

**ECONOMICS (Code No.
030) (2021-22)**
CLASS XII - TERM-WISE CURRICULUM

TERM 1 - MCQ BASED QUESTION PAPER	Marks
Periods Theory: 40 Time: 90 minutes	
Part A: Introductory Macroeconomics	
▪ Money and Banking 8	6
▪ Government Budget and the Economy 15	6
▪ Balance of Payments 7	6
Sub Total	18 30
Part B: Indian Economic Development	
▪ Development Experience (1947-90) and Economic Reforms since 1991: • Indian Economy (1950-90) • Liberalisation, Privatisation and Globalisation: An Appraisal	12
▪ Current challenges facing Indian Economy • Human Capital Formation • Rural development	10
Sub Total	22 45

Total 40
 75

Project Work (Part 1): 10 Marks

Students would prepare only ONE project in the entire academic session, which is divided into 2 terms i.e., Term I and Term II.

Term 1

Part A: Introductory Macroeconomics

Unit 2: Money and Banking

8 Periods

Money - meaning and supply of money - Currency held by the public and net demand deposits held by commercial banks.

Money creation by the commercial banking system.

Central bank and its functions (example of the Reserve Bank of India): Bank of issue, Govt. Bank, Banker's Bank, Control of Credit

Unit 4: Government Budget and the Economy

15 Periods

Government budget - meaning, objectives and components.
 Classification of receipts - revenue receipts and capital receipts; classification of expenditure – revenue expenditure and capital expenditure.
 Measures of government deficit - revenue deficit, fiscal deficit, primary deficit their meaning.

Unit 5: Balance of Payments

7 Periods

Balance of payments account - meaning and components.
 Foreign exchange rate - meaning of fixed and flexible rates and managed floating.

Part B: Indian Economic Development**Unit 6: Development Experience (1947-90) and Economic Reforms since 1991**

28 Periods

A brief introduction of the state of Indian economy on the eve of independence. Indian economic system and common goals of Five-Year Plans.
 Main features, problems, and policies of agriculture (institutional aspects and new agricultural strategy), industry (IPR 1956; SSI – role & importance) and foreign trade.
 Economic Reforms since 1991:
 Features and appraisals of liberalisation, globalisation and privatisation (LPG policy); Concepts of demonetization and GST

Unit 7: Current challenges facing Indian Economy

17 Periods

Poverty- absolute and relative; Main programmes for poverty alleviation: A critical assessment.
 Human Capital Formation: How people become resource; Role of human capital in economic development.
 Rural development: Key issues - credit and marketing - role of cooperatives; agricultural Diversification

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Balance of Payment and Foreign Exchange rate	Prakash Oran and Sanjay Kumar	KV Chirimiri KV BMY Bhilai
Indian Economy on the Eve of Independence	Lakhan Ram	KV 2 Korba
Indian Economic Development 1950 to 1990	Sanjay Kumar Saha	KV Raigarh

Economic Reforms 1991	Sushma Pandeya	KV Bilashpur
Poverty	Parul Tomer	KV Dongargarh
Human Capital Formation	Gobind Singh	KV 4 Korba
Rural Development	S.R.Miri and M.K.Borker	KV Durg

Index :-

S.NO.	Chapter / Unit	Page No.
1	Money and Banking	5
2	Government Budget and Economy	16
3	Balance of Payment and Foreign Exchange rate	23
4	Indian Economy on the Eve of Independence	31
5	Indian Economic Development 1950 to 1990	35
6	Economic Reforms 1991	50
7	Poverty	62
8	Human Capital Formation	69
9	Rural Development	77

MONEY AND BANKING

IMPORTANT POINTS: -

- Money: -Money is anything which is commonly accepted as a medium of exchange.
- Forms of Money: -
 - Fiat Money is that money which is issued by order of the government.
 - Fiduciary Money is that money which is accepted as a medium of exchange because of the trust between the payer and the payee.
 - Full Bodied Money: Money value = Commodity value of money.
 - Credit Money: Money value of coins and notes > Commodity value of coins and notes.
- Supply of Money: -Supply of Money is a stock concept. It refers to stock of money available with the public/people at a point of time.
- Stock of Money with the government and the banking system of the country is not the part of money supply.
- Components of Money Supply(M1): -Currency with Public + Demand Deposits with Commercial Banks + Other Deposits with the Reserve Bank.
- Credit creation: -the process of advancing loan on the basis of primary deposits, many times as compare to their cash reserves.
- Credit Multiplier: -the reciprocal of reserve requirements (RR). It shows how many times of reserve requirements credit can be generated by bank.
- Central Bank: -The Central Bank is a n apex bank of country which controls the entire banking system.
- Functions of Central Bank: -
 - Bank of issuing notes: - The Reserve Bank of India has the sole right to issue currency notes except one-rupee notes and coins. Currency notes issued by the Reserve Bank are declared unlimited legal tender throughout the country.
 - Banker to the government: - RBI works as banker, agent, and advisor to the government of India and state governments.
 - Bankers' bank and supervisory role: - RBI accepts deposits of commercial banks and provides loans to commercial banks. RBI performs supervisory role for proper compliance of rules/ policies and other instructions by commercial banks.
 - Lender of the last resort: - When commercial banks are not able to collect funds from market when they require, that time RBI provides loan to commercial banks.
 - Custodian of foreign exchange: - RBI holds reserves with itself to maintain Exchange rate or to control on large scale fluctuations in exchange rate.
 - Clearing house function: - RBI performs the function of clearing liability of commercial banks on each other.
 - Control on Credit Creation: -through the monetary policy RBI perform this function. For this RBI uses Quantitative instruments and Qualitative instruments.
- Quantitative Tools:-it refers to the tools which will affect the total volume of money supply in economy.

- **Bank Rate**:- It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers.
- **Cash Reserve Ratio**:- it refers to the minimum percentage of bank's total deposit that a commercial bank has to keep with RBI in the form of cash.
- **Statutory Liquidity Ratio**:- It refers to the percentage of banks total deposits that a commercial bank has to keep with itself in the form of liquid assets
- **Open Market Operation**:- open market operation refers to sale and purchase of govt. securities by RBI in the open market on behalf of govt.
- **Repurchasing Option Rate**:- The interest rate at which RBI lends money to commercial banks for short run is called RePO rate.
- **Reverse Repurchasing Option Rate**: - it is the rate at which commercial banks can deposit their excess funds with RBI or central bank.
- **Qualitative Tools**: - it refers to the tools which do not affect the volume of money supply in the economy but they can affect the direction of money supply.
 - **Margin Requirement**: - It refers to the difference between the value of asset which is mortgage and amount of loan.

CASE STUDY BASE QUESTIONS

CASE STUDY -1

Read the following case study paragraph carefully and answer the questions based on the same.

The central bank of India (Reserve Bank of India) is the apex institution that controls the entire financial market. It's one of the major functions is to maintain the reserve of foreign exchange. Also, it intervenes in the foreign exchange market to stabilise the excessive fluctuations in the foreign exchange rate. In other words, it is the central bank's job to control a country's economy through monetary policy.

If the economy is moving slowly or going backward, there are steps that central bank can take to boost the economy. These steps, whether they are asset purchases or printing more money, all involve injecting more cash into the economy. The simple supply and demand economic projection occur and currency will devalue. When the opposite occurs, and the economy is growing, the central bank will use various methods to keep that growth steady and in-line with other economic factors such as wages and prices.

Whatever the central bank does or in fact don't do, will affect the currency of that country. Sometimes, it is within the central bank's interest to purposefully affect the value of a currency. For example, if the economy is heavily reliant on exports and their currency value becomes too high, importers of that country's commodities will seek cheaper supply; hence directly affecting the economy.

1. Which of the following tools are used by the central bank to control the flow of money in domestic economy?

- a) Fiscal tools
 - b) Quantitative monetary tools
 - c) Qualitative monetary tools
 - d) Both (b) and (c)
2. Money supply is a ----- concept.
- a) Flow
 - b) Stock
 - c) Ratio of stock and flow
 - d) None of above
3. Which of the following steps should take by the central bank if there is excessive rise in the foreign exchange rate?
- a) Supply foreign exchange from its stock
 - b) Demand more of other foreign exchange
 - c) Allow commercial banks to work under less strict environment
 - d) Both (b) and (c)
4. Dear money policy of central bank, which is used to keep the growth steady and in-line with other economic factors, refers to
- a) Tighten the money supply in the economy
 - b) Ease the money supply in the economy
 - c) Allow commercial banks to work under less strict environment
 - d) Both (b) and (c)

1	2	3	4
D	B	A	a

CASE STUDY -2

Read the following case study paragraph carefully and answer the questions on the basis of the same.

The Reserve Bank of India raised inflation forecasts on the back of higher oil and other raw materials while it maintained the growth forecast at 9.5% for FY22 despite anemic investment demand.

Governor Shaktikanta Das said inflation measured by the consumer price index (CPI) might remain close to the upper tolerance band of 6% up to September expecting easing of pressure thereafter on kharif harvest arrivals.

[RBI has fixed inflation rate target in between 2%-6 %.]

The central bank projected CPI at 5.7% for FY22 compared to its earlier projection of 5.1%.

“The supply-side drivers could be transitory while demand-pull pressures remain inert, given the slack in the economy. A pre-emptive monetary policy response at this stage may kill the nascent and hesitant recovery that is trying to secure a foothold in extremely difficult conditions,” Das said.

Crude oil prices are volatile with implications for imported cost pressures on inflation, RBI said. “The combination of elevated prices of industrial raw materials, high pump prices of petrol and diesel with their second-round effects, and logistics costs continue to impinge adversely on cost conditions for manufacturing and services, although weak demand conditions are tempering the pass-through to output prices and core inflation

1. How does RBI promote growth process of country:-
 - a) By controlling price level in country
 - b) By changing various interest rates and money supply
 - c) By increasing supply of products
 - d) All of above
2. Why does RBI fix the inflation target?
 - a) To make growth process fast
 - b) To make coordination with government
 - c) To manage exchange rate
 - d) To stabilize economy
3. Why increasing crude oil prices are matter of concern :-
 - a) Increasing crude oil prices are increasing transportation cost
 - b) Increasing crude oil prices are making economy potentially unstable
 - c) Increasing crude oil prices are volatising growth process
 - d) Increasing crude oil prices are adversely affecting demand

1	2	3
B	D	B

CASE STUDY -3

Read the following case study paragraph carefully and answer the questions on the basis of the same.

India’s total Money Supply (M3) stood at Rs 18907383 crore as on April 9th 2020, recording a rise of 11.3% over the same time last year. Currency with the public stood at Rs 2787941 crore, up 16.7% over the year. Demand deposits with banks were up 17% at Rs 1867606 crore.

Time deposits with banks were also up 9.6% at Rs 14205545 crore. The bank credit to commercial sector edged up 5.1% on year to Rs 11552069 crores. However, this indicates moderation from 7.2% at the same time last year.

1. How does increase in deposits with commercial banks will affect credit creation process :-
 - a) Credit creation process will increase
 - b) Credit creation process will remain unaffected
 - c) Credit creation process will reduce
 - d) None of above
2. M3 is consist of:-
 - a) C +OD + Time deposits

- b) C + DD + OD + time deposits
 - c) M1 + deposits of post office saving bank
 - d) All of above
3. What is indicated by increasing deposits:-
- a) People prefer to save more now
 - b) Income level of people are increasing
 - c) People prefer to keep money in the bank accounts after demonetisation
 - d) All of above

1	2	3
A	B	D

CASE STUDY -4

Read the following case study paragraph carefully and answer the questions on the basis of the same.

Repo (repurchase) rate also known as the benchmark interest rate is the rate at which the RBI lends money to the commercial banks for a short-term (a maximum of 90 days). When the repo rate increases, borrowing from RBI becomes more expensive. If RBI wants to make it more expensive for the banks to borrow money, it increases the repo rate similarly, if it wants to make it cheaper for banks to borrow money it reduces the repo rate. If the repo rate is increased, banks can't carry out their business at a profit whereas the very opposite happens when the repo rate is cut down. Generally, repo rates are cut down whenever the country needs to progress in banking and economy.

If banks want to borrow money (for short term, usually overnight) from RBI then banks have to charge this interest rate. Banks have to pledge government securities as collateral. This kind of deal happens through a re-purchase agreement. If a bank wants to borrow, it has to provide government securities at least worth ₹ 1 billion (could be more because of margin requirement which is 5%–10% of loan amount) and agree to repurchase them at ₹1.07 billion (US\$15 million) at the end of borrowing period. So the bank has paid ₹65 million (US\$910,000) as interest. This is the reason it is called repo rate.

1. What kind of tool RePO rate is:-
 - a) Qualitative tool
 - b) Quantitative tool
 - c) Fiscal tool
2. Why RePO rate is called Repurchasing rate:-
 - a) Commercial bank has to mortgage its securities with RBI
 - b) Commercial bank has to make an agreement to repurchase the securities mortgage with RBI
 - c) Commercial banks have to pay interest on borrowings
3. If inflationary conditions persist in economy then what should be done with RePo rate
 - a) RePo rate should be reduced

- b) RePo rate should be increased
 - c) Does not change RePO rate
 - d) None of above
4. On which type of borrowing RePO rate is charged by RBI
- a) On short term borrowings
 - b) No long term borrowings
 - c) Borrowings to maintain reserves
 - d) Borrowings to purchase assets

1	2	3	4
A	B	B	A

CASE STUDY -5

Read the following case study paragraph carefully and answer the questions on the basis of the same.

