. Open Market Operation

OR

$C = 50 + 0.5Y$ is the consumption function of an economy, where C is Consumption Expenditure and Y is National Income and Investment Expenditure is Rs. 2,000 in an economy.

Calculate:

- i. The equilibrium level of National Income.
 - ii. Consumption Expenditure at the equilibrium level of National Income
14. What is the difference between revenue expenditure and capital expenditure? Explain how taxes and government expenditure can be used to influence distribution of income in the society.

PART B - INDIAN ECONOMIC DEVELOPMENT

15. For how many days NREGA guarantees employment?
- a. 80
 - b. 150
 - c. 70
 - d. 90
16. _____ refers to relative distribution of a country's workforce among various sectors of economic activity
- a. Occupational structure
 - b. None of these
 - c. Demographic structure
 - d. Income structure
17. **Assertion (A):** Indian handicrafts were systematically destroyed owing to discriminatory policies of the British government.
- Reason (R):** Owing to colonial exploitation of the Indian economy, India became a net exporter of raw materials and primary products.
- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - c. Assertion is correct statement but reason is wrong statement.
 - d. Assertion is wrong statement but reason is correct statement.

OR

Assertion (A): Comprehensive planning includes all spheres of economic activity, but does not account for social spheres like education and healthcare.

Reason (R): In the Indian constitution, a reference to economic and social planning exists in the concurrent list of the seventh schedule.

- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - c. Assertion is correct statement but reason is wrong statement.
 - d. Assertion is wrong statement but reason is correct statement.
18. **Assertion (A):** Private location process leads to a change in management with a change in ownership.
- Reason (R):** Change in management is not a necessary condition for the process of privatisation.
- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - c. Assertion is correct statement but reason is wrong statement.
 - d. Assertion is wrong statement but reason is correct statement.
19. Human Development Index measures _____ in an economy.
- a. birth rate
 - b. death rate
 - c. quality of life
 - d. quality of education
20. When was the first five year plan started in China
- a. 1952
 - b. 1951
 - c. 1953
 - d. 1954
21. **Read, the following case study, carefully and answer the questions on the basis of the same.**

About 80- crore people of the country are getting 5 kg of wheat/rice-free per month since April 2020. Under Pradhan Mantri Garib Kalyan Anna Yojana. This is in addition to 5 kg of wheat/rice which they are getting either free. (Antyodaya Yojana) or at a subsidized rate under the Public Distribution System. PMGKAY has been extended up to November 2020, 1kg of Chana Dal being distributed free to more than 16 crore families per month

since April 2020. This scheme too has been extended up to November 2020.

- i. Pradhan Mantri Garib Kalyan Yojana, (PMGKY) is a scheme launched by the Narendra Modi led Government of India in year _____. (2015, 2016)
 - ii. Subsidized food Grains distributed among the public through fair price shops. Here fair price shop is a part of _____.
 - a. Public Distribution System
 - b. National Social assistance Programme
 - c. Integrated Child Development Scheme
 - d. Pradhan Mantri Gram Sadak Yojana
 - iii. MNREGA is now known as _____.
 - a. National Rural Employment Guarantee Act (NREGA)
 - b. Prime Minister Employment Generation Programme (PMEGP).
 - c. Deen Dayal Upadhyaya Antyodaya Yojana (DDUAY)
 - d. National Rural Livelihoods Mission (NRLM)
 - iv. 80-crore people of the country are getting 5 kg of wheat/rice-free per month since April 2020 by which Central Government scheme _____. (PMGKAY/PDS)
22. How are the rates of consumption of energy and economic growth connected?

OR

What are the advantages of organic farming?

23. Do you think that in the last 50 years, employment generated in the country is commensurate with the growth of GDP in India? How?
24. Discuss the problems of fishing community and give some suggestions.
25. State the main features of the Green revolution.

OR

Explain briefly the meaning of economic reforms. What are the main economic reforms?

