

CBSE ECONOMICS (Theory) (SET-2)

Suggested Test Paper Solutions : 2022-23

Time Allowed : 3 Hours

Maximum Marks : 80

Disclaimer Clause :

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- Views and Answers provided may differ from **CBSE** due to difference in assumptions taken in support of the answers .
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- Please check that this question paper contains _____ printed pages .
- Code Number given on the right hand side of the question paper should be written on the title pages of the answer book by the candidate .
- Please check that this question paper contains **34 questions** .
- Please write down the Serial Number of the question before attempting it .
- 15 Minutes time has been allotted to read this question paper . The question paper will be distributed at 10.15 am. From 10.15 am. To 10.30 am., the students will read the question paper only and will not write any answer on the answer – book during this period.

General Instructions : Read the following instructions and follow them :

- (i) This Question paper contains 34 questions. All questions are compulsory.
- (ii) The Question paper contains **two** sections, section **A** and **B**.
 - Section- A : Macro Economics
 - Section B : Indian Economic Development.
- (iii) This Question paper contains **20** Multiple Choice Questions type questions of **1 mark** each.
- (iv) This paper contains **4** Short Answer Questions type-I questions of **3 marks** each to be answered in 60 to 80 words.
- (v) This paper contains **6** Short Answer Questions type-II questions of **4 marks** each to be answered in **80 to 100** words.
- (vi) This paper contains **4** Long Answer type Questions of **6 marks** each to be answered in **100 to 150** words.
- (vii) Attempt all parts of a question together.



Section – A

(Macro - Economics)

1. Read the following statements carefully :

Statement 1 : The induced consumption shows, the direct relation between consumption and income.

Statement 2 : With a certain increase in income, induced consumption also increases.

In the light of the given statements, choose the correct alternative from the following :

- (a) Statement 1 is true and Statement 2 is false.
- (b) Statement 1 is false and Statement 2 is true.
- (c) Both Statements 1 and 2 are true.
- (d) Both Statements 1 and 2 are false.

[1]

Answer : (c)

2. "In the Annual Budget 2022-23, the Government of India set up disinvestment targets of ₹ 65,000 crore".

Such proceeds from disinvestment can be classified as _____ receipts in the Government Budget as it leads to _____ of the Government.

(Choose the correct alternative) **[1]**

- (a) capital, decrease in assets
- (b) revenue, increase in assets
- (c) capital, increase in liabilities
- (d) revenue, decrease in liabilities

Answer : (a)

3. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : The Balance of Payments is in surplus, if autonomous receipts are greater than autonomous payments.

Reason (R) : Autonomous transactions are determined by the difference in the Balance of Payments.

Alternatives :

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).





- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is net the correct explanation of Assertion (A).
- (c) Assertion (A) is true, but Reason (R) is false.
- (d) Assertion (A) is false, but Reason (R) is true. [1]

Answer : (c)

4. As per the Reserve Bank of India (RBI) press report, dated 22nd June, 2022:
"Net Foreign Portfolio Investment (FPI) recorded an outflow of US\$15.2 billion mainly from the equity market."
The above transaction will be recorded in the _____ account on _____ side of Balance of payments account of India. (Choose the correct alternative)
- (a) current, credit (b) current, debit
- (c) capital, credit (d) Capital, debit
- [1]

Answer : (d)

5. Ms. Iqra Ansari, a teacher, was explaining in her class about various types of deposits with the commercial banks. She quoted that - "These deposits forma part of M1 measure of money supply and are payable on demand by the commercial banks."
Identify the type of deposits she was explaining about and choose the correct alternative :
- (i) Demand Deposits
- (ii) Time Deposits
- (iii) Post Office Deposits
- Alternatives :**
- (a) Only (i) (b) Only (ii) (c) (i) and (ii) (d) (i), (ii) and (iii)
- [1]

Answer : (a)

6. (A) Read the following statements — Assertion (A) and Reason (R). Choose one of the correct alternatives given below :
- Assertion (A) :** At the break-even level of income, the value of Average Propensity to Consume (APC) is zero.
- Reason (R) :** Sum of Average Propensity to Consume (APC) and Average Propensity to Save (APS) is always equal to one.





Alternatives :

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true, but Reason (R) is false.
- (d) Assertion (A) is false, but Reason (R) is true. [1]

Answer : (d)

OR

(B) _____ refers to that level of Aggregate Demand, which can be met by the corresponding supply in the economy.