The Indian economy has diversified quite significantly and been growing rapidly since 1991, and getting increasingly integrated with the global economy. Therefore, the fourth generation (1991-2014) of Indian banking saw landmark reforms such as issue of fresh licences to private and foreign banks to infuse competition, thereby enhancing productivity as well as efficiency by leveraging technology; introduction of prudential norms; providing operational flexibility coupled with functional autonomy; focus on implementation of best corporate governance practices; and strengthening of capital base as per the Basel norms.

Since 2014, the banking sector has witnessed the adoption of the JAM (Jan-Dhan, Aadhaar, and Mobile) trinity, and issuance of licences to Payments Banks and Small Finance Banks (SFBs) to achieve last-mile connectivity in the financial inclusion drive. For instance, SFBs had mobilised deposits of ₹82,488 crore and extended credit of ₹90,576 crore to small and marginal farmers, and MSMEs (micro small & medium enterprises) by the end of FY 2019-20.

Given the current challenges of a burgeoning population, the ongoing Covid-19 pandemic, and the West’s intention to shift its manufacturing base as well as supply/value chains from China to India and elsewhere, it is essential to say ‘yes’ to fifth generation (2014 and beyond) banking reforms. This calls for a paradigm shift in the banking sector to improve its resilience and maintain financial stability.

The Narasimham Committee Report (1991), as well as the discussion paper on *Banking structure in India – The way forward* (Reserve Bank of India, 2013), emphasised that India should have three or four large commercial banks, with domestic and international presence, along with foreign banks. The second tier may comprise several mid-size lenders, including niche banks, with economy-wide presence.

1. How does financial inclusion programme “jan dhan yojana” affect financial conditions of commercial banks:-
 - a) Availability of funds with commercial banks have increased
 - b) Availability of funds with commercial banks have decreased
 - c) Not affected in any way
2. Small Finance Banks had mobilised deposits of ₹82,488 crore and extended credit of ₹90,576 crore to small and marginal farmers, and MSMEs (micro small & medium enterprises) by the end of FY 2019-20. How will it affect economy
 - a) Growth of MSME and agriculture sector become faster
 - b) Financial inclusion of people
 - c) Economic strengthening of rural areas
 - d) All of above
3. What type of fourth generation reforms are made by government in banking sector:-
 - a) Reduction in mandatory reserves
 - b) Operational flexibility
 - c) Improvement in competition
 - d) All of above

1	2	3
A	D	D

ASSERTION AND REASON BASED QUESTIONS

1. Assertion (A)- RBI gives licence to commercial banks and supervise them.
Reason (R)- RBI is the largest bank of country.
 - a) both (A) & (R) both are true and (R) is correct explanation of (A)
 - b) both (A) & (R) both are true and (R) is not correct explanation of (A)
 - c) (A) is true but (R) is false
 - d) (A) is false but (R) is true
2. Assertion (A)- when CRR is increased, credit creation capacity of commercial banks reduces.
Reason (R)- with increase in reserve ratios, banks have less funds available for loans.
 - a) both (A) & (R) both are true and (R) is correct explanation of (A)
 - b) both (A) & (R) both are true and (R) is not correct explanation of (A)
 - c) (A) is true but (R) is false
 - d) (A) is false but (R) is true
3. Assertion (A)-Money supply is a flow concept.
Reason (R)- money supply refers to total currency circulation at a point of time.
 - a) both (A) & (R) both are true and (R) is correct explanation of (A)
 - b) both (A) & (R) both are true and (R) is not correct explanation of (A)
 - c) (A) is true but (R) is false
 - d) (A) is false but (R) is true

4. Assertion (A)- Credit creation process increases the money supply in economy .
Reason (R)- through the credit creation process commercial banks can distribute loans many times as compare to their primary deposits.
- both (A) & (R) both are true and (R) is correct explanation of (A)
 - both (A) & (R) both are true and (R) is not correct explanation of (A)
 - (A) is true but (R) is false
 - (A) is false but (R) is true
5. Assertion (A)-Credit creation process is now a main function of commercial banks.
Reason (R)- Commercial banks are the secondary money suppliers.
- both (A) & (R) both are true and (R) is correct explanation of (A)
 - both (A) & (R) both are true and (R) is not correct explanation of (A)
 - (A) is true but (R) is false
 - (A) is false but (R) is true
6. Assertion (A)-Central bank holds the foreign exchange reserves to influence exchange rate.
Reason (R)- selling and purchasing of foreign exchange influences the exchange rate.
- both (A) & (R) both are true and (R) is correct explanation of (A)
 - both (A) & (R) both are true and (R) is not correct explanation of (A)
 - (A) is true but (R) is false
 - (A) is false but (R) is true
7. Assertion (A)-Central bank purchase and sell government securities according to conditions.
Reason (R)-Central bank works as a banker to the government.
- both (A) & (R) both are true and (R) is correct explanation of (A)
 - both (A) & (R) both are true and (R) is not correct explanation of (A)
 - (A) is true but (R) is false
 - (A) is false but (R) is true
8. Assertion (A)-settlement of liabilities of commercial banks is done by RBI.
Reason (R)- RBI holds the accounts of all commercial banks and commercial banks keep funds in it essentially.
- both (A) & (R) both are true and (R) is correct explanation of (A)
 - both (A) & (R) both are true and (R) is not correct explanation of (A)
 - (A) is true but (R) is false
 - (A) is false but (R) is true
9. Assertion (A)-Governor of RBI gives advises to central government regarding about tax, expenditure related decisions.
Reason (R)- it is essential for the government to follow the advises of RBI.
- both (A) & (R) both are true and (R) is correct explanation of (A)
 - both (A) & (R) both are true and (R) is not correct explanation of (A)
 - (A) is true but (R) is false
 - (A) is false but (R) is true

10. Assertion (A)- Margin requirement is a qualitative tool for controlling credit creation process.

Reason (R)- margin requirement changes the availability of supply of money in economy.

- a) both (A) & (R) both are true and (R) is correct explanation of (A)
- b) both (A) & (R) both are true and (R) is not correct explanation of (A)
- c) (A) is true but (R) is false
- d) (A) is false but (R) is true

1	2	3	4	5	6	7	8	9	10
C	A	D	A	A	A	A	B	C	C

MULTIPLE CHOICE QUESTIONS

1. Which bank is authorized to issue currency notes?

- a) Central Bank
- b) Commercial Bank
- c) Cooperative Bank
- d) Scheduled Bank

Ans. (a) Central Bank [because it is legally authorised to print currency on the behalf of government]

2. Money that is issued by the authority of the government is called:

- a) Full bodied money
- b) Credit Money
- c) Fiat Money
- d) Fiduciary Money

Ans. (c) Fiat Money [because it is legal tender]

3. Who regulates money supply in India?

- a) Government of India
- b) Reserve Bank of India
- c) Commercial Banks
- d) NITI Ayog

Ans. (b) Reserve Bank of India [RBI operates the monetary policy]

4. Demand deposits include :

- a) Cheque able deposits
- b) Deposits which can be withdrawn on demand
- c) Fixed deposits for a period
- d) Both (a) and (b)

Ans.(d) Both (a) and (b) [demand deposits are those deposits which can be withdrawal on the demand of consumer]

5. Supply of money is a:

- a) Flow variable
- b) Stock variable

- c) Real flow
- d) None of these

Ans. (a) Stock variable [it is measured at a point of time]

6. In India, coins are issued by:
- a) State bank of India
 - b) Reserve bank of India
 - c) Ministry of finance
 - d) Ministry of urban development

Ans. (c) Ministry of finance

7. High powered money is equal to:
- a) Money supplied by the RBI ONLY
 - b) Total supply of money in the economy
 - c) Notes and coins held by the people
 - d) Money (notes and coins) held by the public, vault cash of the commercial banks as well as cash reserves of the commercial banks with the RBI

Ans. (d) Money (notes and coins) held by the public, vault cash of the commercial banks as well as cash reserves of the commercial banks with the RBI. [it is called “high power money” because it can bring fluctuations in economy.]

8. In India, Money supply (M_1) is equal to:
- a) Currency with people
 - b) Currency with people +Demand Deposits
 - c) Currency with people+ Net Demand deposits held by the commercial banks
 - d) None of these

Ans.(c) Currency with people+ Net Demand deposits held by the commercial banks

9. Central bank of a country does not deal with-----
- a) State government
 - b) Central government
 - c) General public
 - d) Commercial banks

Ans. General public [it controls and monitor entire banking system]

10. Credit creation in commercial banks is determined by
- a) Cash Reserve ratio
 - b) Statutory liquidity Ratio
 - c) Initial Deposits
 - d) All the above

Ans. All the Above [they all affect credit creation capacity of commercial banks.]

11. Which of the following is not a quantitative Method of credit control?
- a) Open Market Operation
 - b) Margin Requirements
 - c) Variable reserve Ratio
 - d) Bank Rate Ratio

Ans. Margin requirements [quantitative tools are those tools which changes the total volume of money supply in economy.]

12. The percentage of demand deposits which the commercial banks are legally required to maintain as their liquid assets is called:

- a) Statutory liquidity Ratio
- b) Deposit ratio
- c) Cash Reserve ratio
- d) Legal reserve ratio

Ans. (a) statutory liquidity Ratio [it is the ratio of banks total deposits which banks have to keep with them in the form of cash or any other liquid assets.]

13. Which of the following is not the function of Central bank?

- a) Bank facilities to government
- b) Lending to commercial bank
- c) Bank facilities to Public
- d) Lending to Public

Ans. Bank facilities to Public [central bank does not deal with public.]

14. The ratio of total deposits that a commercial Banks must keep with Reserve bank of India is called:

- a) Deposit Ratio
- b) Cash Reserve Ratio
- c) Legal Reserve Ratio
- d) Statutory liquidity Ratio

Ans. (b) Cash Reserve Ratio [commercial banks must keep CRR in the cash]

15. If inflation is to be combated, the RBI:

- a) Raises SLR and lowers CRR
- b) Lower SLR and raises CRR
- c) Raises both CRR as well as SLR
- d) None of these

Ans: (c) Raises both CRR as well as SLR [increase in CRR and SLR will force banks to keep more reserves and less funds are available for lending.]

16. If recession is to be combated:

- a) Bank rate needs to be lowered
- b) CRR needs to be lowered
- c) Both (a) and (b)
- d) Repo rate needs to be lowered and CRR needs to be raised

Ans.(c) Both (a) and (b) [lower CRR will lead less reserves with RBI and lower bank rate will reduce lending rates by commercial bans to public.]

MATCH THE FOLLOWING

1. From the set of statements given in column I and column II, choose the correct pair of statements:

Column I	Column II
(a) SLR	(i) Fixed by the commercial bank
(b) Primary deposits	(ii) Derivative Deposits
(c) Commercial bank	(iii) Advisor to the government
(d) Central bank	(iv) Provides 'clearing house' facility

Ans.(d) Central bank- (iv) Provides 'clearing house' Facility

2. Match the followings: -

Column 1	Column2
(A)CRR	(1) the rate of rediscount on securities
(B)Money Supply	(2) total currency circulated in economy at a point of time
(C)Margin Requirements	(3) cash deposits of commercial banks total deposits with RBI
(D)RePO Rate	(4) difference between amount of loan and value of asset

a) (A)(3),(B)(2),(C)(4),(D)(1)

b) (A)(1),(B)(4),(C)(3),(D)(2)

c) (A)(3),(B)(1),(C)(4),(D)(2)

d) (A)(3),(B)(4),(C)(2),(D)(1)

Ans. a) (A)(3),(B)(2),(C)(4),(D)(1)

GOVERNMENT BUDGET

IMPORTANT POINTS: -

- Government Budget-Meaning and Objectives: Government budget is a statement of the estimates of the government receipts and government expenditure during the period of the financial year. It unveils/reveals the fiscal policy (budgetary policy) of the government for the year to come.
- Objectives of the Government Budget: -
- To accelerate GDP in terms of the flow of goods and services in the economy.
- To promote the development of backward regions of the country with a view to minimising the regional disparities.
- Reallocation of resources with a view to maximising social welfare.
- Abundant provision of public goods (particularly in terms of law & order and defence), so that the people of the country live in a peaceful environment.
- Redistribution of income and wealth with a view to reducing the gulf between the rich and the poor.
- Investment in public enterprises with a view to generating employment opportunities.

- Receipts and Expenditure of the Government-[Revenue and Capital]
- Revenue Receipts: - These are those receipts (i) which do not cause any reduction in assets of the government, and (ii) which do not create any liability for the government (Example: Tax receipts of the government).
- Capital Receipts: - These are those receipts: (i) which create a corresponding liability for the government (Example: Loans by the government), and (ii) which cause reduction in assets of the government (Example: Disinvestment).
- Revenue Expenditure: -These are those Expenditure: (i) which does not cause increase in government assets, which does not cause any reduction in government liability (Expenditure on old age pension).
- Capital Expenditure: - It is that expenditure of the government: (i) which causes increase in government assets (Example: Expenditure on construction of roads), and (ii) which causes reduction in government liability (Example: Payment of loan by the government).
- Budgetary Deficit and its Estimation— Revenue Deficit, Fiscal Deficit and Primary
- Revenue Deficit: -it is the excess of revenue expenditure over revenue receipts.
Revenue Deficit = Revenue expenditure - Revenue receipts
- Fiscal Deficit: Fiscal deficit is the excess of total expenditure (revenue + capital) over total receipts (revenue + capital other than borrowings).
Fiscal Deficit = Total expenditure (Revenue expenditure + Capital expenditure) — Total receipts other than borrowings (Revenue receipts + Capital receipts other than borrowings)
- Primary Deficit: It is the difference between fiscal deficit and interest payments.

