

SAMPLE QUESTION PAPER - 4
SUBJECT- ECONOMICS (030)
CLASS XII (2023-24)

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A – MACRO ECONOMICS

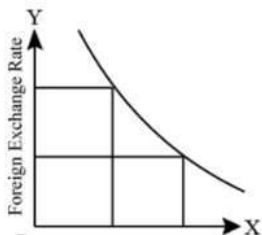
1. **Statement I:** Portfolio Investment, e.g. Foreign Institutional Investments (FIIs), Offshore Funds, etc is included in the current account of BOP. **[1]**
Statement II: Surplus in capital account arises when capital inflows (like receipt of loans from abroad, sale of assets or shares in foreign companies) are greater than capital outflows (like repayment of loans, purchase of assets or shares in foreign countries).

a) Statement I is true and statement II is false.	b) Statement II is true and statement I is false.
c) Both the statements are true.	d) Both the statements are false.
2. Sum total of currency held by public (C), Demand Deposits in Bank (DD) and Other Deposits with RBI (OD) are combindly known as **[1]**

a) M_2	b) M_4
c) M_1	d) M_3
3. With the increase in income, autonomous expenditure _____. **[1]**

a) will increase proportionately	b) will remain unaffected
c) will decrease	d) will increase

4. Suppose the government plans to reduce the prices of US Dollar from ₹ 50 to ₹ 45. This step is known as _____ of domestic currency. [1]
 - a) revaluation
 - b) appreciation
 - c) devaluation
 - d) depreciation
5. The important factor influencing the propensity to save in an economy is: [1]
 - a) The level of savings
 - b) The level of investment
 - c) The level of consumption
 - d) The level of income (Y)
6. The remedy to rectify the situation of deficient demand is _____. [1]
 - a) Increase in CRR
 - b) Increase in government purchase of securities
 - c) Decrease in bank rate
 - d) Increase in tax rate
7. Autonomous consumption is indicated by _____ in the consumption function. [1]
 - a) $\bar{C}$
 - b) C
 - c) AC
 - d) $\bar{S}$
8. In the production of sugar, sugarcane is: [1]
 - a) a final good
 - b) none of these
 - c) a capital good
 - d) an intermediate good
9. Money is most liquid of all assets because _____. [1]
 - a) it includes shares and equities
 - b) money itself is medium of exchange
 - c) it has many functions
 - d) it does not have general acceptability
10. The downward-sloping demand curve for foreign exchange reflects [1]



- a) Direct relationship b) Inverse relationship
c) Indirect relationship d) Exponential relationship

11. **Management of a water polluting oil refinery says that it (oil refinery) ensures welfare through its contribution to Gross Domestic product.** Defend or refute the argument of management with respect to GDP as a welfare measure of the economy. [3]

12. Should a current account deficit be a cause for alarm? Explain. [3]

OR

Distinguish between Nominal Exchange Rate and Real Exchange Rate.

13. State the meaning of **Deficient Demand**. Suggest any two monetary policy tools used to reduce deficient demand. [4]

14. From the following data about an economy, calculate its equilibrium level of income: [4]
Marginal propensity to consume = 0.75
Autonomous consumption = 200
Investment = 6000

OR

Complete the following table :

Income	Saving	Marginal Propensity to Consume	Average Propensity to Consume
0	-20	-	-
50	-10	-	-
100	0	-	-
150	30	-	-
200	60	-	-

15. What do you mean by open market operations? How does it control the availability of credit in the economy? [4]

16. **Answer the following questions:** [6]

- (i) i. Calculate Gross National Product at Market Price from the following data. [3]

S.no.	Contents	(Rs. in Crores)
(i)	Compensation of Employees	2,000
(ii)	Interest	500
(iii)	Rent	700
(iv)	Profits	800
(v)	Employer's Contribution to Social Security Schemes	200
(vi)	Dividends	300
(vii)	Consumption of Fixed Capital	100
(viii)	Net Indirect Taxes	250
(ix)	Net Exports	70
(x)	Net Factor Income to Abroad	150
(xi)	Mixed-Income of Self Employed	1,500