(Fill up the blank with correct alternative)

- (a) Autonomous Consumption
- (b) Effective Demand
- (c) Excess Demand
- (d) Deficient Demand [1]

Answer : (b)

7. **(A) Read the following statements carefully :**

Statement 1 : Gross Domestic Product (GDP) is the sum total of the gross market value of all the final goods and services added by all the sectors in the economy during a fiscal year.

Statement 2 : Gross Value Added at Market Price (GVA_{MP}) is equal to the excess of value of output over intermediate consumption. In the light of the given statements, choose the correct alternative from the following :

- (a) Statement 1 is true and Statement 2 is false.
- (b) Statement 1 is false and Statement 2 is true.
- (e) Both Statements 1 and 2 are true.
- (d) Both Statements 1 and 2 are false.

[1]

Answer : (c)

OR





OR

(B) _____ formulates the Monetary Policy in the economy.

(Fill up the blank with correct alternative)

- (a) Commercial Banks (b) International Monetary Fund
 (c) Central Bank (d) Central Government

[1]

Answer : (b)

10. In order to tackle the problem of rising general price level in an economy. government may come up with a surplus budget to achieve the budget objective of _____

- (i) reallocation of resources
 (ii) price stability
 (iii) redistribution of income

Alternatives :

- (a) (i) only (b) (ii) only
 (c) (iii) only (d) (i) and (iii)

[1]

Answer : (b)

11. On the basis of the data given below for an imaginary economy, estimate the Net Domestic Product at Factor Cost (NDP_{FC}) :

S. No.	Items	Amount (₹ in crore)
(i)	Household Consumption Expenditure	3,000
(ii)	Government Final Consumption Expenditure	1,000
(iii)	Net Domestic Fixed Capital Formation	1,000
(iv)	Change in Stock	200
(v)	Exports	500
(vi)	Indirect Taxes	350
(vii)	Imports	300
(viii)	Subsidies	50

Answer : $NDP_{FC} = \text{Household Consumption Expenditure} + \text{Government Final Consumption Expenditure} + \text{Net Domestic Fixed Capital Formation} + \text{Change in Stock} + \text{Net Export} - \text{NIT}$
 $= 3000 + 1000 + 1000 + 200 + 200 - 300 = 5100$





12. (a) "Under the flexible exchange rate system, the Central Bank does not intervene in the foreign exchange market."
Justify the statement, giving valid arguments.

[3]

Answer : The central bank does not intervene in the determination of exchange rates and the rates are revised regularly according to the demand and supply forces.

OR

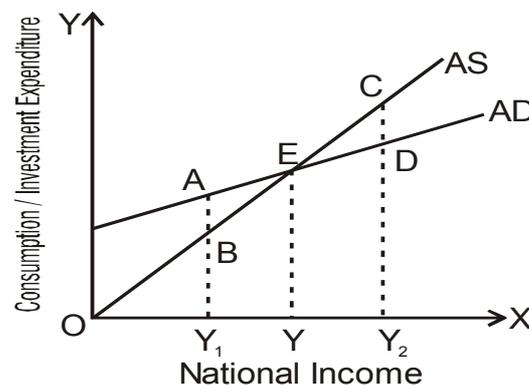
- (b) Explain the impact of home currency depreciation on the exports of a nation. [3]

Answer : It leads to increases in exports as domestic goods become cheaper for the other nation.

13. (a) "In an economy ex-ante Aggregate Demand is less than ex-ante Aggregate Supply."
Explain its impact on the level of output, income and employment. [4]

Answer : When Aggregate Demand is Less than Aggregate Supply :

When AD is less than AS then it means demand of final consumer goods and final investment goods will be lesser than production. It will increase the unplanned and undersired stock of unsold goods with firms. To solve this problem the firms will try to decrease the employment and output level. Due to this the aggregate supply of goods tends to decline. This process will continue until the AS becomes equal to AD



In the present diagram at OY_2 income level, AD is DY_2 and AS is CY_2 . Therefore AD is lesser than AS equivalent to CD. As the firms decrease the output level the gap between AD and AS shortens. This change will continue until AD and AS both become equal or the income level becomes equal to equilibrium income level.