CASE STUDY BASE QUESTIONS

CASE STUDY- 1

Read the following hypothetical text and answer the given questions: -

Public expenditure accelerates the pace of GDP growth. Higher rate of GDP growth is achieved through (a) investment expenditure in public sector enterprises, (b) capital grants by the government for the purchase of capital equipment, (c) subsidies for the purchase of inputs, and (d) purchase of farm output at the minimum support price. Public expenditure promotes equality in the distribution of income and wealth. This is achieved by offering old-age pensions, as well as by providing free food, education, and health services to the Below Poverty Line Population.

Public expenditure plays a significant role in restoring economic stability. Particularly, when the economy is battling economic recession. The government expenditure (consumption expenditure as well as investment expenditure) raises the level of AD. Only when AD is raised that the vicious circle of economic recession is broken. Public expenditure generates investment-friendly environment in the economy. The government spends money on infrastructural development. It constructs roads, dams, bridges. It

introduces faster and convenient means of transportation. Such facilities promote inducement to investment. Briefly, public expenditure is indispensable in any welfare state like India. It not only promotes GDP growth, but also promotes social welfare.

1. The construction of roads, dams, bridges is called
 - a. Social development
 - b. Infrastructure development
 - c. Industrial development
 - d. Agrarian development
2. The government expenditure does not raise the level of AD
 - a. True
 - b. False
3. Read the following statement
 Assertion (A): Public expenditure generates investment-friendly environment in the economy.
 Reason (R): It raises the infrastructural development in the economy.
 - a. Both Assertion (A) and Reason (R) are true.
 - b. Both Assertion (A) and Reason (R) are false.
 - c. Assertion (A) is true and Reason (R) is false.
 - d. Assertion (A) is false and Reason (R) is true.
4. Which is included in the non- transfer income
 - a. Old age pension
 - b. Subsidies
 - c. Retirement pension
 - d. Scholarship

1	2	3	4
b	b	a	c

CASE STUDY- 2

Read the following hypothetical text and answer the given questions: -

GDP growth is the central objective of government budgetary policy. It is achieved in two ways: (i) by making public investment expenditure, and (ii) by inducing private investment expenditure (through tax rebates and subsidies).

Allocation of Resources: Private enterprises will always desire to allocate resources to those areas of production where profits are high. However, it is possible that such areas of production (like production of alcohol) may not promote social welfare. Through its budgetary policy, the government of a country directs the allocation of resources in a manner such that there is a balance between the goals of profit maximisation and social welfare. Production of goods which are injurious to health (like Cigarettes and Whisky) is discouraged through heavy taxation. On the other hand, production of 'socially useful goods' (like, 'Khadi') is encouraged through subsidies.

1. Public enterprises will always desire to allocate resources to those areas of production, where: -
 - a. Profits are high
 - b. Cost is low
 - c. Social welfare is high
 - d. Revenue is high
2. GDP growth is the central objective of government budgetary policy.
 - a. True
 - b. False
3. Suitable title for the passage
 - a. GDP
 - b. Private enterprises
 - c. Subsidies
 - d. Government Budget

1	2	3
c	a	C

ASSERTION AND REASON BASED QUESTIONS

1. Read the following statement
 Assertion (A): Cigarettes and Whisky are discouraged through heavy taxation.
 Reason (R): These are 'socially useful goods'
 - a. Both Assertion (A) and Reason (R) are true,
 - b. Both Assertion (A) and Reason (R) are false.
 - c. Assertion (A) is true and Reason (R) is false.
 - d. Assertion (A) is false and Reason (R) is true.
2. Assertion (A): GST is an indirect tax.
 Reason (R): because it is imposed on goods and services.
 - a) Both Assertion (A) and Reason (R) are true, (R) is correct explanation of (A).
 - b) Both Assertion (A) and Reason (R) are true but (R) is not correct explanation of (A).
 - c) Assertion (A) is true and Reason (R) is false.
 - d) Assertion (A) is false and Reason (R) is true.
3. Assertion (A): borrowings are capital receipts but payment of interest on borrowings are revenue expenditure.
 Reason (R): borrowings creates liability but payment of interest does not reduce liability.
 - a) Both Assertion (A) and Reason (R) are true, (R) is correct explanation of (A).
 - b) Both Assertion (A) and Reason (R) are true but (R) is not correct explanation of (A).
 - c) Assertion (A) is true and Reason (R) is false.
 - d) Assertion (A) is false and Reason (R) is true.

e) Assertion (A): Fiscal deficit refers to total borrowings of government during a financial year.

Reason (R): fiscal deficit creates burden on future generations.

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

1	2	3	4
C	a	a	B

MULTIPLE CHOICE QUESTIONS

1. In the context of government budget which of the following statement is correct
 - a) It is a statement of expected annual receipts and expenditures of the government
 - b) It is detail of actual receipts and expenditure of the government in a financial year
 - c) It offers a detailed description of achievements of the government during the five-year plans
 - d) It indicates bop status of the domestic economy
2. which of the following are the objective of government budget?
 - a) distribution of income and wealth
 - b) economics stability
 - c) GDP growth
 - d) all of these
3. which of the following is a non-tax receipt?
 - a) gift tax
 - b) sales tax
 - c) donations
 - d) excise duty
4. Progressive tax is a tax which is
 - a) Charged at a decreasing rate when income of the individual increases
 - b) Charged at an increasing rate when income of the individual increases
 - c) A fixed percentage of an individual income
 - d) None of these
5. Revenue earned by the government from the property without any legal heir is called:
 - a) donation
 - b) escheat
 - c) wealth tax
 - d) none of these
6. A tax the burden of which can be shifted on to others, is called:
 - a) indirect tax

- b) direct tax
 - c) wealth tax
 - d) none of these
7. Which one of the following is an indirect tax?
- a) wealth tax
 - b) excise duty
 - c) income tax
 - d) none of these
8. which of the following is a direct tax?
- a) income tax
 - b) excise duty
 - c) sales tax
 - d) custom duty
9. tax that imposed on value added at the various stages of production is known as
- a) Corporate profit tax
 - b) Direct personal tax
 - c) Value added tax
 - d) None of these
10. Gift tax is a paper tax because
- a) It is an indirect tax
 - b) It is a direct tax
 - c) It does not have significant revenue yield
 - d) Both b and c
11. which of the following is not a non -tax receipt?
- a) fees
 - b) fine
 - c) gift tax
 - d) grants and donations
12. Which of the following is a part of the revenue expenditure in the Indian government budget?
- a) Interests' payments
 - b) Defence purchases
 - c) Wage bill of the government
 - d) All of these
13. capital receipt is that receipt of the government which:
- a) creates a liability
 - b) reduces the assets
 - c) both (a) and (b)
 - d) neither (a) or (b)
14. Which of the following are capital receipts of the government?
- a) Recovery of loans

- b) Borrowings
 - c) Disinvestment
 - d) All of these
15. Capital expenditure is that estimated expenditure of the government by which
- a) Assets are increased
 - b) Liabilities are decreased
 - c) Both a and b
 - d) Assets and liabilities do not change
16. Deficit budget refers to that situation in which government's budget expenditure is
- a) Less than its budget receipts
 - b) More than its budget receipts
 - c) Equal to its budget receipts
 - d) None of these
17. Fiscal deficit=
- a) Total expenditure- total receipts other than borrowing
 - b) Revenue expenditure- revenue receipts
 - c) Capital expenditure- capital receipts
 - d) Revenue expenditure+ capital expenditure- revenue receipts
18. In which of the following ways, can deficit in budget be financed
- a) Borrowing from RBI
 - b) Borrowing from the public
 - c) Both a and b
 - d) Neither a nor b
19. Which of the following is implication of fiscal deficit?
- a) Crowding- out
 - b) Inflationary spiral
 - c) Erosion of government credibility
 - d) All of these
20. A budget is a balanced one when
- a) Total expenditure= total receipts
 - b) Total expenditure<total receipts
 - c) Total expenditure>total receipts
 - d) None of these
21. Surplus budget is that budget where in
- a) Estimated revenue of the government= estimated expenditure of the government
 - b) Estimated revenue of the government< estimated expenditure of the government
 - c) Estimated revenue of the government> estimated expenditure of the government
 - d) None of these
22. The difference between fiscal deficit and interest payment is called:
- a) revenue deficit
 - b) primary deficit

c) budget deficit

d) capital deficit

23. If primary deficit is 3500 and interest payment is 500, then fiscal deficit is

a) 2900

b) 4000

c) 4100

d) 4200

1	2	3	4	5	6	7	8	9	10	11	12
a	d	c	b	b	a	b	a	c	c	c	d
13	14	15	16	17	18	19	20	21	22	23	
c	d	c	b	a	c	d	a	c	b	b	

FOREIGN EXCHANGE RATE & BALANCE of PAYMENT

IMPORTANT POINTS: -

- The rate at which foreign currency (say dollar) is purchased by selling domestic currency (say rupees), is called exchange rate.
- Suppose \$1 can be purchased by 60₹. So, the foreign exchange rate is
 $\$1 = 60 \text{ ₹}$
- Concept of Devaluation and Revaluation: -
- When exchange rate increases (fall in value of domestic currency) due to intervention of government (govt. increases forcefully) then it is called devaluation of domestic currency.
- When exchange rate decreases (rise in value of domestic currency) due to intervention of government then it is called revaluation of domestic currency.
- Concept of Depreciation and Appreciation: -
- When exchange rate increases (fall in value of domestic currency) due to market forces (change in demand and supply) then it is called depreciation.
- When exchange rate decreases (rise in value of domestic currency) due to market forces then it is called appreciation.
- Systems of Foreign Exchange Rate Determination: -
- Fixed Exchange Rate System: - in this system countries make agreement to keep fixed / pegged their exchange rate excluding some exceptional conditions.
Under Fixed Exchange Rate System, there are two theories a) Gold standards system b) Bretton woods system.

- Flexible Exchange Rate System: - in this system, exchange rate is determined based on demand and supply of foreign exchange in foreign exchange market. Where demand and supply of foreign exchange is equal, exchange rate is determined. This is almost similar like determination of price of a commodity in market.
- Mixed Exchange rate system: - managed floating is like mixed exchange rate system. In this system government or central bank interfere in exchange rate determination as and when it is required. Central bank purchase or sell foreign currency/ exchange in the foreign exchange market according to condition.
- Balance of Payment is a systematic account of all the economic transactions which are made by residents of country with residents of other countries within a year.
- Every receipt of international transaction is recorded on Credit side and every payment is recorded on Debit side.
- According to accounting rules BoP always remain balanced because BoP is based on 'Double Entry system'.
- But it means not that all sub accounts will be balanced. Sub accounts may be imbalanced. Any imbalance in BoP indicates that its sub accounts are imbalanced.
- Accounts of BoP: - main accounts are: -
- CURRENT ACCOUNT: - it refers to the account which record all the current transactions of goods, services, and unilateral transaction. Main transaction of this accounts is: -
 - Export and Imports of goods or visible
 - Export and Imports of factor services or income flows [it includes interest, profit, rent, royalty]
 - Export and Imports of non-factor services [it includes banking, insurance, transportation, tourism, purchase by tourists etc.]
 - Unilateral Transactions [one sided payment are gifts, grants, donations, aid etc.]
- Balance of Trade = Export of Goods – Import of Goods
- Balance of Invisible = Receipts of [factor services + non-factor services +unilateral transactions] – Payments of [factor services + non-factor services +unilateral transactions]
- Balance of Current Account = Balance of Visible/ Trade + Balance of Invisible
- Positive current account indicates that country can purchase assets and reduce its liability and vice versa.
- CAPITAL ACCOUNT: -it refers to the account which shows the changes in assets and liability of a country. It means capital account record the flow of debts and investments received and paid. Main transaction of this accounts are: -
 - Foreign Investments [foreign direct investment + foreign indirect investment]
 - Borrowings [external commercial borrowings + external assistance or concessional loan]
 - Flow of banking capital
 - NRI deposits
 - Short term debt

- ERROR AND OMISSIONS
- OFFICIAL RESERVE ACCOUNT / FINANCIAL ACCOUNT: it refers to the foreign exchange reserves held with central bank. Every transaction in official reserve account is to create balance / equilibrium in BoP.
- Many countries show official reserve account as a separate account, but it can be shown as a part of Capital account.
- Autonomous and Accommodating Transactions/ items: -
- Autonomous transactions are those transactions which take place with the purpose of profit. They have no meaning with equilibrium of BoP. They are also called 'above the line items'.
- Accommodation Transactions are those transactions which take place to make BoP in equilibrium. They are directly related with deficit or surplus of BoP. They are called 'below the line items'.

CASE STUDY BASE QUESTIONS

CASE STUDY- 1

Read the following hypothetical text and answer the given questions: -

Exchange rate between Indian Rupee and US Dollar has changed from 71. 49 (November, 2020) to 72.82 (January 2021) through changes to market forces of demand and supply. Therefore, it is believed that India's balance of payments this year going to be "very very strong" Commerce and Industry Minister Piyush Goyal said on Monday.

1. Change from 1\$ = 71.49 INR to 72.82 is called as.....
 - a) Appreciation
 - b) Depreciation
 - c) Revaluation
 - d) Devaluation
2. This kind of determination is applicable in system of exchange rate
 - a) Flexible exchange rate system
 - b) Fixed exchange rate system
 - c) Managed floating
 - d) None of above

1	2
b	a

CASE STUDY- 2

Read the following hypothetical text and answer the given questions: -

India's foreign exchange reserves have jumped by \$100 billion in 10 months to a record high of \$534.5 billion. The rise has been led by strong foreign fund inflows recently and decline in import bill due to dip in crude oil prices and trade impact following COVID-19 pandemic. Reduced imports of gold also cut down India's import bill.