- ii. Calculate National Income by [3]
- a. Expenditure method and
- b. the product method from the following data:

Items	(Rs. in Crore)
Gross value added at market price by the primary sector	300
Private final consumption expenditure	750
Consumption of fixed capital	150
Net indirect taxes	120
Gross value added at market price by the secondary taxes	200
Net domestic fixed capital formation	220
Change in stock	(-) 20
Gross value added at market price by the tertiary sector	700
Net imports	50
Government final consumption expenditure	150
Net factor income from abroad	20

(ii) **OR**

- i. Calculate Net Value Added at Market Price. [3]

S.no.	Contents	(Rs. in Lakhs)
(i)	Intermediate Consumption	1,000
(ii)	Consumption of Fixed Capital	50
(iii)	Net Indirect Taxes	150
(iv)	Sales	2,000
(v)	Export	200
(vi)	Net Factor Income to Abroad	(-) 100
(vii)	Change in Stock	(-) 50

- ii. Given the following data, find the values of 'Gross Domestic Capital Formation' and 'Operating Surplus'. [3]

S. No.	Particulars	Amount (Rs in crores)
(i)	National Income	22,100
(ii)	Wages and Salaries	12,000
(iii)	Private Final Consumption Expenditure	7,200
(iv)	Net Indirect Taxes	700
(v)	Gross Domestic Capital Formation	?
(vi)	Depreciation	500
(vii)	Government Final Consumption Expenditure	6,100
(viii)	Mixed-Income of Self-Employed	4,800
(ix)	Operating Surplus	?
(x)	Net Exports	3,400
(xi)	Rent	1,200
(xii)	Net Factor Income from Abroad	(-) 150

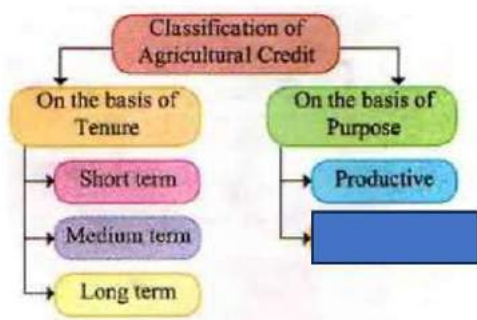
17. Answer the following questions: [6]

- (i) Explain revenue deficit in a government budget. What does it indicate? [3]
- (ii) Giving reasons, categorise the following into revenue receipts and capital receipts: [3]
- Recovery of loans
 - Corporation tax
 - Dividends on investments made by government

iv. (Sale of a public sector undertaking.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. Informal workers: [1]
- a) work in government department.
 - b) form trade unions
 - c) do not get social security benefits.
 - d) work in factories.
19. India is not a member of which of the following regional/global economic grouping? [1]
- a) G-20
 - b) BRICS
 - c) SAARC
 - d) European Union
20. The contribution made by each of the sectors of the economy, namely the agricultural sector, the industrial sector and the service sector, makes up the _____ of the economy. [1]
- a. Structural composition
 - b. Sectoral composition
 - c. Occupational structure
 - d. None of these
- a) Option (b) and (d)
 - b) Option (a) and (d)
 - c) Option (a) and (b)
 - d) Option (a) and (c)
21. Farmers need credit for consumption purposes for marriage, birth or death etc. This is called: [1]



- a) None of these
- b) Unproductive credit
- c) Productive credit
- d) Productive scheme

22. **Assertion (A):** RBI had to change its role from controller to facilitator of financial sector in India. [1]
Reason (R): RBI allowed banks to take independent decisions on many matters without consulting and to allow the establishment of private sector banks-both Indian as well as foreign banks.
- a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false. d) A is false but R is true.
23. Following are the educationally backward states except for _____. [1]
a) Rajasthan b) Uttar Pradesh
c) Bihar d) Mizoram
24. Mao initiated the Great Leap Forward in the year _____. [1]
a) 1955 b) 1962
c) 1958 d) 1951
25. In the early days when civilisation just began, or before this phenomenal increase in population, and before countries took to industrialisation, the demand for environmental resources and services was much less than their supply. This meant that pollution was within the _____ of the environment and the rate of resource extraction was less than the rate of regeneration of these resources. Hence environmental problems did not arise. [1]
a) Absorptive capacity b) Assimilating capacity
c) None of these d) Carrying capacity
26. **Statement I:** During the colonial period, overall mortality rate was very high and in that, particularly, the infant mortality rate was quite alarming- about 218 per thousand in contrast to the present infant mortality rate of 33 per thousand. [1]
Statement II: Life expectancy was also very low 44 years in contrast to the present 69 years.
- a) Statement I is true, but statement II is false. b) Both the statements are true.
c) Both the statements are false. d) Statement II is true, but statement I is false.