OR

- (b) For a hypothetical economy, assuming there is an increase in the Marginal Propensity to Consume (MPC) from 80% to 90% and change in investment to be ₹ 1000 crore.





Using the concept of investment multiplier, calculate the increase in income due to change in Marginal Propensity to Consume. [4]

Answer :

$$K = \frac{1}{1 - MPC}$$

$$= \frac{1}{1 - .9}$$

$$= 10$$

$$\Delta Y = K \cdot \Delta I$$

$$= 10 \times 1000$$

$$= 10,000$$

14. With suitable examples, distinguish between Direct taxes and Indirect taxes. [4]

Answer :

Basis	Direct Taxes	Indirect Taxes
Definition	When the liability to pay and burden of a tax lie on same person, is treated as a Direct Tax	When the liability to pay and burden of tax lie on different persons, is treated as Indirect Tax.
Example	Income Tax, Corporation Tax, etc.	Sales Tax, Excise Duties, Custom Duties, etc.
Shifting	Burden of Direct taxes cannot be shifted on others	Burden of Indirect taxes can be shifted on others.
Imposition	Direct Taxes are imposed on Income and Wealth	Indirect Taxes are imposed on Goods and Services
Nature	Direct Taxes are generally progressive in nature.	Indirect Taxes are generally Regressive in nature.
Burden	Real Tax burden of Direct Taxes is More on Rich and Less on Poor.	Real tax burden of indirect Taxes is More on Poor and Less on Rich.

15. "The process of credit creation by commercial banks comes to an end when the total of required reserves become equal to the initial deposits."

With the help of a numerical example, prove that the given statement is true. [4]

Answer : Commercial banks are an important source of money supply in the economy. They contribute to money supply by creating credit commercial banks expand their deposits by giving loans and advances. They create claims against themselves and create deposits in favor of borrowers .





Process of credit creation

Credit creation means multiple expansion of deposits of banks. By this process banks can give loans many times more than their cash reserves. In this way commercial banks increases the total money supply of the economy.

When a bank takes deposits from a customer then it is termed as primary deposits. The depositor however does not immediately withdraw the money from the bank. A part of these deposits is given out to somebody as loan and another part is kept as reserve. (A part of the deposit has to be kept as reserve to meet immediate cash requirements of the bank which depends upon the legal reserve ratio. A minimum legal reserve ratio has to be maintained by the commercial banks which is determined by the Central bank). When a bank gives loan to somebody, it simply creates a bank deposit equal to the loan amount in the name of borrower. These new deposits are termed as derivative deposits. This will increase the money supply in the form of credit money. Bank again kept a part of these derivative deposits as reserve and lend rest of it to any other person, which will again creates the new deposits. In this way banks go on creating money as long as they go on getting new deposits .

Total Money creation by the commercial banks can be calculated by the given formula :

$$\text{Total Money Creation} = \text{Initial Deposits} \times \frac{1}{\text{LRR}} \quad (\text{LRR} = \text{Legal Reserve Ratio})$$

Explanation by Schedule

Suppose Primary deposit = ₹ 10000 ; LRR = 20 %

Stage	Deposit (in ₹)	Loans & Investments (₹)	Minimum Reserve (LRR) (₹)
I	10,000 (Primary Deposit)	8,000	2,000
II	8,000	6,400	1,600
III	6,400	5,120	1,280
IV	5,120	4,096	1,024
V	4,096	---	---
---	---	---	---
---	---	---	---
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50,000		40,000	10,000





$$\begin{aligned} \text{Total credit creation} &= \frac{1}{\text{LRR}} \times \text{Primary Deposit} \\ &= \frac{1}{20} \times 10,000 \times 100 = \text{₹ } 50,000 \end{aligned}$$

$$\text{Net credit creation} = 50,000 - 10,000 = \text{₹ } 40,000$$

Suppose LRR is 20 % and Initial Deposits is ₹ 10,000. So bank will keep ₹ 2000 as reserve and lend the remaining amount ₹ 8000 to the Borrower. Bank deposit this amount in the account of borrower which will create new deposits with bank. Bank again keep 20 % of these deposits that is ₹ 1,600 and lend the rest amount ₹ 6,400 to another borrower. This will again creates the new deposits in the bank .The money goes on increasing this way until the money created in extra round becomes zero . The Total Money creation in this case will be ₹ 50,000 (which is five times of initial deposits) .