26. Compare India and China in the context of various social indicators by studying the following data.

Social sector indicators 2012-15

Description	India	China

Gross enrolment ratio in primary school 2013(%)	100.1	116
Expenditure on research and development as % of GDP (2005-12)	0.8	2
adult literacy ratio 2013 (%)	62.8	95.1
Health expenditure (%GDP) (2014)	5.05	10.43
Doctor after one thousand population (2017)	0.7	1.6

27. Answer any two of the following questions:

- List some of the priority environmental issues of India today.
- Explain how educational planning is necessary for human capital formation.
- What are your views on the reforms introduced in the financial sector under the New Economic Policy?
- In India, the self-employed constitutes about 60% of employees. The incidence of underemployment is the highest among the self-employed. As an economist, suggest measures that may be taken to ensure more productive employment for the self-employed.

28. Answer the following questions:

- Discuss any three drawbacks of green revolution.
- How is the government expenditure on education expressed? Which in your opinion is a better measure?
- State the characteristics or qualities of infrastructure.

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Solution

PART A - MACRO ECONOMICS

1. (a) Standard of deferred payments

Explanation: The secondary function of money includes money as a store of value and money as a standard of deferred payment.

OR

- (b) Commercial banks by the central bank

Explanation: The central bank is a wholesaler of money and commercial bank is its retailer.

2. 50 crore

3. (b) as on any point of time

Explanation: The money supply is a stock concept and it is estimated as a point of time.

4. (d) Factor income receipts from abroad

Explanation: The current account records receipt and payment of foreign exchange on account of such transactions which do not impact the asset-liability status of a country in relation to the rest of the world.

5. (b) 'a' is called intercept

Explanation: The given function is in slope intercept form as depicted below:

Slope-Intercept Form

$$y = \underset{\substack{\uparrow \\ \text{slope}}}{mx} + \underset{\substack{\uparrow \\ \text{y-intercept}}}{b}$$

6. (d) Exports increase imports remain the same

Explanation: Exports increase imports remain the same

7. i. India

ii. India

iii. India

iv. USA

8. Final products refer to those goods and services which are purchased or own, produced

for either consumption or investment. Thus, final products may be of two types:

- i. Consumer products are the products that are purchased for satisfying human wants. For example!, food grains purchased by Gautam for consumption, car, mobile, laptop for direct satisfaction.
- ii. Capital products are the durable products which are purchased as an investment and for the use in the production process. For example, machinery purchased by Gautam for his factory, computer purchased by school etc.

9. Gross Domestic Product at Market Price:

$$\begin{aligned} \text{GDP}_{\text{MP}} &= \text{Private final consumption expenditure} + \text{Government final consumption} \\ &\text{expenditure} + \text{Gross Domestic Capital Formation (Gross domestic fixed capital formation} \\ &+ \text{Change in stock)} - \text{Net imports} \\ &= 800 + 250 + 100 + (-) 10 - 20 \\ &= \text{Rs.1120 Arab} \end{aligned}$$

Net National Product at Market Price:

$$\begin{aligned} \text{NNP}_{\text{MP}} &= \text{GDP}_{\text{MP}} - \text{Consumption of fixed capital} - \text{Net factor income to abroad} \\ &= 1120 - 40 - 40 \\ &= \text{Rs.1040 Arab} \end{aligned}$$

Gross National Disposable Income:

$$\begin{aligned} &= \text{GDP}_{\text{MP}} - \text{Net factor income to abroad} - \text{Net current transfers to rest of the world} \\ &= 1120 - 40 - 5 \\ &= \text{Rs.1075 Arab} \end{aligned}$$

OR

Net National Product at Market Price(NNP_{MP})

$$\begin{aligned} &= \text{Compensation of Employees} + \text{Operating Surplus} + \text{Mixed Income} + (\text{Indirect Tax} - \\ &\text{Subsidies}) - \text{Net Factor Income to Abroad} \\ &= 1,400 + 200 + 600 + (100 - 20) + 10 \\ &= \text{Rs. 2,280 crores} \end{aligned}$$

To get net national product, we add 'net income from abroad' to the formula.