27. Match the following and choose the correct alternative: [1]

(a) Quota	(i) Quantity of goods that can be imported
(b) Land Reforms	(ii) Seeds that give large proportion of output
(c) HYV Seeds	(iii) Improvements in the field of agriculture to increase its productivity
(d) Subsidy	(iv) The monetary assistance given by government for production activities.

- a) (a) - (i), (b) - (iii), (c) - (ii), (d) - (iv) b) (a) - (iv), (b) - (iii), (c) - (ii), (d) - (i)
c) (a) - (i), (b) - (iv), (c) - (ii), (d) - (iii) d) (a) - (i), (b) - (ii), (c) - (iii), (d) - (iv)

28. How do the Affluent consumption standards factor contribute to the environmental crisis in India? What problem do they pose for the government? [3]

OR

Maintaining Air Quality Index (AQI) is the need of the hour.

Do you agree with the given statement? Justify your answer with a valid argument.

29. Ram is an owner of a salon. He is temporarily absent from work due to injury. Can he be considered as worker? Explain. [3]

30. **Economic growth** and **Economic development** means one and the same. Defend or refute the given statement. Do you think that India is economically developed? Why or why not? [4]

31. State industrial sector reforms included in the policy of liberalisation under economic reforms. [4]

OR

Explain the steps taken by economic reforms towards

- a. Liberalisation
- b. Privatisation
- c. Globalization

32. What do you mean by tertiary/higher education? Discuss the salient features of development and areas of our concern. [4]

33. **Answer the following questions:** [6]

- (i) i. Explain three non-farm areas of employment for rural population. [3]

ii. State any three challenges facing rural development in India. [3]

(ii) **OR**

i. Explain the role of Minimum Support Price (MSP) and Buffer Stocks in the context of agricultural marketing in India. [3]

ii. Explain the importance of self help groups (SHGS) in rural areas. [3]

34. **Read the following text carefully and answer the questions given below:** [6]

THE FUTURE POPULATIONS OF CHINA AND INDIA

In the absence of catastrophic events such as nuclear war, the populations of India and China are destined to become even larger, and by a large margin. If the Chinese were to achieve a total fertility rate of as low as 1.7 children born per woman by 1990 and maintain fertility that low for 30 years, the population would increase to a maximum of 1.22×10^9 in 2020 about 75% greater than the 700×10^6 it was when the birth rate began its big decline in the mid-1960s. To limit the increase to this amount will require an extraordinary success of the birth planning program.

For many years, 30% of parents would need to have only one child, and 70% only two. If a significant fraction had three or more, the proportion of one-child couples would need to be higher still. The social cost would be substantial. Many children would grow up with no siblings; many in the next generation would have no aunts, uncles, or cousins; very many parents would have no sons, and there would be an age structure with a marked relative shortage of younger workers, males of military age, etc. These features are very foreign to Chinese customs and values; the stringent and allegedly coercive means needed to achieve such low fertility might have adverse political effects as did less draconian measures in India.

In India, the failure to have started a large decline in fertility as early as in China implies a prospective growth on the order of 75% or more of the current population-to a maximum of at least 1.2×10^9 , because the current population is nearly the size the Chinese population was when the birth rate in China began its dramatic fall.

The death rate in India is higher than that in China, but the prospective decline in fertility in India is surely more gradual; the attainment of a replacement-level (total fertility rate of about 2.2 or 2.3 children) is long in the future, to say nothing of attainment of lower rates.