- 16. (a) (i)** "Many goods and services which may contribute to welfare, but are not included in estimating Gross Domestic Product (GDP)." Do you agree with the given statement ? Give valid reason in support of your answer. **[3]**
- (ii)** With suitable examples, distinguish between final goods and intermediate goods. **[3]**

Answer : (a)

- (i)** Yes, Non monetary exchanges means those exchanges or sale or purchase of goods which has taken place without the use of money, means where barter system is used. Technically it must be included in the estimation of GDP but practically it is not included in estimation of GDP because no money is used for them. Generally these transaction take place in rural, backward and remote areas. But these goods and services are consumed therefore they give satisfaction and increases welfare. But as they are not included in GDP so in such cases GDP underestimates the level of welfare of the economy. Means GDP is not a true index of welfare of economy .

(ii)

Basis	Intermediate goods	Final goods
Meaning	Those economic goods which are purchased by firms to use as a non durable producer goods for further production or purchased by shopkeepers for resale or by govt. for military purposes.	Those economic goods which are purchased by consumers for final consumption or purchased by firms to use as durable producer goods for further production are known as final goods.
Type of Demand	Their demand is derived demand.	These goods are used in consumption
Nature of goods	These may be resold or value is added to them.	These goods are not resold and no further value is added to them.





National Income	The value of these goods is not included in the calculation of national income because they create the problem of double counting.	The value of these goods is included in the calculation of national income because they does not create the problem of double counting.
Production Boundary	These goods are inside the production boundary or we can say that production process is still continuing in case of intermediate goods.	These goods are outside the production boundary or we can say that production process is completed in case of final goods.
Further classification	Intermediate goods are not further classified.	Final goods are classified in :- (a) Final consumer goods (b) Final capital (investment) goods.

Or

- 16. (b) (i)** Using a suitable numerical example, distinguish between Real Gross Domestic Product (GDP) and Nominal Gross Domestic Product (GDP). **[4]**
- (ii)** State the meaning of 'normal resident' of a country. **[2]**

Answer : (b)

- (i)** Distinguish between Real Gross Domestic Product (GDP) and Nominal Gross Domestic Product (GDP).

- (a) Real GDP helps in determining the effect of increased production of goods and services as it is affected by change in physical output only. On the other hand, Nominal GDP can increase even without any increase in physical output as it is affected by change in prices also.
- (b) Real GDP is a better measure to make periodic comparison in the physical output of goods and services over different years. But nominal GDP is not suitable for comparing the GDP of different years.
- (c) Real GDP facilitates international comparison of economic performance across the countries. But nominal GDP is not suitable
- (d)

Year	Units	Price	Nominal GDP	Real GDP
2015	1,000	10	$1,000 \times 10 = 10,000$	$1,000 \times 10 = 10,000$
2016	1,000	20	$1,000 \times 20 = 20,000$	$1,000 \times 10 = 10,000$
2017	1,200	15	$1,200 \times 15 = 18,000$	$1,200 \times 10 = 12,000$

- (ii)** Normal resident of a country refers to an individual or an institution who ordinarily resides in the country and whose centre of economic interest also lies in that country. Normal residents include both, individuals and institutions.





17. **Read the following text carefully and answer the given questions on the basis of the same and common understanding.**

On 30, September 2022, the Reserve Bank of India (RBI) raised Repo Rate for the fourth time in a row. The Monetary Policy Committee (MPC) decided to raise the policy rate by 50 basis points

(1 basis point = $\frac{1}{100}$ of a percent) . After this announcement, the new repo rate stands at 5.9%, while the reverse repo rate continues to stand at 3.35%.

Commercial banks borrow money from the Central Bank, when there is a shortage of funds. With the surge in the repo rate, borrowings by general public will become costlier. This is because, as RBI hikes its repo rate, it becomes costly for the banks to borrow short term funds from the Central Bank.

As a result, the banks hike the rates at which customers borrow money from them to compensate for the hike in the repo rate. This happens because banks offer loans to retail consumers at an interest rate which is generally, directly proportional to the repo rate.

The increase of 0.50 percent in repo rate will lead to a higher interest rates on loans for borrowers, implying that the Equated Monthly Instalments (EMIs) for repaying the existing loans will also increase.