10.
 - There will be underemployment equilibrium.
 - According to Keynes, equilibrium is mere intersection of AD and AS, full employment may or may not be there.

- Under employment equilibrium refers to a situation when AD is equal to AS but resources are not fully utilised.
 - It occurs prior to the full employment level.
11. i. **Banker's bank:** Central Bank keeps the cash balances of Commercial Banks and issues loans to them on requirements in the same manner as the Commercial Bank does for its customers. A Central Bank has almost the same relationship with the other Commercial Banks of the country that the Commercial Banks have with the common public. That is why the Central Bank is also called banker's bank.
- ii. **Banker to the Government:** Central bank functions as a banker to the government—both central and state governments. It carries out all banking business of the government. Government keeps their cash balances in the current account with the central bank. Similarly, central bank accepts receipts and makes payment on behalf of the governments. Also, the central bank carries out exchange, remittance and other banking operations on behalf of the government. Central bank gives loans and advances to governments for temporary periods, as and when necessary and it also manages the public debt of the country. Remember, the central government can borrow any amount of money from RBI by selling its rupees securities to the latter.

OR

Standard of deferred payment function of money:

- Deferred payments are postponed, payment to be made in future. Such payments arise on account of borrowing and lending activities. When we take a loan from somebody, we not only pay the principal amount but also the interest amount. Under a barter system of exchange, it was very difficult to make such transactions. As money maintains a standard value over a period of time, provided price remains constant, deferred payments can be easy. It has removed the problem of the absence of financial institutions in the Barter System. It has also removed the problem of trading in wider areas.
- The related problem created by the barter system of exchange was lack of standard of deferred payments. In a barter system, it was difficult to return value in future in terms of goods of same quantity and quality. Therefore, future payments regarding interest and loans became difficult. But money has solved this problem. Loans can be repaid back in money and interest payments can also be

made in money.

12. i. The demand for domestic goods and services is the sum total of demand for goods and services by both the domestic and foreign countries; whereas, domestic demand for goods and services is the sum total of domestic demand for domestic as well as foreign goods.
- ii. Current Account Deficit (CAD) refers to an excess of payments for the value of import of visible items, invisible items and unilateral transfers over the receipts from the value of export of visible items, invisible items and unilateral transfers. Whereas; Current Account Surplus (CAS) refers to an excess of the receipts from the value of export of visible items, invisible items and unilateral transfers over the payments for the value of import of visible items, invisible items and unilateral transfers over. The current account records all payments to the rest of the world as debit and all receipts from the rest of the world as credit.

13. (i) Bank rate

- Bank rate is the rate at which central bank lends money to commercial banks to meet their long term needs.
- RBI actively uses bank rate to control credit creations.
- In case of inflation or excess demand, Central Bank increases Bank Rate.
- This results in an increased rate of interest recovered by commercial banks, which discourages borrowing.
- As a result Consumption and AD falls and there is a reduction in the inflationary gap or excess demand.

(ii) Open market operations

- Open market operations mean buying and selling of government securities by the central bank in an open market.

Selling:

- Central bank sells the Government Securities to commercial banks and reduces their lending capacity or it sells Government Bonds to General Public to reduce their capacity to spend on consumer goods.

Buying :

- Central bank buys the securities back from commercial banks and increases their lending capacity (liquidity) or and it purchases its securities back from the public to increase their capacity to spend.

- In case of Inflation or excess demand, Central Bank starts selling government securities in the open market.
- This reduces the money supply in the economy
- As a result Consumption, AD falls and there is a reduction in Inflationary Gap or excess demand.