The reason for the large continuing increases in population in each country even after fertility is reduced is that population growth has its own momentum. High birth rates in the recent past mean that there will be many more potential parents for another generation than there are now. Even if every couple merely replaces itself, the population continues to increase by 50% or more.

Thus, the world's two largest populations are destined to become much larger. I believe today, as I did when working with Hoover, that if sensible economic policies are followed it will be possible to provide a somewhat better life for these larger populations than is enjoyed in the two countries today. Reducing fertility soon to no higher than needed for long-run replacement would improve the prospects significantly and would especially improve the social and economic future as seen from the perspective of early in the next century. Yet, the mistakes of the past cannot be cancelled; the birth rate cannot be lowered retrospectively. A lower birth rate now is desirable, but the ideal rate is not zero. There are social and political costs of excessive emphasis on the immediate achievement of very small families; the rights and sensibilities of the current population and the disequilibrating effects of drastic changes in age composition must enter the calculation of desirable population policies.

(Source: <https://www.pnas.org/content/pnas/80/6/1757.full.pdf>)

Questions:

- i. Outline any two implications (apart from population arrest) of the one-child policy of China introduced in the late 1970s.
- ii. Delineate the reasons why the world's two largest populations are destined to become much larger in the future?

Solutions

SECTION A – MACRO ECONOMICS

1.
(b) Statement II is true and statement I is false.
Explanation: Statement II is true and statement I is false.
2.
(c) M_1
Explanation: M_1
3.
(b) will remain unaffected
Explanation: If income increases then autonomous expenditure will remain unaffected.
4. **(a)** revaluation
Explanation: This is a deliberate step taken by the government to rise the value of domestic currency. This is known as a revaluation of domestic currency against foreign currency.
5.
(d) The level of income (Y)
Explanation: Saving is a function of income
 $S = f(Y)$
So, $APS = \frac{S}{Y} = \frac{f(Y)}{Y}$
The functional relationship between S and Y is called the saving function.
6.
(c) Decrease in bank rate
Explanation: Decrease in bank rate
7. **(a)** $\bar{C}$
Explanation: $\bar{C}$
8.
(d) an intermediate good
Explanation: Intermediate goods are those goods which are purchased by one firm from the other for the use as a raw material.
9.
(b) money itself is medium of exchange
Explanation: money itself is medium of exchange
10.
(b) Inverse relationship
Explanation: Negative slope always reflects inverse relationship.
11. **Management of a water polluting oil refinery says that it (oil refinery) ensures welfare through its contribution to Gross Domestic product.** No, the given statement is not

true. The value added by oil refinery to the Gross Domestic Product (GDP) may also be polluting the nearby source of water. Such harmful effects that the refinery is causing to people and marine life is not penalized for the same. Thus, these negative externalities are not ensuring the welfare of the economy through Gross Domestic Product (GDP).

12. A deficit in current account of BOP indicates that exports of goods and services, income from abroad and transfer receipts are less than imports of goods and services, income paid to abroad and transfer payments, Therefore, it is a cause for alarm in the country as it will lead to (i) decrease in foreign exchange reserves and (ii) borrowing abroad causing Interest burden. But if there is surplus of capital account of BOP and also it exceeds deficit in current account, then it is not a cause for alarm as deficit in current account is off set by surplus of capital account.

OR

The nominal exchange rate may be defined as the rate at which people trade the currency of one country for the currency of another country. In this way, the nominal exchange rate is the relative price of the currency of the two countries. For example, the exchange rate between the U.S. dollar and the Indian rupee is 55 rupees per dollar.

The real exchange rate may be defined as the rate at which people trade the goods produced by the two countries. In this way, it is the relative price of the goods of the two countries.

$$\text{Real Exchange Rate} = \text{Nominal Exchange Rate} \times \frac{\text{Price of Domestic Goods}}{\text{Price of Foreign Goods}}$$

13. Deficient demand refers to a situation where the aggregate demand in an economy is insufficient to support full employment and production. It occurs when there is a lack of spending by consumers, businesses, and the government, leading to a gap between the potential and actual output of the economy.