Source : <https://www.businessstandard.com/article/economico/india/rbi-monetary-policy-repo-rate-uu-bv-50b.-here-s-how-it-will-impact-you-122093000267> (Edited)

- (a) State the meaning of repo rate and reverse repo rate. **[2]**
- (b) In order to bring down the rate of inflation, outline and discuss the step taken by the Monetary Policy Committee of Reserve Bank of India. **[4]**

Answer :

- (a) (i) Repo rate : Repo rate refers to the bank rate at which central bank of the country offers loan to the commercial banks for short term.
- (ii) Reverse Repo rate : It refers to the rate of interest at which commercial banks can part their surplus funds with the central banks of the country.
- (b) (i) In the condition of inflation in the economy central bank increases the bank rate and in the condition of deflation in the economy central bank decreases the bank rate to control the problems.
- (ii) In the condition of inflation in the economy central bank sells the Government securities and in the condition of deflation in the economy central bank purchases the Government securities to control the problems.





- (iii)** In the condition of inflation in the economy central bank increases the CRR and in the condition of deflation in the economy central bank decreases the CRR to control the problems.
- (iv)** In the condition of inflation in the economy central bank increases the SLR and in the condition of deflation in the economy central bank decreases the SLR to control the problems.





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SECTION - B

(Indian Economic Development)

18. Which of the following was **NOT** the benefit accruing from 'Golden Revolution' ?
(Choose the correct alternative)

- (a) Increase in the income of the farmers.
- (b) Increase in production of milk and related products.
- (c) Increase in production and exports of fruits and vegetables.
- (d) Employment for women in rural areas.

[1]

Answer : (b)

19. Which of the following is **NOT** true about foreign trade during the colonial rule ?
(Choose the correct alternative)

- (a) India suffered from large trade deficit.
- (b) Restrictive policies of commodity production, were followed.
- (c) Britain maintained a monopoly control over India's exports and imports.
- (d) India became an exporter of primary products and an importer of finished consumer goods.

Answer : (a)

20. (A) _____ is a process, which includes all the activities from sowing till sale of the final produce in the market.

(Fill up the blank with correct alternative)

- (a) Rural Development
- (b) Agricultural Diversification
- (c) Organic Farming
- (d) Agricultural Marketing

[1]

Answer : (d)

OR

(B) _____ have emerged as an important micro finance system and led to women empowerment. (Fill up the blank with correct alternative)

- (a) NABARD
- (b) Self-Help Groups
- (c) Commercial Banks
- (d) Land Development Banks

[1]

Answer : (b)





21. (A) Read the following statements — Assertion(A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Human capital is not traded in the market; however its services are traded.

Reason (R) : Human capital is intangible in nature.

Alternatives :

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true, but Reason (R) is false.
- (d) Assertion (A) is false, but Reason (R) is true.

[1]

Answer : (a)

OR

(B) Benefits of physical capital accrue only to private entities, whereas human capital provides private as well as _____ benefits. (Fill up the blank with correct alternative)

- (a) profitable
- (b) social
- (c) fiscal
- (d) monetary

[1]

Answer : (b)

22. Read the following statements carefully :

Statement 1 : China introduced structural economic reforms on its own, without any pressure.

Statement 2 : Scholars argue that in India, the economic reforms process led to the worsening of all the economic indicators.

In the light of the given statements, choose the correct alternatives from the following :

- (a) Statement 1 is true and Statement 2 is false.
- (b) Statement 1 is false and Statement 2 is true.
- (c) Both Statements 1 and 2 are true.
- (d) Both Statements 1 and 2 are false.

[1]

Answer : (a)





23. In an economy, when the rate of resource extraction is lower than the rate of regeneration of the resource, the environment may operate _____ (Fill up the blank with correct alternative).
(a) within its carrying capacity. (b) beyond its absorptive capacity.
(c) beyond its carrying capacity. (d) beyond its aesthetic capacity. [1]

Answer : (a)

24. From the set of the events given in Column - I and the corresponding year in Column - II, choose the **incorrect pair** :

Column - I		Column - II
A. Introduction of railways in India	(i)	1850
B. Incorporation of TISCO	(ii)	1807
C. First Official Census of India	(iii)	1881
D. Opening of Suez Canal	(iv)	1869

Alternatives :

- (a) A - (i) (b) B - (ii)
(c) C - (iii) (d) D - (iv)

[1]

Answer : (b)

25. **Read the following statements carefully :**

Statement 1 : Amongst India, China and Pakistan, China is the largest nation and has the highest population density.