1. Import of Petroleum from Iran will be mentioned:
 - a) Credit side of Capital Account
 - b) Debit side of Capital Account
 - c) Credit side of Current Account
 - d) Debit side of Current Account
2. Increase in import duty of gold will lead to:
 - a) Reduction in import of gold
 - b) Import of gold will increase
 - c) No effect on import of gold
 - d) Outflow of Foreign Exchange
3. India's foreign exchange reserves has jumped high. The reason may be:
 - a) Inflow foreign exchange
 - b) Outflow of foreign exchange
 - c) Autonomous payments over Autonomous Receipts
 - d) All the above

1	2	3
d	a	a

CASE STUDY- 3

Read the following hypothetical text and answer the given questions: -

Each nation has its own currency when monetary transactions are conducted within the national borders, payments are made in the currency of that country for example Indian currency is called rupee. To be more exact it is called Indian rupee payments within the national borders Of India are made in Indian rupees. Similarly, each other nation has its own currency for example Pakistan currency is called Pakistani rupee USA currency US dollar Kuwait currency Kuwaiti Dinar UAE currency dirham and so on payments within the nation borders of Pakistan are made in Pakistani rupees payment within the national border of USA is USA dollars, etc. When transactions are conducted across National borders one currency must be converted into another. Conversion rate between two currencies is decided by two ways first fixed exchange rate second floating or flexible exchange rate.

1. Exchange rate refer to the rate at which the following is exchanged:
 - (a) Goods
 - (b) Currencies
 - (c) Services
 - (d) All the above
2. Who fixed the flexible exchange rate:
 - (a) Market force
 - (b) Government
 - (c) Both a and b
 - (d) None of these
3. _____ refers to a system in which exchange rate for a currency is fixed by the government.
 - a) Fixed exchange rate

- b) flexible exchanged rate
- c) floating exchange rate
- d) none of above

1	2	3
b	a	A

ASSERTION AND REASON BASED QUESTIONS

1. Assertion (A): Appreciation of domestic currency means a rise in the price of domestic currency
Reason (R): Appreciation leads to increase in exports.
 - 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.
2. Assertion (A): A country always tries to balance the BOP i.e., balance in current account equals to balance in capital account.
Reason (R): Balanced BOP indicates stable economic relation with rest of the world.
 - 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.
3. Assertion (A): Accommodating items of trade are undertaken to maintain the balance in the BOP account.
Reason (R): Accommodating items are net consequences of autonomous transactions that are undertaken to correct disequilibrium in autonomous items of BOP.
 - 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
4. Assertion (A): All transactions recorded in Balance of Payment are autonomous transactions.
Reason (R): Autonomous transactions are recorded in both current and capital account of BoP.

- 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.
5. Assertion (A): India's current account balance (CAB) recorded a surplus of US\$ 19.8 billion (3.9% of GDP) in Q1 of 2020-2021.
Reason (R): There has been a steeper decline in merchandise imports relative to exports in past few years.
- 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
6. Assertion (A): Depreciation of domestic currency leads to rise in exports.
Reason (R): Depreciation of domestic currency makes domestic currency relatively cheaper, which leads to increase in exports.
- 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
7. Assertion (A): Fixed Exchange rate system involves active involvement of central bank/ government of the respective countries.
Reason (R): In fixed exchange rate system, once the exchange rate is decided it is usually kept as fixed in order to maintain the stability in economic transactions.
- 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
8. Assertion (A): Managed Floating Exchange rate system is a combination of fixed and flexible exchange rate systems.
Reason (R): In managed floating exchange rate system, central bank decides the limit of
- 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
9. Assertion (A): Increased lending abroad are recorded on the debit side of the capital account.
Reason (R): Lending affect the assets and liabilities of the economy and involves outflow of income.
- 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
10. Assertion (A): Purchase of second-hand machinery from abroad is not recorded in balance of payment.
Reason (R): Sale and purchase of second-hand goods from abroad are not included in the estimation of national income.
- 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
11. Assertion (A): Current account transactions bring about change in the capital stock of a country.
Reason (R): 'Make in India' will increase supply (inflow) of foreign exchange in India causing improvement in the balance of payments position.
- 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
12. Assertion (A): If an Indian buys a UK Car Company, it renters' capital account transactions as a debit item.
Reason (R): Sale of assets like sale of share of an Indian company to a Chinese customer is a credit item
- 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

Answers: -

(1) - c Appreciation of domestic currency means a rise in the price of domestic currency, But Appreciation do not lead to increase in exports, so (c) is the correct answer.

(2) - a A country always tries to balance the BOP i.e. balance in current account equals to balance in capital account, because a balance BOP indicates stable economic relation with rest of the world.

(3) - a Accommodating items of trade are undertaken in order to maintain the balance in the BOP account, because: Accommodating items are net consequences of autonomous transactions that are undertaken to correct disequilibrium in autonomous items of BOP.

(4) - d Autonomous transactions are recorded in both current and capital account of BOP, However all transactions recorded in Balance of Payment are not autonomous transactions so (d) is the correct answer.

(5) - a India's current account balance (CAB) recorded a surplus of US\$ 19.8 billion (3.9% of GDP) in Q1 of 2020-2021, as there has been a steeper decline in merchandise imports relative to exports in past few years.

(6) - a Depreciation of domestic currency leads to rise in export, because depreciation of domestic currency makes domestic currency relatively cheaper, which leads to increase in exports.

(7) - b Fixed Exchange rate system involves active involvement of central bank/ government of the respective countries. In fixed exchange rate system, once the exchange rate is decided it is usually kept as fixed in order to maintain the stability in economic transactions. Both the statements are correct but reason is not correct.

(8) –a Managed Floating Exchange rate system is a combination of fixed and flexible exchange rate systems.

In managed floating exchange rate system, central bank decides the limit of the exchange rate and within the limit; exchange rate is decided by market forces of demand and supply of foreign exchange. Both the statements are correct and reason is also correct.

(9) - a Increased lending abroad are recorded on the debit side of the capital account, because lending affects the assets and liabilities of the economy and involves outflow of income.

(10) - d Sale and purchase of second-hand goods from abroad are not included in the estimation of national income and purchase of second-hand machinery from abroad is also recorded in balance of payment so (d) is the correct answer.

(11) – d 'Make in India' will increase supply (inflow) of foreign exchange in India causing improvement in the balance of payments position but Current account transactions do not bring change in the capital stock of a country so (d) is the correct answer.

(12) – a If an Indian buys a UK Car Company, it enters capital account transactions as a debit item and Sale of assets like sale of share of an Indian company to a Chinese customer is a credit item, Both the statements are correct and reason is also correct.

INDIAN ECONOMICS ON THE EVE OF INDEPENDENCE

IMPORTANT POINTS: -

- British ruled India over 200 years. British exploited of all sectors of the economy.
- Agriculture was exploited through zamindari system of land revenue.
- British destroyed industrial sector through heavy taxation on Indian exports and duty imports of British goods.
- India became a source of “raw material” and a big market for British products.
- Features of Indian economic during the colonial rule: -
- Indian economy was completely a stagnant economy. Growth rate between 1925 and 1950 it was 0.1 per cent per annum.
- Indian economy became a backward economy. In 1947-48, per capita income in India was just 230.
- Nearly 72 per cent of the country’s working population was engaged in agriculture. But its contribution to GDP was only 50 per cent.
- Productivity was extremely low. Thus, per hectare output of wheat was only 660 kilograms, and of rice just 665 kilograms.
- There was a lack of the basic and heavy industries in the country.
- Bulk of the population was very poor.
- Infrastructural development (including means of communication and transport generation of power/ energy) was extremely low.
- In 1948, only 14 per cent of population lived in urban areas while 86 per cent lived in rural areas.
-

CASE STUDY BASE QUESTIONS

CASE STUDY- 1

Read the following hypothetical text and answer the given questions: -

Before colonial period, India was exporting manufactured goods which enjoyed worldwide demand. Under the colonial rule, India was reduced to a supplier of raw materials like jute, cotton, indigo, wool, sugar etc. and importer of finished consumer goods like silk and woolen clothes and light machinery manufactured in the factories of Britain. Additionally, the opening of Suez Canal intensified this control of Britishers over Indian foreign trade. The remaining volume of foreign trade was allowed with a handful of countries namely

China, Ceylon (Sri Lanka) and Persia (Iran). Interestingly, even this trade was heavily monitored by the colonials. As a matter of fact, there was a large generation of export surplus under the British Raj. India was a large exporter in the colonial period. However, it did not affect the country's economy. Commodities like food grains, cloths, kerosene hit the country hard with its scarcity. Ironically, this export surplus never made its way to India. It was used to make payments for an office set up in Britain, war expenses of the British and import of invisible items. Such brutalities eventually led to the dawn of a rising foreign trade aspect of India.

1. The opening of Suez Canal served as a direct route for ship operating between:
 - a) India and America
 - b) India and Sri Lanka
 - c) India and Pakistan
 - d) India and Britain
2. "The export surplus was used for the welfare of Indian Industry."
 - a) True
 - b) False
3. (A): India became an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.
 (R): Restrictive policies of commodity production, trade and tariff structure, composition and volume of India's foreign trade.
 - 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	(d) India and Britain
2	(b) False
3	(a) is correct answer

CASE STUDY- 2

Read the following hypothetical text and answer the given questions: -

The various social development indicators were also not quite encouraging. The overall literacy level was less than 16 per cent. Out of this, the female literacy level was at a negligible low of about seven per cent. Public health facilities were either unavailable to large chunks of population or, when available, were highly inadequate. Consequently, water and air-borne diseases were rampant and took a huge toll on life. No wonder, the 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 63 per thousand. Life expectancy was also very low—44 years in contrast to the present 66

years. In the absence of reliable data, it is difficult to specify the extent of poverty at that time but there is no doubt that extensive poverty prevailed in India during the colonial period which contributed to the worsening profile of India's population

1. Which year is described as a "year of Great Divide"?
 a) 1931 b) 1921 c) 1941 d) 1911
2. What were the causes of higher infant motility rate during the British period?
 a) Poor health care
 b) Lack of education
 c) Traditional outlook of society
 d) All of above
3. During colonial period, India's demographic profile showed:
 a) High birth rate b) High death rate c) High infant mortality d) All of these

1	2	3
b	d	D

CASE STUDY- 3

Read the following hypothetical text and answer the given questions: -

India's economy under the British colonial rule remained fundamentally agrarian — about 85 per cent of the country's population lived mostly in villages and derived livelihood directly or indirectly from agriculture (See Box 1.2). However, despite being the occupation of such a large population, the agricultural sector continued to experience stagnation and, not infrequently, unusual deterioration. Agricultural pro-ductility became low though, in absolute terms, the sector experienced some growth due to the expansion of the aggregate area under cultivation. This stagnation in the agricultural sector was caused mainly because of the various systems of land settlement that were introduced by the colonial government. Particularly, under the zamindari system which was implemented in the then Bengal Presidency comprising parts of India's present-day eastern states,

1. The main reason for stagnation in the agriculture sector the British rule was:
 a) Technological deceleration
 b) Problems of irrigation facilities
 c) Land settlement system
 d) De- industrialization
2. "Commercialisation of agriculture increased the burden of revenue on farmers."
 a) Lower productive
 b) Lower profit
 c) Due to higher margins of Middlemen's
 d) All above
3. (A): Zamindari (Semi Feudal Economy) in the colonial era were also responsible for the misery of the cultivators.

- (R): The terms of revenue settlement system introduced were harsh on the Zamindars.
- Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - Assertion (A) is true but Reason (R) is false.
 - Assertion (A) is false but Reason (R) is true.

1	2	3
c	d	c

MULTIPLE CHOICE QUESTIONS

- Which of the following economist estimated per capita income during colonial period
 - William Digby
 - Findley Shirras
 - Dada Bhai Naoroji
 - All of these
- In how many sectors is the occupational structure of India is divided?
 - One
 - Two
 - Three
 - Four
- What is another name for the service sector?
 - Tertiary
 - Primary
 - Secondary
 - Agriculture
- What was the nature of the Indian economy on the eve of independence?
 - Stagnant
 - Backward
 - Underdeveloped
 - All of these
- What was the life expectancy at birth in India on the eve of Independence?
 - 44 years
 - 50 years
 - 60 years
 - All of these
- What was the growth rate of per capita income in India on the eve of Independence?
 - 0.9%
 - 0.5%
 - 1.2%
 - 3%
- Which of the following activities is included in the primary sector?
 - Agriculture
 - Services
 - Industries
 - All of these
- In which of the following sectors is manufacturing activity included?
 - Primary
 - Tertiary
 - Secondary
 - All of these
- Where was the first iron and steel company established?
 - Kolkata
 - Jamshedpur
 - Patna
 - Ranchi
- What is the tax or duty on imports called?
 - Tariff
 - Quota
 - Export
 - None of these
- Year of great divide
 - 1931
 - 1911
 - 1921
 - 1941
- When was the first census data collected during British India
 - 1882
 - 1982
 - 1881
 - 1981
- Poor variety of seeds and low productive seeds were mainly the reason for
 - Slow growth of Tertiary sector

- b) Slow growth of all the above three sectors
 - c) Slow growth of Industrial sector
 - d) Slow growth of Agriculture sector
14. What was the motive behind the de-industrialization by the colonial Govt. in India?
- a) To get raw material from India at cheap rate
 - b) To sell British manufactured goods in Indian market at high-rate prices
 - c) Both of above
 - d) None of above
15. What does the export surplus mean? When
- a) Revenue from exports is equal to imports
 - b) Revenue from exports is greater than imports
 - c) Revenue from exports is less than imports
 - d) None of above
16. Which industries were adversely affected due to partition?
- a) Silk
 - b) Cotton & Jute textiles
 - c) Ivory
17. Most developed infrastructure during British period
- a) Waterways
 - b) Airways
 - c) Railways
 - d) Roadways
18. Which crops name showed bumper production in Green Revolution period? Wheat & rice
- a) Wheat and potato
 - b) Rice and coffee
 - c) Rice and tea
 - d) wheat and rice
19. What was the condition of foreign trade under British rule?
- a) Surplus on account of foreign trade was spent on war expenses
 - b) Net exporter of raw materials
 - c) Net importer of finished goods reproduced by British India
 - d) All of these
20. In which year, the second industrial policy in India was declared?
- a) 1956
 - b) 1948
 - c) 1978
 - d) 1965