Two monetary policy tools used to reduce deficient demand are:

- i. **Interest rate adjustments:** Central banks can lower interest rates to encourage borrowing and investment, stimulating spending and aggregate demand.
- ii. **Open market operations:** Central banks can conduct open market operations by buying government securities, injecting money into the economy, and encouraging lending and investment, thereby boosting aggregate demand.

14. $\bar{c} = 200$

$$\text{MPC}(b) = 0.75$$

$$I = 6,000$$

$$C = \bar{c} + b(Y)$$

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

$$Y = \bar{c} + b(Y) + I$$

$$Y = 200 + 0.75Y + 6000$$

$$Y - 0.75 Y = 6200$$

$$0.25 Y = 6200$$

$$Y = \frac{6200}{0.25}$$

$$Y = \text{Rs.}24800$$

OR

Income	Saving	Marginal Propensity to Consume	Average Propensity to Consume
0	-20	-	-
50	-10	<u>0.8</u>	<u>1.2</u>
100	0	<u>0.8</u>	<u>1</u>
150	30	<u>0.4</u>	<u>0.8</u>
200	60	<u>0.4</u>	<u>0.7</u>

Formulae used:

i. Consumption = Income(Y) - Saving(S)

ii. Marginal Propensity to Consume(MPC)

$$= \frac{\text{Change in Consumption}}{\text{Change in Income}}$$

iii. Average Propensity to Consume(APC)

$$= \frac{\text{Consumption}}{\text{Income}}$$

15.

- Open market operations means 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.

Credit Control:

- 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 reduction in Inflationary Gap.
- In case of deflation or deficient demand, Central Bank starts purchasing government securities in the open market.
- This increase the money supply in the economy.
- As a result Consumption, AD rises and there is fall in Deflationary Gap.

16. Answer the following questions:

(i) i. **Net Domestic Product at Factor Cost (NDP_{FC})**

= Compensation of Employees + Interest + Rent + Profits + Mixed Income of Self Employed
 = 2,000 + 500 + 700 + 800 + 1,500

= Rs. 5,500 crores

Gross National Product at Market Price (GNP_{MP})

= NDP_{FC} + Net Indirect Taxes - Net Factor Income to Abroad + Consumption of Fixed Capital

= 5,500 + 250 - 150 + 100

= 5,850 - 150

= Rs. 5,700 crores

ii. Expenditure Method:

GDP_{MP} = Private final consumption expenditure + Government final consumption expenditure + Gross Domestic Capital Formation + Net exports

= 750 + 150 + 350* + (-50)

GDP_{MP} = 1200 crores

Gross Domestic Capital Formation = Net Domestic Fixed Capital Formation + Change in Stock + Consumption of fixed capital

= 220 + (-20) + 150

= 350 crore

Net imports is given so take (-50)

NNP_{FC} = GDP_{MP} - Consumption of fixed capital + Net factor income from abroad - NIT

= Rs.1200 - 150 + 20 - 120

= Rs.950 crore

Product Method or Value Added Method:

GDP_{MP} = Gross value added at the market price by (Primary + Secondary + Tertiary sector)

GDP_{MP} = Rs.300 + 200 + 700

= Rs.1200 crore

NNP_{FC} = GDP_{MP} - Consumption of fixed capital + Net factor income from abroad - Net indirect taxes

= Rs.1200 - 150 + 20 - 120 = Rs.950 crore

(ii) OR

i. GVA_{mp} = Sales + Change in Stock - Intermediate Consumption

= 2,000 + (-50) - 1,000 = Rs. 950 lakhs

NVA_{mp} = GVA_{mp} - Consumption of Fixed Capital

= 950 - 50

= Rs. 900 lakhs

ii. Gross Domestic Capital Formation = (i) - {iii + vii + x} + vi - xii + iv $GDCF$ = 22,100 - {7,200 + 6,100 + 3,400} + 500 - (-150) + 700

$GDCF$ = 6,750 crores

Operating surplus = National Income – wages and salaries – Mixed Income of Self

Employed – Net Factor Income from Abroad

= (i) - (ii) - (viii) - (xii)

= 22,100 - 12,000 - 4,800 - (-150)

= Rs 5,450 crores

As per given solution when we calculate GDCE, first we calculate gdp at mp or ndp at mp then we used expenditure method format.