Statement 2 : One-child policy introduced in the late 1970s in China led to a considerable decline in the population growth rate.

In the light of the given statements, choose the correct alternative from the following :

- (a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

[1]

Answer : (b)





26. On the basis of the data given below, identify the **Incorrect** statement in terms of annual growth of GDP (%) : (Choose the correct alternative)

Annual Growth of Gross Domestic Product (%). 1980 - 2017

Country	1980 - 90	2016 - 2017
India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

Source : Key Indicators for Asia and Pacific 2016. Asian Development Bank. Philippines : World Development Indira.. 2016.

Alternatives :

- (a) China was able to maintain near double-digit growth during the 1980s.
- (b) Pakistan was ahead of India during 1980 - 2017.
- (c) India experienced a rapid rise in Gross Domestic Product during 2015-17.
- (d) Both China and Pakistan experienced a decline in growth rate during 2015-17.

[1]

Answer : (b)

27. (A) China initiated _____ in 1968, that aimed at industrializing the country on a massive scale.

(Fill up the blank with correct alternative)

- (a) The Great Proletarian Cultural Revolution
- (b) Setting up of Special Economic Zones
- (c) Introduction of Economic Reforms
- (d) The Great Leap Forward Campaign

[1]

Answer : (d)

OR

- (B) _____ acts as a measure of 'the extent of democratic participation in social and political decision-making.'

(Fill up the blank with correct alternative)

- (a) Human Development Index
- (b) Liberty Indicator
- (c) Economic Growth
- (d) Poverty Index

[1]

Answer : (b)





28. In order to protect the future of our planet, it is important to tackle carbon emissions."



In the light of the above statement and image discuss any two strategies to tackle this global concern

[3]

Answer :

(i) Use Of Environment-Friendly Sources of Energy

LPG and CNG are cleaner fuels and environment friendly. The use of these fuels must be encouraged in place of petrol and diesel which emit huge amount of carbon-dioxide adding to the impact of Green House Gases . People in rural areas should be discouraged from using wood as a fuel. It causes deforestation and unwarranted degradation of resource. Instead, gober gas plant may be developed as a source of domestic fuel.

(ii) Convert Sunlight Into Solar Energy And Solar Energy Into Electricity

Energy is the most critical input of production. While use of fossil fuels implies a direct depletion of non-renewable sources of energy, use of coal is grossly unfriendly to environment as it emits lots of carbon-dioxide. India is endowed with abundant sunlight which is rich source of energy. Sunlight is both environment-friendly as well as a non-exhaustible source of energy. Also, conversion of solar energy into electricity is no longer a distant dream, but technology is yet to become widely innovative.

Solar energy (and its conversion into electricity) is an effective answer not only to the problem of economic growth, but also to the problem of sustainable development. Scientists need to focus more on it.





29. (a) "Recently the Government of India has taken numerous steps towards increasing the farmer's income through agricultural diversification."

In light of the above statement, explain any two advantages of diversification in agriculture. **[3]**

Answer :

(a) Yes, Recently the Government of India has taken numerous steps towards increasing the farmer's income through agricultural diversification. Because agricultural diversification has contributed significantly to the agricultural growth.

(i) It is found that smallholders are benefited immensely from agricultural diversification because the high-value food commodities yield regular, quick and high returns to the small farmers and provide income – security to them.

(ii) The production of these commodities being labour intensive generate the much needed employment opportunities in the rural areas.

OR

29. (b) "Active Government intervention is essential in education and health sectors in India."

Do you agree with the given statement ' Give reasons in support of your answer. **[3]**

Answer : (b)

Yes , Active Government intervention is essential in education and health sectors in India. Because the role of government in providing healthcare and education is still important as poor people can depend only on government hospitals and schools, due to huge expense in private services.

30. The debate over farm subsidies in India is enraged at different platforms." Discuss any two arguments in favour of continuing farm subsidies. **[4]**

Answer :

(i) Bulk of the farming population in India is poor. Withdrawal of subsidies would expose them to the uncertainties of the market for the purchase of essential inputs. The poor farmers may not cope with it.