1	2	3	4	5	6	7	8	9	10
D	C	A	D	A	B	A	C	B	A
11	12	13	14	15	16	17	18	19	20
C	C	D	C	B	B	C	A	B	A

INDIAN ECONOMIC DEVELOPMENT 1950-1990

IMPORTANT POINTS: -

- Economic Planning: -It is a process under which a central authority defines a set of targets to be achieved within a specified period.
- Goals of Planning in India

- Long Term Goals (To be achieved over a period of 20 years)
- Modernisation – Adoption of new technology and changes in social outlook
- Self-reliance – Reducing dependence on imports.
- Economic Growth – Increase in the aggregate output of Goods & services.
- Equity – Reduction in inequality of income and wealth
- Full employment – Refers to a situation when all the people in the working age group is engaged in some gainful employment.
- Short Term Goals (To be achieved over a period of five years): -Short term objectives vary from plan to plan to depend on current needs of the country. For example, first plan (1951-56) focused on higher agricultural production while in second plan (1956-61) shifted the focus from agriculture to Industry. In India growth and equity are the objectives of all the five-year plans. The goal of five-year plan (12th, 2012-17) is INCLUSIVE DEVELOPMENT.
- In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson.
- Economy: - a system which provides means to work and livelihood is called economy.
- Three types of economy
- Capitalism It is an economic system in which major economic decisions are taken through market forces.
- Socialist economy is an economy in which all the decision are taken by the government.
- Mixed economy is an economic system in which all the are taken by government and as well as private sector.
- Goals of Five-Year Plans: -A plan should have some clearly specified goals. The goals of five-year plans are
- Growth Economic growth implies a consistent increase in GDP or a consistent increase in the level of output or a consistent increase in the flow of goods and services in the economy over a long period of time.
- Modernisation To increase the production of goods and services to producers with the adoption of new technology.
- Self-reliance It means avoiding imports of those goods which could be produced in India itself. This policy was considered a necessity to reduce our dependence on foreign countries, especially for food.
- Equity It implies equitable distribution of income so that the ^benefits of growth are shared by all sections of the society.
- Importance of Agriculture in the Indian Economy
 - Contribution to GDP
 - Supply of wage goods
 - Employment
 - Industrial raw material

- Contribution to international trade
- Contribution to domestic trade
- Wealth of the nation
- Problems of Indian Agriculture
 - Lack of permanent means of irrigation
 - Deficiency of finance
 - Conventional outlook
 - Small and scattered holding
 - Lack of organised marketing system
- Reforms in Indian Agriculture
- Technical Reforms
 - Use of HYV seeds
 - Use of chemical fertilisers
 - Scientific farm management practices
 - Mechanised means of cultivation
- Land Reforms
 - Abolition of intermediaries
 - Regulation of rent
 - Consolidation of holding
 - Ceiling on land holding
 - Co-operative farming
- General Reforms
 - Expansion of irrigation facilities
 - Provision of credit
 - Regulated market
 - Price support policy
- Green Revolution or Technological Reforms This refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice along with the use of fertiliser and pesticide in the correct quantities as well as regular supply of water.
- Marketable Surplus: -It refers to surplus of farmer's output over and above his own farm consumption. Thus, Marketable surplus of wheat = Output of wheat – On farm consumption of wheat.
- Merits \ Positive effects of Green Revolution
 - self-sufficiency in food grains
 - increase in production of the rice and wheat
 - increase in income of the farmers
 - price of food grains declined
 - low-income groups, who spend a large percentage of their income on food, benefited from this decline in relative prices.

- procure enough food grains to build buffer stocks which could be used in times of food shortage.
- Negative effects of green revolution
 - increase in income disparities
 - increase in regional disparities
 - effective only on wheat and rice
 - over utilisation of chemical in agriculture
- Importance of Industrial Sector
 - Structural transformation
 - Source of employment
 - Source of mechanised means of farming
 - Imparts dynamism to growth process
 - Growth of civilisation
 - Infrastructural growth
- Features of Industrial policy resolution of 1956
 - New classification of Industries: Industries were classified into three schedule depending upon role of state.
 - (a) Schedule-A- 17 industries listed in schedule-A whose future development would be the responsibility of state.
 - (b) Schedule-B- 12 industries were included in schedule-B, Private sector could supplement the efforts of the Public Sector, with the state taking sole responsibility for starting new units.
 - (c) Schedule-C – other residual industries were left open to private sector.
 - Stress on the role of cottage and small-scale industries.
 - Industrial licensing: Industries in the pvt. sector could be established only through a licence from the government.
 - Industrial concessions-were offered-pvt. entrepreneurs for establishing industry in the backward regions of the country. Such as tax rebate and concessional rates for power supply.
- SMALL SCALE INDUSTRY (SSI): -A small-scale industry is presently defined as the one whose investment does not exceed Rs. 5 crores.
- CHARACTERISTICS OF SSI OR ROLE OF SMALL-SCALE INDUSTRIES
 - Labour intensive-employment oriented
 - Self-employment.
 - Less capital intensive
 - Export promotion
 - Seed beds for large scale industries
 - Shows locational flexibility.
- PROBLEMS OF SMALL-SCALE INDUSTRIES
 - Difficulty of finance
 - Shortage of raw material

- Difficulty of marketing
- Outdated machines & equipment
- Competition from large scale industries.
- **FOREIGN TRADE:** - At the time of independence raw material was exported from India to Britain in abundance, on the other hand finished goods from Britain were imported into India. Notably our balance of trade was favourable (exports > imports). After independence India's foreign trade recorded a noticeable change such as.
 - Decline in percentage share of agricultural exports.
 - Increase in percentage share of manufactured goods in total exports.
 - Change in direction of export trade and import trade.
 - Decline of Britain as main trading Partner.
- **TRADE POLICY:** - In the first seven five-year plans of India, the trade was commonly called an 'inward looking' trade strategy.
 - This strategy is technically known as 'import substitution'. Import substitution means substituting imports with domestic production.
 - Imports were protected by the imposition of tariff and quotas which protect the domestic firms from foreign competition. Impact of Inward-looking Trade strategy on the domestic industry.
 - In the first seven five-year plans of India, the trade was commonly called an 'inward looking' trade strategy.
 - This strategy is technically known as 'import substitution'. Import substitution means substituting imports with domestic production. Imports were protected by the imposition of tariff and quotas which protect the domestic firms from foreign competition. Impact of Inward-looking Trade strategy on the domestic industry.
 - It helped to save foreign exchange by reducing import of goods.
 - Created a protected market and large demand for domestically produced goods.
 - Helped to build a strong industrial base in our country which directly lead to economic growth.
 - Criticism of import substituting strategy
 - It did not lead to growth.
 - Lack of competition implied lack of modernisation.
 - Growth of inefficient public monopolies.
 - It did not lead to efficiency.

CASE STUDY BASED QUESTIONS

CASE STUDY -1

Read the following case study paragraph carefully and answer the questions based on the same.

A plan spells out how the resources of a nation should be use. It should have some general goals as well as specific objectives which are to be achieved within a specified period. In

India plans were of five years duration and were called five-year plans (we borrow this from the former Soviet Union, the pioneer in national planning). Our plan documents up to the year 2017 not only specify the objectives to be attained in the five years of a plan but also what is to be achieved over a period of twenty years. This long-term plan is called 'perspective plan'. The five-year plans were supposed to provide the basis for the perspective plan.

1. When did India give its first five-year plan _____?
a) 1950 b) 1951 c) 1947 d) 1949
2. Planning commission, the erstwhile central planning authority in the country, has been replaced by _____
a) NITI Aayog
b) UGC
3. 'Government decides what goods are to be produced in accordance with the needs of society'. Under what type of economic system does this take place _____
a) Capitalistic economy b) socialist economy c) Both (a) and (b) d) None of these.
4. When was Indian planning commission constituted?
a) 6th August 1952 b) 15th March 1950 c) 15th August 1947 d) 1st April 1997

Answer:-

1. (b) 1951
2. National institution for transforming India Aayog
3. (b) Socialist economy
4. (b) 15th March 1950

CASE STUDY -2

Read the following case study paragraph carefully and answer the questions based on the same.

The Green Revolution started in 1965 with the first introduction of HYV seeds in India agriculture. This was coupled with better and efficient irrigation and the correct use of fertilizers to boost the crop. The result of the Green Revolution was to make India self-sufficient when it came to food grains.

After 1997 India had to rebuild its economy. Over three-quarters of the population depended on agriculture in some way. But agriculture in India was faced with several problems. Firstly, the productivity of grains was very low, and India was still monsoon dependent because of lack of irrigation and other infrastructure.

There was also an absence of modern technology. And India had previously faced severe famines during the British Raj, who has only promoted cash crops instead of food crops. The idea was to never depend on any other country for food sufficiency.

So in 1965, the government with the help of Indian geneticists M.S.Swaminathan, known as the father of Green Revolution, launched the Green Revolution. The movement lasted from 1967 to 1978 and was a great success.

1. Green revolution is related with _____.
 a) Modern technology. B) Better irrigation facilities c) HYV seeds
 d) All of the above.
2. Britishers encouraged Indian farmers to grow food crops. (true/false)
3. What was the need of green revolution to make India _____?
 a) Sufficient production b) Modernisation c) Self- sufficient d) None of these.

Answers:-

1. (d) All of the above
2. False
3. (c) Self-sufficient.

ASSERTION AND REASON BASED QUESTIONS

1. Assertion (A): Growth and social justice is the central objective of Indian plans.
 Reason (R): India opted for planning to utilize available resources efficiently and to establish social justice.
 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
 c) Assertion (A) is true but Reason (R) is false.
 d) Assertion (A) is false but Reason (R) is true.
 Ans:-(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
2. Assertion (A): Subsidies were, needed to encourage farmers.
 Reason (R): Any new technology is looked upon as being risky by farmers
 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.
 Ans: a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
3. Assertion (A) : Industry provides employment which is more stable than the employment in agriculture. It promotes modernisation and overall prosperity.
 Reason(R): Economists have found that poor nations can progress only if they have a good industrial sector.
 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.

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

4. Assertion (A) The year 1921 is described as the year of Great Divide.

Reason (R) It was from this year, population started increasing continuously.

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

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

5. Assertion(A) Economic planning rules out the free play of market force.

Reason (R). it does not rule out free play of market forces rather it is dependent on model of economic planning.

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.

Answer: d) Assertion is false and Reason is true.

6. Assertion (A): Tariffs and quotas in the economic policy post-independence were used to assist domestic industries.

Reason (R) : Our planners wanted to use foreign exchange for importing luxury goods.

a) Both Assertion and Reason are true, and Reason is the correct explanation of Assertion.

b) Both Assertion and Reason are true and Reason is not the correct explanation of Assertion.

c) Assertion is true, but Reason is false

d) Assertion is false but Reason is true.

Ans. c) Assertion is true, but Reason is false

7. ASSERTION (A): Public sector was given leading role in industrialization during the period of planning.

REASON (R) Private sector was not having enough capital and also market was not so big to encourage industrialists to undertake big projects even if they had capital to do so.

Alternatives:

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

b) Both (A) and (R) are true (R) is not correct explanation of (A)

c) (A) is true (R) is false.

d) (A) is false (R) is true.

ANS:- (a) Both (A) and (R) are true (R) is correct explanation of (A)

8. Assertion (A): A good indicator of economic growth is steady increase in Gross domestic product (GDP).

Reason(R): GDP is the market value of all goods and services produced in a country during a year

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.

Ans:-b) Both Assertion (A) and Reason (R) are true, and Reason (R) is not the correct explanation of Assertion (A)

9. Assertion (A): One of the pillars of IPR 1956 was to check concentration of economic power in few individuals, groups, or business houses.

Reason(R): It established the public sector as epicentre of industrialization.

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

b) Both (A) and (R) are true (R) is not correct explanation of (A)

c) (A) is true (R) is false.

d) (A) is false (R) is true.

Ans: (b)Both (A) and (R) are true (R) is not correct explanation of (A)

10. Assertion (A) GDP indicates the size of an economy.

Reason (R): A higher GDP indicates higher economic activity.

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.

Ans b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of (A)

11. Assertion (A): Growth and social justice is the central objective of Indian plans.

Reason (R): India opted for planning to utilize available resources efficiently and to establish social justice.

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

c) Assertion (A) is true but Reason (R) is false.

d) Assertion (A) is false but Reason (R) is true.

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

12. Assertion: The small-scale industries generate more employment than the large-scale industries.

Reason: Small scale industries are more 'Capital intensive industries'. Therefore, generate more employment.

- a) Both A and R are true but 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.

Ans:- C). A is true but R is false.

13. Assertion: The need to obtain a license to start an industry was misused by big industrial houses.

Reason: A big industrialist would get a license not for starting new firm but to prevent competitors from starting new firms.

- 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

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

14. Assertion: Only a handful of states benefited from green revolution in India

Reason: Success of green revolution depends on policy implementation by state government.

- 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.

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

15. Assertion: The progress of the Indian economy during the first seven plans was impressive indeed.

Reason: PSUs earned a huge profit during first five-year plans.

- 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.

Answer: c) Assertion is correct but reason is wrong.

16. ASSERTION(A): The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production

REASON(R): The proportion of people depending on agriculture did not decline as expected.