Same as when we calculate Operating Surplus then first we calculate NDP at FC then we used income method format.

17. Answer the following questions:

- (i) Revenue deficit is concerned with the revenue expenditures and revenue receipts of the government. It refers to an excess of revenue expenditure over revenue receipts during the given fiscal year.

Revenue Deficit = Revenue Expenditure – Revenue Receipts

Revenue deficit signifies that government's own revenue is insufficient to meet the expenditures on the normal functioning of government departments and provisions for various services.

Implications of revenue deficit are as follows:

- i. High revenue deficit shows accumulated and recurring expenses of government such as expenses on defence, payment of interest etc.
- ii. The revenue deficit is managed by borrowing or by disinvestment. Hence, high revenue deficit either increases government liability or reduces government assets.
- iii. High revenue deficit leads to an inflationary situation in the economy, as high government expenditure increases the aggregate demand of the economy.
- iv. High revenue deficit implies a high future burden of loan and interest payments on the government.

However, there are a few measures to reduce revenue deficit which are given below:

- i. **Reduction in expenditure:** The government should take measures to reduce unnecessary and wasteful expenditure.
 - ii. **Increase in Revenue:** The government should try to increase its revenue by expanding its tax base.
- (ii) i. **Recovery of loans:** It is a capital receipt because it causes a reduction in assets. It is not of recurring nature.
- ii. **Corporation tax:** It is a revenue receipt because it neither creates liability nor leads to a reduction in assets.
 - iii. **Dividends on investment made by government:** It is a revenue receipt, as it does not add to liability or reduction in assets.
 - iv. **Sale of public sector undertaking:** It is a capital receipt as it involves a reduction in assets.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(c) do not get social security benefits.

Explanation: do not get social security benefits.

19.

(d) European Union

Explanation: India is not a member of the European Union. When European countries started to cooperate economically in 1951, only Belgium, Germany, France, Italy, Luxembourg and the Netherlands participated. Over time, more and more countries decided to join. The Union currently counts 27 EU countries. The United Kingdom withdrew from the European Union on 31 January 2020.

20.

(c) Option (a) and (b)

Explanation: Structural composition and Sectoral composition

21.

(b) Unproductive credit

Explanation: Unproductive credit requirements related to consumption activity. Credit required to meet consumption expenditures for social and religious purposes is known as unproductive credit. Agricultural credit can be categorized on the basis of both purpose of credit and objective of the credit provider.

22. (a) Both A and R are true and R is the correct explanation of A.

Explanation: Both A and R are true and R is the correct explanation of A.

23.

(d) Mizoram

Explanation: Mizoram has a literacy rate of 91.58% according to the 2011 census. It is the second-highest state in India in terms of literacy.

24.

(c) 1958

Explanation: Great Leap Forward, a campaign launched in China in 1958 focusing on widespread industrialization of the country, encouraging people to set up household industries in their backyard.

25. (a) Absorptive capacity

Explanation: Absorptive capacity

26. (a) Statement I is true, but statement II is false.

Explanation: Statement I is true, but statement II is false.

27. (a) (a) - (i), (b) - (iii), (c) - (ii), (d) - (iv)

Explanation: (a) - (i), (b) - (iii), (c) - (ii), (d) - (iv)

28. Affluent Consumption Standards : The affluent consumption and production standards used by developed countries have placed a huge stress on the environment. In developed countries, the government exerts less strictness on society because they have small amount of population and abundant resources. Hence, they try to make

affluent society. But in this way, sometimes the resources remain unutilized or sometimes they are over utilized. Either the resources are underutilized or over utilized, they generally lead to wastage of resources.

OR

AQI is the air quality index. The index value indicates the current pollution status in the city, or how polluted the air currently is. An AQI value of 50 or below is classified as good air quality. Once the AQI Index reaches 100 or above is when the air quality is considered unhealthy and may impact certain groups of people. It is important to maintain the air quality index because air pollution in India is causing 670000 deaths annually and particularly aggravates respiratory and cardiovascular conditions including chronic bronchitis, lung cancer, and asthma.