(ii) Withdrawal of subsidies would enlarge the gulf between the rich and the poor farmers. The objective of "Equity" would then be defeated





31. (a) "Expenditure on On-the-job training is Its important means of human capital formation In an economy."

Give valid reasons to justify the given statement,.

[4]

Answer : (a)

On-the-job training helps workers to increase their specialized skills. It makes them more efficient and more productive. On the job Training is needed to train workers in new technologies and modern ideas so that their productive skill can be improved. Firms are always inclined to undertake 'on-the job-training' programs.

OR

- (b) "Organic Farming Is the need of the hour to promote sustainable development but, hits its own limitations."

Elaborate any two advantages and limiltations each of organic farming in the light of the above statement.

[4]

Answer : (b)

Advantage :

- (i) Economical Farming : Organic Farming offers a means to substitute costlier agricultural inputs (such as HYV seeds, chemical fertilizes, pesticides, etc.) with locally produced cheaper organic inputs.
- (ii) Generates income through exports: It generates income through international exports as demand for organically grown crops is on a rise

Limitations :

- (i) Less popular : Organic farming needs to be popularized by creating awareness and willingness on the part of farmers, for adoption of new technology. There is a serious need for an appropriate agriculture policy to promote organic farming.
- (ii) Lack of infrastructure and marketing facilities : Organic farming faces problems of inadequate infrastructure and marketing facilities





32. On the basis of the given data :

Some Selected Indicator. of Human Development. 2017-2019

Item	India	china	Pakistan
Human Development Index (value)	0.645	0.781	0.557
Rank (based on HDI)	130	87	154
Life Expectancy at Birth (years)	69.7	78.9	87.3
Mean years of Schooling (% aged 15 and above)	6.5	8.1	5.2
Gross National Income per capita PPP US\$)	6.681	16,057	5.005
Percentage of People living Below Poverty Line (National)	21.9	1.7**	24.3*
Infant Mortality Rate (per 1000 live births)	29.9	7.4	57.2
Maternal Mortality Rate (per 1 lakh births)	133	29	140
Population using at least basic Sanitation (%)	60	75	80
Population using at least basic drinking Water Source (%)	93	96	91
Percentage of Undernourished Children	37.9	8.1	37.6

Note: *for the year 2011; for the years 2015.

Sources: Human Development Report 2019 and 2020.

- (i) Identify one income indicator and one health indicator, each. **[2]**
- (ii) Compare India and China on the basis of any one of the indicator identified above in part . **[2]**

Answer :

- (i) GNI (per capita income), mortality rate.
- (ii) (a) Higher ranking of china in HDI is mainly due to higher GDP per Capita Income then India.
- (b) India's Infant and maternal mortality rate is higher then China.

33 (a) (i) Define Worker Population Ratio. Discuss its usefulness. **[3]**

Answer :

- (i) Participation Rate / Worker Population Ratio It refers to Percentage of Population Actually Participating in Production Activity . It is measured as the Ratio between Workforce and Total Population of a Country .

$$\text{Rate of Participation} = \frac{\text{Total workforce}}{\text{Total Population}} \times 100$$





From this we can know the proportion of population that is contributing to the production of goods and services in the country.

33 (a) (ii) 'Mr. Rishi, after completing his education, has joined his family business but his marginal productivity is zero.'

Comment upon the employment status of Mr. Rishi. Give valid reasons in support of your answer. **[3]**

Answer :

Mr. Rishi is suffer with Disguised unemployment because Disguised unemployment refers to a situation wherein more people are engaged in any economy activity than required. It has been found that there is surplus workforce in land. It a part of them could be taken away, the total produce would remain unaffected.

In technical language, the marginal productivity of many hands in agriculture sector is zero. It is very difficult to measure the extent of disguised unemployment is very serious in our rural sector and this our major problem.

OR

33 (b) (i) 'Kavya works on her family farm and is neither paid in cash nor in the form of grains.'

Can she be categorized as a worker ? Give valid reasons in support of your answer. **[3]**

Answer : Kavya is a jobless worker. It is termed as open and unemployment.

33 (b) (ii) "In the late 1990's India experienced a widening gap between the growth of GDP and employment generation". Discuss. **[3]**

Answer :

During 1960-2000, GDP of India grew positively and was higher than the employment growth.

There was always fluctuation in the growth of GDP, but employment grew at a stable rate of about 2 %.