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) Both Assertion (A) and Reason (R) is false.

d) Assertion (A) is false but Reason (R) is true.

Ans:- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

17. Assertion- The developing countries (like India) can progress only if they have a good industrial sector.

Reason-. Industry provides employment, which is more stable than the employment in agriculture.

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) Both Assertion (A) and Reason (R) is false.

d) Assertion (A) is false but Reason (R) is true.

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

18. Assertion : The contribution made by Primary, secondary and tertiary sectors in the GDP of a country is called sectoral composition of the economy.

Reason: In some countries growth in agriculture contributes more to GDP, while in some countries growth in the service contributes more to GDP.

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) Both Assertion (A) and Reason (R) is false.

d) Assertion (A) is false but Reason (R) is true.

Ans: b) Both Assertion (A) and Reason (R) are true, and Reason (R) is not the correct explanation of Assertion (A).

19. Assertion (A): NITI Aayog is a policy think-tank of Government of India that aims to involve the states in economic policy making in India.

Reason (R): Planning commission was replaced on January 1, 2015 due to its traditional top-down approach.

- 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) Both Assertion (A) and Reason (R) is false
- d) Assertion (A) is false but Reason (R) is true.

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

20. Assertion (A): The land reforms helped in establishing a relationship between the farmers and the government.

Reason (R): Land reforms ensured that the farmers benefitted from their own labour and promoted equality of wealth.

- 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) Both Assertion (A) and Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

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

21. Assertion: Because of India's rapidly growing population the country's traditional agricultural practices yielded insufficient food production.

Reason : (R) Agricultural technological advancements offered opportunities to increase productivity.

- 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) Both Assertion (A) and Reason (R) is false.
- D) Assertion (A) is false but Reason (R) is true.

Ans:- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

MULTIPLE CHOICE QUESTIONS

1. In which year was Planning Commission abolished?

- a) 2014
- b) 2015
- c) 2016
- d) 2017

Ans- b) 2015

(Explanation:-Planning commission was abolished in Feb 2015 & replaced by NITI Aayog)

2. An economy in which there is private as well as public ownership of the means of production is called:
 a) Capitalist economy b) Socialist economy c) Mixed economy d) None of these.
 Ans:- c) Mixed economy
 (Explanation: Mixed economy is one in which there is a private as well as public ownership of the means of production)
3. Who was the chairman of India's First Five Year Plans"
 a) P. C. Mahalanobis b) Mahatma Gandhi c) Jawaharlal Nehru d) None of these.
 Ans:- c) Jawaharlal Nehru
 (Explanation:- In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson)
4. Which of the following is the primary objective of economic planning in India?
 a) Abolition of poverty b) Removing unemployment c) Growth with social justice
 d) Reducing inequality of income
 Ans:- c) Growth with social justice
 (Explanation:- In India growth and equity are the objective of all the five year plans)
5. The need for planning emerges from which of the following weaknesses of the free market system?
 a) Inequalities b) Exploitation of workers c) Instability d) All of these.
 Ans:- d) All of these.
 (Explanation:- All the above options i.e inequalities, exploitation of workers & instability are the weaknesses of the free market system)
6. Who developed HYV seeds?
 a) Normal Borlaug b) Norten Borlaug c) Norah Jones d) Normal Jones
 Ans:- a) Normal Borlaug
 (Explanation:- An American scientist named Norman Borlaug in 1954 developed a genetically modified high yielding variety (HYV) of wheat seeds.
7. Which plan was suspended one year before the time schedule?
 a) First Plan (1951-56) b) Third Plan (1961-66) c) Sixth Plan (1980-85) d) Fifth Plan (1974-79)
 Ans:- d) Fifth Plan (1974-79)
 (Explanation:- Fifth FYP was terminated in 1978 by the newly elected Morarji Desai government)
8. Which of the following sectors contribute highest to India's National Income?
 a) Service Sector b) Agriculture Sector c) Secondary Sector d) Foreign Trade
 Ans:- a) Service Sector
 (Explanation:- Service Sector contribute the highest GDP in 1990)
9. National Income in India is estimated by:
 a) Planning Commission b) Reserve Bank of India c) Rajasthan and Assam
 d) Central Statistical Organisation.
 Ans:- d) Central Statistical Organisation.

(Explanation:- The Central Statistical Organisation is presently responsible for bringing out the estimation of N.I)

10. Which of the states got success in Land Reform?

- a) Kerala and West Bengal b) Punjab and Haryana c) Rajasthan and Assam
d) None of these.

Ans:- a) Kerala and West Bengal

(Explanation:- Land reform were successful in Kerala and West Bengal because these states had government committed to the policy of land to the tiller)

11. Indian Green Revolution is most successful in:-

- a) Wheat and Rice b) Wheat and Vegetables c) Rice and Pulses d) Tea and Coffee
Ans:- a) Wheat and Rice

(Explanation:-Wheat & Rice were the two most successful crops of the Green Revolution)

12. What do you mean by Quotas?

- a) The quantity of goods which can be exported.
b) The quantity of goods which can be imported. c) Both (a) and (b)
d) None of these.

Ans:- b) The quantity of goods which can be imported

(Explanation:-Quota specify the quantity of goods which can be imported. The effect of quota is that, it protect the domestic firms from foreign competition)

13. What do you mean by tariffs?

- a) Tax imposed on imported goods b) Tax imposed on exported goods
c) Tax imposed on starting an Industry d) None of these.

Ans:- a) Tax imposed on imported goods

(Explanation:-Tariffs are the monetary restrictions in the form of tax on imported goods, they make imported goods more expensive & discourage their use.)

14. Green revolution resulting from:

- a) Traditional Irrigation facilities b) Use of manures c) HYV seeds
d) None of these.

Ans:- c) HYV seeds

(Explanation:- It refers to the large increase in production of foods grains resulting from the use of high yielding variety(HYV) seeds especially for wheat and rice.)

15. The starting of land reforms programmer was set up in the right direction but it could not be successful because of:

- a) Lack of political will b) inadequate data of tenants c) Both (a) and (b)
d) None of these.

Ans:- c) Both (a) and (b)

(Explanation:- The policy of land reforms programmes was adopted and steps were taken to abolish intermediaries and to make the tillers the owners of land but not successful due lack of political will and inadequate data of tenants.)

16. There were some areas where the economic planning in India has failed:

- a) Failure to reduce inequalities of income and wealth.

- b) Inadequate growth in production sector. c) Failure to eradicate poverty
d) All of these.

Ans:- d) All of these.

(Explanation:- All the above given options i.e a,b & c are responsible for the failure of economic planning in India.)

17. Main features of IPR 1956 are:

- a) Protection to cottage and small scale industries.
b) Specific and all important role assigned to public sector.
c) Cautions approach towards foreign capital d) All of these.

Ans:- d) All of these.

(Explanation:- All the above options a,b,c, are the features of IPR 1956)

18. Schedule C industries development were left to:

- a) Public sector b) Private sector c) Both (a) and (b) d) None of these.

Ans:- b) Private sector

(Explanation: The third category (Schedule-C) consisted of the industries which were to be in the private sector.)

19. Legally stipulated maximum size beyond which no individual farmer can hold any land:

- a) Tenancy reforms b) Land consolidation c) Abolition of Intermediaries
d) Land Ceiling.

Ans:- d) Land Ceiling

(Explanation:- Land ceiling means fixing the maximum size of land which could be owned by an individual. The purpose is to reduce the concentration of land ownership in a few hands.)

20. The strategy to earn foreign exchange by promoting domestic exports and making domestic industry competitive in the international market is called:

- a) export promotion b) import substitution c) export liberalization d) import restriction.

Ans:- a) export promotion

(Explanation:- Export promotion is used by country to promote the goods and services from their companies to abroad)

MATCH THE FOLLOWINGS

1. Match the following:-

Column-I	Column-II
1. Demonetization	(A) 1950
2. Planning Commission	(B) 2015
3. NITI Aayog	(C) 1951
4. First five-year plan	(D) 2016
<p>a) 1A, 2B, 3C, 4D b) 1B, 2A, 3D, 4C c) 1D, 2A, 3B, 4C d) 1C, 2A, 3B, 4D</p>	

Ans:- c) 1D, 2A, 3B, 4C

2. Match the following:

Column-I	Column-I
1. Architect of Indian Planning	(A) 2015
2. Green Revolution	(B) P. C. Mahalanobis
3. NITI Aayog	(C) Prime Minister
4. Chairman of Planning Commission	(D) 1967-68
a) 1A, 2B, 3C, 4D b) 1B, 2D, 3A, 4C c) 1D, 2A, 3B, 4C	
d) 1C, 2A, 3B, 4D	
Ans:- b) 1B, 2D, 3A, 4C	

ECONOMIC REFORMS SINCE 1991

IMPORTANT POINTS: -

- Meaning: Economic reforms refer to a set of economic policies directed to accelerate the pace of 'growth and development'
- Economic reforms or structural adjustment is a long term multi-dimensional package of various policies (Liberalisation, privatisation, and globalisation) and programme for the speedy growth, efficiency in production and make a competitive environment. Economic reforms are adopted by Indian Govt. in 1991.
- Factors responsible for Economic reforms.
 - Fall in foreign exchange reserve.
 - Adverse balance of payments
 - Mounting fiscal deficit.
 - Rise in prices
 - Failure of public enterprises.
 - Gulf crisis.
- Stabilization measures: These are short run measures introduced by Govt. to control rise in price, adverse balance of payment and fall in foreign exchange reserve.
- Structural adjustment: These are long-run policies the goal of structural reforms is to abolish controls, eliminate bureaucratic hurdles. and red tapism and make the decision-making process efficient and transparent.
- In the new economic policy 1991, Structural reforms can be seen with respect to: 1. Liberalisation. 2. Privatisation 3. Globalisation.
- Liberalization: Liberalization means removing all unnecessary control and restriction like permits licenses. Protectionist duties, quotas etc.

- Economic reforms under liberalization:
 - Industrial sector reforms
 - Financial sector reforms.
 - Fiscal reforms. Fiscal reforms relate to revenue and expenditure of the government. Tax reforms are the principal component of fiscal reforms. Broadly, taxes are classified as: (a) direct taxes, and (b) indirect taxes. Direct taxes are those taxes, the burden of which cannot be shifted onto others. (Examples: Income tax, wealth tax.) Indirect taxes (levied on goods and services) are those taxes, the burden of which can be shifted onto others. [Examples: GST (Goods and Services Tax), custom duty.]
 - Foreign exchange reforms: -External sector reforms include: (i) foreign exchange reforms, and (ii) foreign trade policy reforms.
- Privatisation: Privatisation is the general process of involving the private sector in the ownership or operation of state-owned enterprises.
- Policies adopted for privatization:
 - Contraction of public sector.
 - Abolish the ownership of Govt. in the management of public enterprises.
 - Sale of shares of public enterprises.
- Globalization: Globalization may be defined as a process associated with increasing openness growing economic interdependence and deepening economic integration in the world economy.
- Policy promoting globalization:
 - Increase in equity limit of foreign investment.
 - Partial convertibility.
 - Long term trade policy.
 - Reduction in tariff.
- An Appraisal of LPG Policies: - Positive Impact:
 - Increase in foreign investment
 - Increase in foreign exchange reserves
 - A check of inflation.
 - Increase in domestic product.
 - Increase in exports.
 - Consumer sovereignty.
- Negative Impact.
 - Neglect of agriculture
 - Increase in competition for domestic industry.
 - Increase in urbanisation.
 - Disaffect of disinvestment policy.
 - Spread of consumerism.

- Cultural erosion.
- Economic Dualism: It refers to disintegration of the economy into traditional and modern sectors of production. While the traditional sector relies upon traditional technology, the modern sector is driven by modern technology.
- Social Dualism: It refers to disintegration of the society into 'haves' (enjoying high social status) and 'have-nots' (living with low social status).
- FDI refers to investment by the foreigners by way of their business establishments in India. It implies ownership and control of business. Examples: Coke, Pepsi, Domino's, McDonald.
- FII refers to investment in Indian companies (by way of purchasing their equity or shares) by the foreign banking and non-banking institutions. It does not involve any kind of direct control on the management of the Indian companies where investment is made. FII, unlike FDI, is simply an investment in the stock market in India by the foreign banking and non-banking institutions.
- Tariff barriers mainly refer to barriers on imports through high import duty.
- Non-tariff barriers generally refer to quota-barriers, implying quantitative restrictions on imports (or restrictions on the quantum of imports).
- Bilateral trade agreements refer to trade agreements of one country with the other. Or, these are trade agreements between any two countries of the world.
- Multilateral trade agreements refer to trade agreements of one country with many countries of the world. Or, these are trade agreements among many countries of the world.
- Devaluation: - Devaluation implies lowering the value of our currency in relation to other currencies of the world.
- Disinvestment: - Disinvestment is a policy instrument to promote privatisation. It occurs when the government sells off its share capital of PSUs (public sector undertakings) to the private investors.
- GST (Goods and Services Tax) has been introduced in India with a view to providing a uniform tax structure across all parts of the country. It is a one tax in place of all taxes on goods and services, and it is a uniform tax across all states of the country. Thus, GST carries the slogan of 'one tax, one nation, one market'.
- DEMONETISATION: -Demonetisation, introduced in 2016, is closely related to financial sector reforms. Let us understand its concept and consequences in the context of the Indian economy. Concept Demonetisation is a policy action of the government that withdraws the status of 'legal tender' from the existing currency. Once the status of 'legal tender' is withdrawn, the existing currency (or the currency notes) are reduced merely to pieces of paper.
- The demonetised notes were replaced by new currency notes of Rs.500 and Rs.2,000. Basic Purpose Basically, demonetisation aims at curbing illegal transactions and anti-social activities (funded through illegal transactions).