29. Yes, he will be classified as self-employed. Being absent from work for a short period of time does not imply that he is not a worker. He owns a salon and helps the economy. Regardless of whether he took a break from work due to injury. He will be regarded as a worker.
30. Economic growth and Economic development' means one and the same. The given statement is refuted. Economic growth means that there is a continuous and sustained rise in the GDP of the country. Economic development means that in addition to a continuous and sustained rise in the GDP, there is equitable distribution of income and changes in sectoral composition in favour of secondary and tertiary sectors. The above interpretation of the two terms leads us to the conclusion that these terms do not convey the same meaning. Economic development is a wide term which includes economic growth within its purview. No, I don't think that India is economically developed because income inequalities are continuously rising in our country. The rich are getting richer and the poor are getting poorer, thus defeating the value of social justice.
31. Following were the changes made in the industrial policy under economic reforms:
- i. **Industrial Licensing-** Industrial licensing was abolished for all industries except five industries viz., alcohol, cigarettes, hazardous chemicals, industrial explosives and defence equipment.
 - ii. **Public sector-** Almost the whole of the economy was left open to the private sector. The number of industries exclusively reserved for the public sector has been reduced to three e.g., defence equipment, atomic energy and rail transport.
 - iii. **Small scale sector-** The investment limit of small scale industries has been increased to one crore with a view to modernise them.
 - iv. **Competition Act-** MRTP Act was replaced by the competition Act which scrapped the threshold limit of assets in delicensed industries. Mergers and acquisitions were allowed.

OR

Following steps were taken under the Liberalisation measure:

- i. Free determination of interest rate by the commercial Banks: Under the policy of liberalisation interest rate of the banking system will not be determined by RBI rather all commercial Banks are independent to determine the rate of interest.
- ii. Increase in the investment limit for the Small Scale Industries (SSIs): Investment limit of the small scale industries has been raised to Rs. 1 crore. So these companies can upgrade their machinery and improve their efficiency.
- iii. Freedom to import capital goods: Indian industries will be free to buy machines and raw materials from foreign countries to do their holistic development.
- iv. Freedom for expansion and production to Industries: In this new liberalized era now the Industries are free to diversify their production capacities and reduce the cost of production.
- v. Abolition of Restrictive Trade Practices: According to Monopolies and Restrictive Trade Practices (MRTP) Act 1969, all those companies having assets worth Rs. 100 crore or more were called MRTP firms and were subjected to several restrictions.

The following steps are taken for privatisation:

- 1. Sale of shares of PSUs: Indian Govt. started selling shares of PSU's to public and financial institution e.g. Govt. sold shares of Maruti Udyog Ltd. Now the private sector will acquire ownership of these PSU's. The share of private sector has increased from 45% to 55%.
- 2. Disinvestment in PSU's: The Govt. has started the process of disinvestment in those PSU's which had been running into loss.
- 3. Minimisation of Public Sector: Previously Public sector was given the importance with a view to help in industrialisation and removal of poverty.

Number of industries reserved for public sector was reduces from 17 to 3.

- a. Transport and railway
- b. Mining of atomic minerals
- c. Atomic energy

Following steps are taken for Globalisation:

- i. Reduction in tariffs: Custom duties and tariffs imposed on imports and exports are reduced gradually just to make India economy attractive to the global investors.
- ii. Long term Trade Policy: Forcing trade policy was enforced for longer duration. Main features of the policy are:
 - a. Liberal policy
 - b. All controls on foreign trade have been removed
 - c. Open competition has been encouraged.
- iii. Partial Convertibility of Indian currency: Partial convertibility can be defined as to convert Indian currency (up to specific extent) in the currency of other countries.
- iv. Increase in Equity Limit of Foreign Investment: Equity limit of foreign capital investment has been raised from 40% to 100% percent. In 47 high priority industries foreign direct investment (FDI) to the extent of 100% will be allowed without any

restriction. In this regard Foreign Exchange Management Act (FEMA) will be enforced.