OR

- i. Given, $C = 50 + 0.5Y$, and Investment (I) = Rs. 2,000

Equilibrium level of national income (Y)

At equilibrium, (Y) = Consumption (C) + Investment (I) or, $Y = C + I$ [AD = AS = Y and AD = C + I]

Or, $Y = 50 + 0.5Y + 2,000$ [$C = 50 + 0.5Y$]

$0.5Y = 2,050$

$Y = \text{Rs } 4,100$

i.e Equilibrium level of Income

(Y) = Rs. 4,100

- ii. Consumption expenditure at equilibrium level of National Income

$C = 50 + 0.5Y$

$C = 50 + 0.5 \times 4400$

$C = 50 + 2,050$

i.e. Consumption Expenditure (C) = Rs. 2,100

14. Differences between revenue expenditure and capital expenditure are given below:

Basis	Revenue Expenditure	Capital Expenditure
Meaning	An expenditure which neither creates assets nor reduces liability is called Revenue Expenditure.	An expenditure which either creates an asset (e.g., school building) or reduces liability (e.g., repayment of a loan) is called capital expenditure.
Purpose	Revenue expenditure is spent on normal functioning of government departments and for providing various provisions for social welfare.	Capital expenditure is spent on acquisition of assets, repayment of borrowings and granting of loans and

		advances.
Nature	It is recurring in nature and incurred regularly.	It is non-recurring in nature.
Time	It is a short period of expenditure.	It is generally a long period expenditure.
Example	Examples of revenue expenditure are salaries of government employees, interest payment on loans taken by the government, pensions, subsidies, grants, rural development, education and health services, etc.	Expenditure on the construction of national highways, re-payment of government loans, establishment of factories etc.

Distribution of income in society: Reducing inequality is a major objective of government's budget especially in developing country like India, where inequality of income and wealth is very high.

Government uses its financial tools of taxation and subsidies to enhance equal distribution of income and wealth. In order to ensure equity of income, the progressive tax structure is followed in India, which imposes a higher burden of taxes on higher income group and a lesser burden on lower income group. Also, those who earn below a substantial limit are exempted from payment of taxes. The additional income generated from the higher income group is re-distributed by the government in the form of subsidies to the poor sections of the society, to ensure the objective of welfare. LPG subsidy is a good example of such re-distribution of income.

PART B - INDIAN ECONOMIC DEVELOPMENT

15. (b) 150

Explanation: The MGNREGA was initiated with the objective of "enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year, to every household whose adult members volunteer to do unskilled manual work". However the central government has increased the number of workdays under the rural job guarantee scheme from 100 to 150 in drought-affected areas.

16. (a) Occupational structure

Explanation: This refers to the aggregate distribution of occupations in society, classified according to skill level, economic function, or social status.

17. (b) Assertion and reason both are correct statements but reason is not correct explanation for assertion.

Explanation: Both the statements are correct but the reason is not the correct explanation of the Assertion. The assertion is explaining about the decay of handicrafts due to the discriminatory tariff policy of the state. While the reason is explaining about the foreign trade under the British rule.

OR

- (d) Assertion is wrong statement but reason is correct statement.

Explanation: The assertion is the wrong statement because, in India, planning covers economic as well as social spheres of activity. Agriculture, industry, transportation and trade are examples of economic spheres. Education, health and housing are the principal examples of social spheres of planning. Planning that covers both the social and economic spheres of growth is called comprehensive planning.

18. (c) Assertion is correct statement but reason is wrong statement.

Explanation: Privatization may be understood as a process where buy activities or enterprises that was performed or operated by the government and its employees are now performed, managed or owned by private business and individuals, often with much better results in terms of cost and quality of service.

19. (c) quality of life

Explanation: The Human Development Index (HDI) is a statistic composite index of life expectancy, education, and per capita income indicators, which are used to rank countries into four tiers of human development.