Principal Merits

- It helps unearth (find out) black money.
- Reduction of black money leads to shrinkage of shadow economy (a n economy with unrecorded production activity and tax evasion).

CASE STUDY BASED QUESTIONS

CASE STUDY-1

Read the following hypothetical text and answer the given questions: -

We now look at some trends in the post-reform period. Data from Sri Lanka which started on a programme of economic reform in 1977 indicates that an increasing awareness on health issues is coupled with the growing incidence of diseases associated with stress, particularly those of the cardio-respiratory kind (Gunawardena 1995). A similar pattern is emerging in India with the advent of tropical diseases like falciparum malaria and Japanese B encephalitis, stress-and environment related cardiovascular complaints, respiratory and endemic intestinal problems as well as nervous disorders (Ghosh 1996). It is likely that with continued rural-urban migration, the mushrooming of unhealthy towns and cities and the degradation of the natural environment combined with jobs which increasingly concentrate workers in industries, Export Promotion Zones and sweat shops, the range of diseases and illnesses will increase. Women and their health will be adversely affected as they form the basis of the pool of cheap labour, essential for the growth of EPZs.

1. Sri Lanka which started on a programme of economic reform in.....(Choose the correct option)
 - (a) 1978
 - (b) 1977
 - (c) 1990
 - (d) 1992

Ans: b

2. A similar pattern is emerging in India with the growing incidence of diseases with stress , particularly those of the kind.(Choose the correct option) (cardio-respiratory/ heart diseases)

Ans: cardio-respiratory

3. State whether the given statement is true or false

It is likely that with continued rural-urban migration, the mushrooming of unhealthy towns and cities and the degradation of the natural environment combined with jobs which increasingly concentrate workers in industries. (Choose the correct option)

True / False

Ans: True

4. Read the following statements :

Assertion (A) and Reason (R)

Assertion (A) Women and their health will be adversely affected

Reason (R):as they form the basis of the pool of cheap labour, essential for the growth of Export Promotion Zones.

- 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) are is true.

Ans: a

CASE STUDY -2

Read the following hypothetical text and answer the given questions

While the beginning of the current economic liberalization policy in India could be traced to the period much earlier than the 1990s, the explicit acceptance and implementation of the economic liberalization program during mid-1991 by Indian government could be seen as the starting point of the new reform program, and its subsequent change of approach and priorities about its governance. It was based on the belief that economic globalization/liberalization worked toward the integration of national economies into the international economy through trade, direct foreign investment, short-term capital flows, international flow of workers and humanity, and flow of technology. But in the process of liberalizing the economy, the state's role has transformed in prioritizing a strong military, police and legal structures, and functions to protect private property rights and ensure proper functioning of markets. If the markets do not exist in the areas of land, water, education, health care, social security, and so on, the state must take initiative in creating a market. After creating such markets, the state should keep its activities to bare minimum without interfering with the functions of the market for it to perform efficiently .Such thinking based on Neoliberalism¹(Neoliberalism refers to a political ideology that espouses economic liberalism as a means of promoting economic development and securing political liberty.) started occupying the minds, in a measured manner, in the policy circle worldwide during the 1970s, which led to a major shift in the political–economic practices, and started moving toward deregulation, privatization, and withdrawal of state from many areas of social security, for efficient governance, based on market economy.

1. liberalism as a means of promoting (Choose the correct option)

- (a) promoting economic development
- (b) securing political liberty
- (c) Freedom of private enterprises
- (d) All the above

Ans : d

2. refers to a political ideology that espouses economic liberalism as a means of promoting economic development and securing political liberty.(Choose the correct option)

(Neoliberalism/ Liberalism)

Ans: Neoliberalism

3. State whether the given statement is true or false

While the beginning of the current economic liberalization policy in India could be traced to the period much earlier than the 1990s.

TRUE / FALSE (Choose the correct option)

Ans: True

4. Read the following statements

Assertion (A) and Reason (R)

Assertion (A) started occupying the minds, in a measured manner, in the policy circle worldwide during the 1970s.

Reason (R): which led to a major shift in the political–economic practices, and started moving toward deregulation, privatization, and withdrawal of state from many areas of social security, for efficient governance, based on market economy.

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

Ans: a

CASE STUDY- 3

The reduction of fiscal deficits is an inalienable component normally included in the conditionality of Structural Adjustment Program (SAP)⁵ and consequently government expenditures must be cut to meet the targets for reducing fiscal deficits. There are several studies that have pointed out the declining trend in social sector expenditures.

UNICEF's *Adjustment with a Human Face*) was the first major study of SAPs to point out its impact on the vulnerable. This study has also shown that out of 78 countries that were implementing IMF-guided structural adjustment reforms, 91% had put a constraint on government expenditure, 83% had reduced the budget deficits, and 65% followed a policy of wage restraint. It has further noted a strong association between reduction in social sector expenditures and social indicators.

Thus, reducing the public debt and stabilizing the economy were the main objectives of India liberalizing its economy in 1991. This path toward reducing the fiscal deficit has resulted in pruning down the expenditure in social sectors (which includes education). These measures in a longer run have affected the development and growth of social sectors by curtailing its new infrastructure and other resources.

- The main objectives of India liberalizing its economy in 1991.(choose the correct alternative))
 - reducing the public debt and stabilizing the economy
 - To improve economy
 - Improvement of education

(d) None of these

Ans: a

2. The reduction of is an inalienable component normally included in the conditionality of Structural Adjustment Program. (Choose the correct alternative))
fiscal deficits / Financial deficits

Ans: fiscal deficits

3. State whether the given statement is true or false

UNICEF's *Adjustment with a Human Face* was the first major study of SAPs to point out its impact on the vulnerable. (Choose the correct alternative))

True / False

Ans: True

4. Read the following statements

Assertion (A). Indian economy has become a more vibrant economy.

Reason (R): Overall level of economic activity has trended up as indicated by GDP growth. Post LPG policies, the growth of GDP shot up to as high as 8 per cent per annum

- 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) are true.

Ans: a

CASE STUDY -4

New Economic Policy of India was launched in the year 1991 under the leadership of P. V. Narasimha Rao. This policy opened the door of the India Economy for the global exposure for the first time. In this New Economic Policy P. V. Narasimha Rao government reduced the import duties, opened reserved sector for the private players, devalued the Indian currency to increase the export. This is also known as the LPG Model of growth.

New Economic Policy refers to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes to expand the economic wings of the country.

Former Prime Minister Manmohan Singh is considered to be the father of New Economic Policy (NEP) of India. Manmohan Singh introduced the NEP on July 24,1991.

Main Objectives of New Economic Policy – 1991, July 24

The main objectives behind the launching of the New Economic policy (NEP) in 1991 by the union Finance Minister Dr. Manmohan Singh are stated as follows:

1. The main objective was to plunge Indian Economy in to the arena of 'Globalization and to give it a new thrust on market orientation.
2. The NEP intended to bring down the rate of inflation

1. New Economic Policy of India was launched in the year 1991 under the leadership of ... (choose the correct alternative))
- P. V. Narasimha Rao
 - Atal Bihari Bajpayi
 - Sharad Pawar
 - None of these

Ans: a

2. is also known as the LPG Model of growth. (choose the correct alternative))
(New Economic Policy / New Education Policy)

Ans: New Economic Policy

3. State whether the given statement is true or false
Former Prime Minister Manmohan Singh is considered to be the father of New Economic Policy (NEP) of India. (choose the correct alternative))
True / False

Ans: True

4. Read the following statements

Assertion (A). New Economic Policy is to expand the economic wings of the country.

Reason (R): Due to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes

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) are is true.

Ans: a

CASE STUDY-5

Read the following hypothetical text and answer the given questions:

The performance of Indian economy during the period of first seven five -year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy of import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. Although public sector expanded to a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth of entrepreneurship as there was no competition, no innovation and no modernization on the front of the industrial sector. Many Public Sector Undertakings (PSU's) incurred huge losses due to operational inefficiencies, red- tapism,

poor technology and other similar reasons. These PSU's continued to function because it was difficult to close a government undertaking even it is a drain on country's limited resources. On the Agricultural front, due to the measures taken under the Green Revolution, India more or less became self-sufficient in the production of food grains. So the needs for reform of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country.

1. Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian Economic Planning?

- (a) Private entrepreneurs lacked sufficient capital for investment.
- (b) Government aimed at social welfare.
- (c) The market was big enough to encourage private industrialists for investment.
- (d) The government wanted to protect the indigenous producers from the foreign competition.

Ans. C

2. The policy of led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. (fill up the blank with the correct alternative)

- (a) Import substitution
- (b) Trade
- (c) Exports
- (d) None of these

Ans. A

3. State whether the given statement is true or false:

Mechanization of the Indian agriculture was one of the cause of Green Revolution in India.

TRUE/FALSE

Ans. TRUE

4. Read the following statements –

Assertion (A) and Reason (R)

Assertion (A): Many public sector undertakings incurred huge losses due to operational inefficiencies.

Reason (R): Red-tapism was one of the reasons for continuation of such enterprises. Select the correct alternative from the following:

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 True.
- d. Assertion (A) is false but Reason(R) are is true.

Ans: C

ASSERTION AND REASON BASED QUESTIONS

1. Assertion (A) Fiscal deficit leads to price spiral.

Reason (R) Often, the fiscal deficit is financed by the government by way of borrowing from the RBI. It leads to increase in the supply of money in the economy. Other things remaining constant, higher the supply of money, higher is the price spirals

- 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) are is true.

Ans: a

2. Assertion (A) The current account BOP deficit often leads to borrowing from rest of the world.

Reason (R) : Current account BOP deficit often leads to borrowing .There are two principal sources of finding the current account BOP deficit: (i) Borrowing from rest of the world, and (ii) Foreign investment in the domestic economy, including (a) FDI (foreign direct investment), and (b) FII(foreign institutional investment). Of these two sources, foreign investment is volatile (uncertain) owing to volatility (uncertainty) of the domestic market. Accordingly, the government often relies on borrowing from rest of the world.

- 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) are is true.

Ans: a

3. Assertion (A) Disinvestment is a compulsion for the government to tackle budgetary deficit.

Reason (R): Disinvestment is not a compulsion for the government to tackle budgetary deficit. The fact of the matter is that the government resorts to disinvestment (selling shares of public enterprises to private entrepreneurs) only when the public sector enterprises are found to be breeding centres of inefficiency and corruption. Of course, once disinvestment is done it helps the government to manage budgetary deficit.

- 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) are is true.

Ans: d

4. Assertion (A) :FDI leads to economic colonialism.
Reason (R):FDI leads to economic colonialism. Because FDI implies ownership and management of the domestic enterprises by the foreign companies. Higher FDI leads to higher economic control of the foreign companies in the domestic market. This is what economic colonialism implies.
- 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) are is true.

Ans: a

MULTIPLE CHOICE QUESTIONS

1. Economic reforms in India were initiated in the year:
(a) 1990 (b) 1991 (c) 1992 (d) 1993
Ans: b
2. Liberalisation implies:
(a) greater role of public sector
(b) reduction in governments control over the private sector
(c) free economy with no controls
(d) none of these
Ans:b
3. Which of the following is not an element of fiscal reforms?
(a) Taxation reforms
(b) Public expenditure reforms
(c) Change in interest rate
(d) Control on public debt
Ans: c
4. Which of the following is not a component of privatisation?
(a) Contraction of public sector
(b) Disinvestment in public sector enterprises
(c) Sale of public sector's share
(d) Purchase of industrial shares by the government
Ans: d
5. Which of the following is an element of financial sector of the economy?
(a) Banking and non-banking financial institutions
(b) Stock exchange market
(c) Foreign exchange market
(d) All of these
Ans: d
6. Which of the following is an example of indirect tax?

- (a) Income tax
- (b) Wealth tax
- (c) Goods and services tax
- (d) None of these

Ans: c

7. Which of the following is the strategy to promote globalisation of the India economy?

- (a) Partially convertibility
- (b) Reduction in tariffs
- (c) Increase in equity limit of foreign investment
- (d) All of these

Ans: d

8. In the context of Indian experience, controls were imposed by the government with a view to:

- (a) checking the growth of private monopolies
- (b) minimising the hold of large industrial houses on the financial resources of the country
- (c) both (a) and (b)
- (d) none of these

Ans: c

9. Liberalisation of the economy under the new economic policy changed the role of RBI in the economy:

- (a) from a 'regulator' to 'facilitator' of the financial sector
- (b) from a 'controller' to 'manager' of the government debt
- (c) both (a) and (b)
- (d) none of these

Ans: a

10. Industrial sector reforms under the New Economic Policy (NEP) comprised which of the following?

- (a) Abolition of industrial licencing
- (b) De-reservation of production areas
- (c) Contraction of public sector
- (d) All of these

Ans: d

11. External sector reforms under NEP included:

- (a) foreign exchange reforms
- (b) foreign trade policy reforms
- (c) both (a) and (b)
- (d) none of these

Ans: c

12. Which of the following are the components of globalisation under the new economic policy?

- (a) Partial convertibility of the Indian rupee

(b) Increase in equity limit of foreign investment

(c) Reduction in tariffs

(d) All of these

Ans: d

13. The parameters of economic reforms undertaken in an economy are:

(a) macroeconomic stabilisation

(b) macroeconomic structural adjustments

(c) both (a) and (b)

(d) none of these

Ans: c

14. The programme of economic reforms in India was started on

(a) 26 th July 1990

(b) 23th July 1992

(c) 21th July 1991

(d) 24th July 1991

Ans. 24th July 1991

15. Licensing (as in case of liquor) is necessary for the

(a) regulation of business

(b) regulation of the industry

(c) regulation of taxes

(d) none of these

Ans. regulation of the industry

POVERTY

IMPORTANT POINTS: -

- Meaning of Poverty: -Poverty is the inability to fulfil the basic requirements of life.
- Relative Poverty: It refers to poverty across different classes, regions, or countries.
- Absolute Poverty: counting of total number of poor people is absolute poverty.
- Poverty Line refers to the cut-off point (in terms of per capita expenditure) that divides people of a region as poor and non-poor.
- Based on the new official poverty line, in 2011-12, poverty rate in India is estimated to be 21.9 per cent.
- In India, poverty line is fixed based on private consumption expenditure, we consider not only food items but non-food items as well.
- Causes of Poverty: -
 - Low level of national product
 - Low rate of growth

- Heavy pressure of population
- Inflationary spiral
- Chronic unemployment and underemployment
- Capital deficiency
- Lack of able and efficient entrepreneurs
- Outdated social institutions
- Lack of infrastructure
- Measures to remove Poverty: -
 - Combating poverty through GDP growth
 - Combating poverty by improving the distribution of income (through fiscal and legislative measures).
 - Combating poverty through population control.
 - Other measures enhancing quality of life of the poor.