32. Tertiary/higher education means education beyond Class XII i.e. education provided by universities, technical institutes, and management institutes. Significant progress has been made in the spread of higher education in the country. Since 1950-51, the number of institutions imparting higher education has shown a phenomenal increase. Roughly speaking, 90 lakh students are studying beyond senior secondary and 20 lakh in other professional courses.

The following are the areas of concern:

- i. Higher education has very narrow coverage of the entire population of the country.
- ii. The quality of education is fairly low and contents are less relevant to the needs of the economy.
- iii. There is a growing gulf between the supply of job seekers with higher education and their demand.

33. Answer the following questions:

- (i) i. Census reports reveal that around 42 million people work for the **non-farming activities** in rural India. This census constitutes nearly about 47% of the total nonfarm employment of rural areas. Manufacturing, social or personal service and most importantly retail trade are the three major own account establishments of **non-farming activities**. The percentage of the three however varied to a large extent.
 - 1) So while the category of retail and manufacturing constituted about 43.12%, example pickle industry, farm based manufacturing and handicraft etc.
 - 2) the social and personal service shopkeeper etc. constituted only about 7.67% of the total employment in the own account establishments in the rural areas.
 - 3) Employment in the non-farming sectors like mining, quarrying, electricity, gas and water supply, or other activities like financial inter mediation was found to be near to negative. However, trade, transport, manufacturing, business services or construction- such non-farming activity percentage was seen to be much higher.
- ii. Three challenges faced by rural development in India are:
 - i. development of human resources
 - ii. development of infrastructure
 - iii. Measures for the alleviation of poverty

(ii) OR

- i. i. **Role of Minimum Support Price-** The Government of India has adopted the policy of minimum support price to safeguard farmers from undue fluctuations in market prices of agricultural commodities. Under this policy, the government well in advance of the sowing season declares the minimum prices at which the government will purchase various commodities. It means that the farmers have an option to sell their output to the government if the market prices fall below these minimum support prices. However, if the market prices are higher, the

farmers are free to sell in the market. The Rationale behind MSP is to support the farmer from excess fall in the crop prices.

ii. **Role of Buffer Stocks-** The Government of India has adopted the policy of buffer stocks to minimise the fluctuations in food prices. Buffer stocks serve as shock absorbers in the economy and provide a defence mechanism against the widely fluctuating price levels. Under the buffer stocks policy, the government builds up stocks of food through direct purchases from the farmers and releases these stocks for sale in the domestic market when prices are increasing. Buffer stock operations aim at eliminating unduly low prices consequent to bumper crops.

ii. In order to change the face of socio-economic scenario, micro enterprises and SHGs are playing significant role in the self-employment by raising the level of income and standard of living rural people. In this framework, one of the most vital aspects of rural self employment is the formation of SHGs which is a valuable investment in human capital through training and capacity building measures. From dairy to mechanised farming, weaving, poultry, food processing units, mushroom cultivation; Rural India has been busy setting up micro-enterprises by forming SHGs. The group members use collective wisdom and peer pressure to ensure appropriate use of fund and its timely repayment. These are informal groups in nature where members come together towards collective action for common cause. The common need is meeting their emergent economic needs without depending on external help. SHG movement is supposed to build economic self reliance of rural poor, overcome misuse and create confidence predominantly among women who are mostly unseen in the social structure.

34. i. The one-child norm was introduced in China in the late 1970s to control the population. The major implications are:(any two)
- a. It was the major reason for its low population growth.
 - b. It also led to a decline in the sex ratio, the proportion of females per 1000 males
 - c. It would also bear a social cost that children would grow up with no siblings.
 - d. After a few decades, there would be more elderly people in proportion to young people.
- ii. Even after adopting various measures to contain the bulging population and reducing fertility, the populations of India and China are destined to become even larger. The death rate in India is higher than that in China, but the prospective decline in fertility in India is surely more gradual. The attainment of a replacement level (total fertility rate of about 2.2 or 2.3 children) is long in the future to achieve a low population growth. Besides, population growth has its own momentum. Even if every couple merely replaces itself, the population continues to increase by 50% or more.