20. (c) 1953

Explanation: The period 1953–57, corresponding to the First Five-Year Plan, was the beginning of China's rapid industrialization, and it is still regarded as having been enormously successful. A strong central governmental apparatus proved able to channel scarce resources into the rapid development of heavy industry.

21. i. 2016

ii. (a) Public Distribution System

iii. (c) Deen Dayal Upadhyaya Antyodaya Yojana (DDUAY)

iv. PMGKAY

22. Electricity is one of the most critical infrastructure that determines economic

development of a country. Rate of consumption of energy is directly related to the rate of economic growth. The growth rate of demand for power is generally higher than GDP growth rate. As studies have revealed that in order to have 8% GDP growth rate per annum, power supply needs to grow at around 12% annually. This reveals that the rates of consumption of energy and economic growth are correlated.

OR

Following are the mentioned below advantages of Organic Farming.

- Farmers can reduce their production costs because they do not need to buy expensive chemicals and fertilizers.
- Healthier farm workers.
- They improve plant growth and physiological activities of plants.
- In the long term, organic farms save energy and protect the environment.
- There is an increasing consumer are willing to pay more for organic foods.
- More animals and plants can live in the same place in a natural way. This is called biodiversity.
- Pollution of ground water is stopped.
- They reduce the need for purchased inputs

23. No, I don't think that in the last 50 years, employment generated in India is commensurate with the growth of GDP. In 2005, the growth rate in employment was 2.89 % while the growth rate in GDP was 6.1 %. The difference between the growth rate of GDP and the growth rate of employment is indicative of the phenomenon of 'jobless growth'. Jobless growth is defined as a situation in which there is an overall acceleration in the growth rate of GDP in the economy which is not accompanied by an expansion in employment opportunities. This means that in an economy, without generating additional employment, we have been able to produce more goods and services. The phase of jobless growth occurs due to the replacement of labour intensive methods by capital intensive methods of production. Because of rapid industrialisation and development of digital technology, there was a retrenchment of jobs which adversely affected the growth rate in employment.

24. Fishing community is suffering from:

- i. Acute poverty
- ii. Rampant underemployment

- iii. Absence of mobility of labour to other sectors
- iv. High rate of illiteracy and
- v. Indebtedness
- vi. low per capita income

Some of the suggestions to improve the situation are:

- i. We need to spread training and education among fishing community.
 - ii. We need to provide credit through SHGs at cheap rates to make it affordable for them.
25. Green revolution means a great increase in production of food grains (especially wheat and rice) that resulted in large part from the introduction into developing countries of new, high-yielding varieties, beginning in the mid-20th century. Following were the main features of the Green Revolution:
- i. **Package Inputs-** Green revolution involved the application of a package of inputs consisting of high yielding seeds, pesticides, fertilizers and improved practices.
 - ii. **Scientific Rotation of crops-** The Green revolution enabled the farmers to grow two or more harvests in a year. Whereas previously only one harvest was being grown.
 - iii. **Credit-** The government provided adequate and timely credit facilities to the farmers well in advance of the sowing season.
 - iv. **Minimum Support Prices-** Minimum support prices were announced in advance of the sowing season to assure farmers a reasonable price for their produce.

OR

Economic reforms refer to the changes made in the economy with a view to deregulate it and to solve the prevailing economic problems of the country. In India, economic reforms were introduced in 1991, with the implementation of New Economic Policy. These reforms can be categorised as

- i. **Stabilisation Reforms:** These reforms were short-term measures which intended to correct disequilibrium in BoP and to check inflation.
- ii. **Structural Reforms:** These are long-term measures which intend to bring efficiency in the working of the economy. These reforms can be categorised as liberalisation, privatisation and globalisation.

These economic reforms in India are structurally classified as liberalization, globalization, and privatization.

Liberalisation: Liberalization was brought up with the fact that any restrictions which

became a hindrance to development and growth will be put to an end.

Privatisation: Privatization largely refers to giving more opportunities to the private sector, such that the role of the public sector is reduced.