However, in the late 1990s, employment growth started declining and reached the level of growth that India had in the early stages of planning.

During these year, the gap between the growth of GDP and employment was widening. This trend is termed as 'Jobless Growth.

Jobless Growth refers to a situation when the economy is able to produce more goods and services without a proportionate increase in employment opportunities.





In other words, it is a situation when there is an overall acceleration in the growth rate of GDP in the economy without corresponding expansion in employment opportunities.

34. Read the following text carefully and answer the given questions on the , basis of the same and comm. understanding.

The stabilisation and structural adjustment measures, initiated under the 1991 "Economic Reforms" mark a watershed moment in India's economic policies. For almost three decades since independence, India's development strategy and economic policies were guided by the objectives of accelerating the growth of output and employment with social justice and equity.

Ever since the 1970's, it was realised that many of the regulations on economic activities have outlived their usefulness and were in fact hampering economic growth and development. In response to this, the government initiated some milder liberalisation reforms for almost a decade since the early 1980's.

However, the Indian economy soon had to face the Gulf crisis and consequently :

- (i) The uncertainties about the oil prices;
- (ii) The external payment problems;
- (iii) The serious inflationary pressures;
- (iv) The scarcities of essential commodities;
- (v) The deterioration of fiscal discipline, etc.

These led to the Indian economy on the verge of Economic crisis.

In response to this emerging crisis, the Government initiated a set of stabilisation and structural reforms like :

- (i) Reduction in fiscal deficit;
- (ii) Containment of growth in money supply;
- (iii) An exchange rate adjustment system etc.

The key objective of stabilisation policy, was to bring the growth of aggregate demand in line with long term growth path of the economy.

In conjunction the structural adjustment measures like:

- (i) industrial delicensing
- (ii) liberalisation of policy regime governing international trade
- (iii) deregulation of financial sector

Were taken to improve the supply side of the economy. This shifted the long-term growth path of the economy itself completely. (Adapted and modified)

Source : <https://niti.gov.....>





- (a) Discuss any two reasons behind the introduction of Economic Reforms in 1991. [3]

Answer :

- (a) **Mounting Fiscal Deficit :** Fiscal deficit means difference between the total expenditure and total receipts minus loans. It equivalent to total borrowing by the government. In 1981-82, it was 5.4 percent of gross domestic product. In 1990-91, it rose to 8.4 percent of GDP. With a view to coping with fiscal deficit, the government was obliged to borrow and pay interest thereon.

Thus due to persistent rise in fiscal deficit, there was corresponding rise in public debt and interest payment liability.

In 1980-81, interest payment on public debt amounted to 10 percent of total government expenditure. In 1990-91, it shot up to 36.4 percent of total government expenditure. There was a serious apprehension that the government was getting into a debt trap.

Adverse Balance of Payments (BoP) : Balance of Payments is the difference between total receipts and total payment of a country on account of its economic transactions with rest of the world. Payment for imports and receipts for exports are the two principal items of BoP.

Our country needs foreign exchange to pay for the import of goods and services. Although government granted diverse kinds of incentives and concession to the exporters under export promotion programs, the export did not rise to the desired extent. It was mainly due to the fact that in international market, our exports could not compete in price and quality. All this was the direct result of the policy of protection so liberally pursued by the government and for so long. As against slow growth of exports there was a rapid increase in imports. This stocked the deficit in BoP.

For instance, in 1980-81, balance of payments on current account was adverse to the tune of ₹ 2,214 crore and 1990-91 it rose to ₹17,367 crore.

34. (b) In response to the emerging crisis in 1991, the Government initiated a set of stabilisation and structural reforms".

Briefly discuss any three of such measures.

[3]

Answer :





- (b)** Stabilization measures refer to the policies intended to restore viability to the balance of payments, to bring inflation under control and put the house in order in the short run.

A key element in the stabilization measures was the effort to restore fiscal discipline. Hence a programme of fiscal correction was essential to restore macroeconomic balance in the economy. In brief, stabilization measures were taken under the new economic policy deficit in the short-run to control the fiscal deficit, correct the balance of payments deficit and contain inflation .

Structural measures refer to the long-term policy-measures, aimed at improving the efficiency of the economy and increasing its international competitiveness. This restructuring was essential to ensure viability in the balance of payments and to restore the conditions for rapid growth. Thus these measures were initiated for enhancing.





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