Globalisation: Globalization in simpler terms is to connect with the world. In this context, globalization means the integration of the economy of India with that of the world.

26. With impressive achievements in the economic sphere, China has also fared better in terms of the social sector. The table shows that the enrolment ratio in primary school is higher in China than that of India. So, the adult literacy ratio is far greater in China as compared to India. Moreover, health expenditure in China is double in comparison to India. Education has been given special importance in the social indicator. The level of education is known by the comparison of the mean year of schooling of both the countries i.e, India and China. It indicates that the position of China (7.8) is better in comparison to India (6.4).
27. Answer any two of the following questions:
- Major environmental issues of India today are forest and agricultural degradation of land, resource depletion (such as water, mineral, forest, sand, and rocks), public health, loss of biodiversity, loss of resilience in ecosystems, livelihood security for the poor and air pollution with special reference to vehicular pollution in urban cities.
 - Educational planning is important for human capital formation for the following reasons
 - It improves the earning capacity of an individual. This eventually improves the standard of life.
 - An educated can comprehend the negative impact of population growth. This awareness helps to check the growth rate of population. So more resources become available per person.
 - It helps to change the outlook of people. They accept modernization and adopt modern techniques which gives an impetus to the development of the nation.
 - Financial Sector includes financial institutions such as commercial banks, investment banks, stock exchange and foreign exchange market.

The following reforms were initiated in this sector

 - The banking sector was opened to the private sector. This led to an increase in competition and expansion for services for consumers. Thus, the production of

goods and services in the private sector increased the GDP of India.

b. RBI's role underwent a change from a 'regulator' to a 'facilitator'. Earlier as a regulator, the RBI would itself fix interest rate structure for the commercial banks. After liberalisation in 1991, RBI as a facilitator would only facilitate free play of the market forces and leave it to the commercial banks to decide their interest rate structure. Thus, with liberalisation competition prevails rather than controls. These reforms were much needed and subsequent to these changes, this sector has witnessed tremendous growth and helped in the development of the economy as a whole.

iv. The incidence of underemployment is the highest among the self-employed. This statement is correct. Following are some measures that may be taken to ensure fuller and more productive employment for the self-employed:

- a. **Assistance to Farmers-** A comprehensive system of assistance to farmers should be set up. It should provide them with credit, inputs like improved seeds, saplings, fish seedlings, fertilisers, technical guidance, irrigation facilities, etc. These facilities should be made available to persons having tiny holdings or no holdings.
- b. **Redistribution of Land-** There should be the redistribution of land, followed by an effective programme of assistance and guidance to the beneficiaries.
- c. **Support Mechanism-** The policy should emphasise further improvements in the support mechanism for the self-employed engaged in non-agriculture. For example, technical guidance, credit, easy availability of equipment, infrastructural facilities, raw material at reasonable prices, market guidance, etc.

28. Answer the following questions:

- i.
 - a. It lead to soil degradation because of continuous and improper use of chemicals and fertilizers.
 - b. it decreased the water table due to over irrigation.
 - c. It cause pests and weeds to develop hazards.
- ii. Government expenditure on education can be expressed In two-way:
 - a. As a percentage of Gross Domestic Product (GDP).
 - b. As a percentage of total government expenditure.

The measure as a percentage of GDP is a better measure since, it sets fixed targets rather than the variable government expenditure.

iii. Infrastructure is the general term for the basic physical systems of business or nation.

Following are the characteristics of infrastructure:

- a. **High Investment-** Infrastructure requires a very high investment to be spent on the provision of transportation, communication, power station, hospitals, etc.
- b. **Permanent Nature-** Infrastructure is of a permanent nature. Infrastructure installations are used over a long period of time.
- c. **Basic Inputs-** Infrastructure is basic to all production activities. The output of infrastructure such as power, water, etc. are used as inputs for production. The development of infrastructure is an essential pre-condition for agricultural and industrial production.