CASE STUDY BASED QUESTIONS

CASE STUDY- 1

The poverty lines refer to a cut-off point that divides people of a region as poor and non-poor. Poverty line cutoff may be determined in the terms of income or in terms of consumption. The percentage of the population below the poverty line is called the headcount ratio. the poverty incidence ratio is the same as the headcount ratio.

Headcount ratio refers to the measurement of poverty in the term of number of person below the poverty line, where the poverty line means some cutoff point with respect to the individual consumption expenditure per month. The poverty line usually measured in terms of per capita expenditure.

Consumption reflects the actual use of goods and service by an individual as well as the type of goods used while income only shows the capacity to purchase.

Answer the following Questions:

1. A cut off point dividing people as poor and non poor indicates the number of those who are:
 - (a) absolute poverty
 - (b) below poverty line
 - (c) both a and b
 - (d) none of the above

Ans (a) answers the following questions:
2. The absolute poverty in India is measured with reference to.....
Answer: Poverty line
3. Poverty line cut off can be determined in terms of.....(investment/consumption)
Answer: consumption
4. Poverty line is measured normally in terms of.....(per capita expenditure/per capita income)

Answer:per capita expenditure

CASE STUDY -2

This paragraph talks about economic inequalities in India that have been driven by the employment pattern and changes in labour market, which in turn have been affected by the macroeconomic policies and process as well as forms of social discrimination and exclusion. While many Asian economies have shown indications of rising inequalities in recent decades, the Indian experience is particularly remarkable in the way inequalities have intertwined with economic growth process. structural change and the persistence of the low productivity employment in India are strongly related to following wage shares of national income and growing wage inequality and the close relationship between formal and informal sectors is the sharpest exemplar of this. patterns of social discrimination along with gender and caste line have reinforced tendency to create segmented labour market that offer little incentives for the employers to focus on productivity improvement.

1. Why did the government shift its strategy from long term to short term programs to remove unemployment?
 - A. Short term policies are more effective
 - B. Long term policy do not give appropriate response
 - C. It is easy to check the progress
 - D. All the above
2. Increase in the proportion of casual worker as the proportion of the total work force is known as _____ (informalization/casualization)
3. _____ is used to measure the concept of relative poverty.
4. Women participation in rural areas is found to be higher in rural areas as compared with area in India due to which the following reason.
 - A. Widespread poverty
 - B. Male member do not earn sufficient income
 - C. Wages level are low in rural areas
 - D. all the above.

Answers : Q1 All of the above

Q2. Casualization

Q3 Gini Coefficient

Q4 all the above

ASSERTION AND REASON BASED QUESTIONS

1. Assertion(A): The Average per capita daily requirement of 2400 calories in rural areas and 2100 calories in urban areas.
Reason (R): Because rural areas people do more labor in comparison to urban areas. that's why more calories is required in rural areas.
 - 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.

Answer:a

2. Assertion(A)absolute poverty is prevalent in developed economics.

REASON(R)most developed economics are industrialized economy.

- 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.

Answer:b

3. Assertion(A): national Food for work programme was launched in 2004 with the objective of creating self-employment opportunities in rural areas.

REASON(R): This programme was incorporated in Mahatma Gandhi National Rural Employment Guarantee ACT (MGNREGA) IN 2005.

- 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.

Answer:d

4. Assertion (A)Inflation is the cause of poverty.

Reason (R) Inflation (price spiral) erodes real income of the people. Other things remaining constant, price spiral may push certain people below the poverty line.

Alternatives:

- a) Both Assertion (A) and Reason(R) are true and Reason (R) is the correct 1 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) are is true.

Ans: a

5. Assertion (A)Poverty can reduce even when income of the poor does not rise.

Reason (R) The poor can be offered essentials of life at subsidised prices

Alternatives:

- a) Both Assertion (A) and Reason(R) are true and Reason (R) is the correct 1 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) are is true.

ANS:B

6. Assertion (A) Migration lowers poverty.

Reason (R) People migrate to those areas which offer better opportunities of employment. Getting employment or getting better employment leads to improvement in the quality of life. It may help people shift above the poverty line.

- a) Both Assertion (A) and Reason(R) are true and Reason (R) is the correct 1 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) are is true.

Ans: a

7. Assertion: Although there is a steady decline in poverty over the last two decades but total number of the poor people have remained constant.

Reason: There has been a considerable growth in population.

- a) Both assertion and reason are true but the reason is the correct explanation of assertion.
- b) Both assertion and reason are true but reason is not the correct explanation of assertion
- c) Assertion is true but reason is false
- d) Assertion is false but reason is true

Answer:A

8. Assertion: Most of small farmer are in deb-trap.

Reason: They borrow money from money lenders who charge high rate of interest that push them in to chronic indebtedness.

- a) Both assertion and reason are true but the reason is the correct explanation of assertion.
- b) Both assertion and reason are true but reason is not the correct explanation of assertion
- c) Assertion is true but reason is false
- d) Assertion is false but reason is true

ANSWER:A

9. Assertion (A) Mr. X is relatively richer than Mr. Y. But both can be poor.

Reason (R) Mr. X may have higher income than Mr. Y. But, both X and Y may not have enough income to buy the essentials of life. So that, both are poor.

- a) Both Assertion (A) and Reason(R) are true and Reason (R) is the correct 1 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) are is true.

Ans: a

10. Assertion(A): Capital formation is the key to eradicate the poverty in India.

Reason (R): Lack of capital implies lack of production capacity.- Low production capacity implies low opportunities of employment. - Low level of employment implies high level of poverty.

- a) Both Assertion (A) and Reason(R) are true and Reason (R) is the correct 1 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) are is true.

Ans: a

MULTIPLE CHOICE QUESTIONS

1. Those who regularly move in and out of poverty are called
- (A) Chronically poor
 - (B) Churning poor
 - (C) Occasionally poor
 - (D) Transient poor

Answer: (B) Churning poor

2. Which of the following is the poverty determination measure?
- (A) Head Count Ratio
 - (B) Sen Index
 - (C) Poverty Gap Index
 - (D) All of these

Answer :all of these

3. When was the Task Force on Projections of Minimum Needs and Effective Consumption Demand was formed?
- (A) 1969
 - (B) 1979
 - (C) 1989
 - (D) 1999

Answer:b.1979

4. In 2011-12, poverty line was defined worth _____ as consumption per person a month for rural areas and _____ for urban areas.
- (A) ₹816 and ₹1,000
 - (B) ₹1,012 and ₹1,210

(C) ₹550 and ₹860

D) ₹860 and ₹673

Answer:a

5. Who conducts the periodical sample survey for estimating the poverty line in India?

(A) National Survey Organisation

(B) National Sample Survey Organisation

(C) Sample Survey Organisation

(D) None of the above.

ANSWER:b

6. Which of the following is not a major reason for the lack of effectiveness of targeted anti-poverty programmes?

(A) Lack of proper implementation

(B) Lack of right targeting

(C) Overlapping of schemes

(D) All the above.

ANSWER:d

7. In which year was N R E G A enacted?

(A)2005

(B)2000

(C) 1999

(D) 1993.

ANSWER: A

8. The calorie requirement is higher in the rural areas because:

(A) they do not enjoy as much as people in the urban areas

(B) food items are expensive

(C) they are engaged in mental work

(D) People are engaged in physical labour

Answer:d

9. Which of the following is an indicator of poverty in India?

(A) Income level

(B) Illiteracy level

(C) Employment level

(D) All of these.

Answer: a

10. The most vulnerable social groups for poverty are:

(A) Scheduled Tribes

(B) Urban Casual Labourers

(C) Rural Agricultural Labourers

(D) Scheduled Castes.

Ans A.

11. Which one of these is not a cause of poverty in India?

- (A) Low level of economic development
- (B) Migration of people from rural to urban India
- (C) Income inequalities
- (D) Unequal distribution of land.

ANSWER:B

Human Capital Formation

IMPORTANT POINTS: -

- Human capital refers to stock of 'skills, knowledge, expertise' at a point of time.
- Human capital is a collection of traits – all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively by individuals in a population.
- It is the process of adding to the stock of human capital. It is the process of increasing the number of people who have the skills, knowledge, experiences.
- Sources of human capital formation: -
 - Expenditure on Education
 - Expenditure on health
 - On the job training
 - Migration
 - Expenditure on Information
- Importance of human capital formation
 - Increases the growth of a nation
 - Technological innovation
 - Improvement in quality of life
 - Increases the productivity of physical capital
- Problems of human capital formation
 - Rapid growth of population
 - Poor health facilities
 - Inefficient education system
 - Brain Drain
 - Improper manpower planning

CASE STUDY BASED QUESTIONS

CASE STUDY -1

The first ever Human Development Report (2001) of India has been released. It focuses on the vital-facts related to bureaucratic controls and poor governance of the country. The report was prepared by the planning Commission under the guidance of its Deputy Chairman, Mr. K.C. Pant. This 297-page document was released on April 23, 2002 and submitted to the Prime Minister. The report states that from 1983 to 1993-94, the Human Development Index (HDI) improved by nearly 2.6 per cent annum and by over 3 per annum

during the period 1993-2001. Rural and urban areas have shown signs of improvement, according to the report.

Kerala, Punjab, Tamil Nadu, Maharashtra and Haryana have good HDIs. But states like Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan and Orissa have HDIs close to nearly one-half to that of Kerala. Funds must be distributed efficiently and effectively so that human development processes do not suffer according to the report.

India's growth in terms of HDI has shown dismal trends during the recent past. Lack of resources, communal feelings and illiteracy are the chief causes of decay of the average Indian. Further, politicians, bureaucrats and other elements of the administration exploit the masses, executives, and business houses. The economic and political systems need serious transformations. The socio-cultural fabric of the nation cannot be weaved again because of religious compulsions. Ironically, we believe in religion so that our passage into the next world could be smooth and sans agonies. But we are least worried about our courses of action (and their outcomes) in this world. Religion often forces us to dominate other communities and sects. We attack them at opportune moments and face reprisals from them. This vicious cycle has been going on in India for the past 3,000 years. In order to develop the quality of life of Indians, the administration must become honest, efficient, productive and agile. Plant workers must increase productivity and eschew violence and strikes. Businessmen must conduct their business operations with honesty; they never do so. Further, political parties must guide the electorate and also, the masses towards prosperity and not chaos. Our psyche has to be changed; a change of government cannot lead us to a new era sans corruption and poor governance. Economic growth is linked to social growth, moral awareness, health and education. Every industrialist must work for the benefit of his or her nation. We have least interest in our nation and that is why, we are not receiving anything from her. The targeted rate of growth (of GDP) for the Tenth Plan is 8 per cent. However, the GDP growth rate during the Ninth Plan was a meagre 5.4 per cent. During the Eighth Plan, this rate was 6.7 per cent. How can we ensure consistent human development on a national scale if our results always fall short of targets. Our economy should grow at the rate of 7-8 percent. During 2001-02, it grew at the rate of 5.4 per cent.

1. Which state is lag in good HDI according to this report.
 - a. Punjab.
 - b. Kerala.
 - c. Bihar
 - d. Tamilnadu.

Ans- C

2. When was first report on HRD was published.
 - a. In 1998
 - b. In 2000
 - c. In 2001
 - d. In 2005

Ans-c

3. What was the target for GDP Growth during 10th five year plan ?
- 5%
 - 7%
 - 8%
 - 10%

Ans – c

4. Which is not related with human capital formation.
- Education.
 - Health.
 - Skill.
 - Internet.

Ans-d

5. India's HDI rank was too low because of
- Poor literacy rate.
 - Poor education facilities.
 - Poor health services.
 - All of the above.

Ans- d

CASE STUDY -2

Read the passage carefully and answer the questions that follows

The objectives of public finance are to ensure macroeconomic stability, achieve the desired state of distribution, provide public services to accelerate growth and development. Fiscal policy has both macro and microeconomic aspects. Further, the objectives include allocating

resources for the provision of public services. The important point is that ensuring security and protection of property rights is a basic public good and this can be provided only by the

government. The governments have the task of distributing incomes and alleviating poverty.

After the Great Depression and influenced by Keynesian economics, public spending was assigned a central role. Thus, the role of public finance is inextricably linked to the role of the state. From merely ensuring safety, security and property rights, governments have expanded their activities to providing a variety of public services with externalities. The expansion has been a subject matter of debate. Musgrave considers that the expansion of the public sector has been a necessary and constructive development and strong public sector is needed along with the capitalist market. In contrast, Buchanan argues that dispute arises when the state expands to areas beyond the realm of boundaries of the protective state into a productive or tax-transfer state. In India, state intervention through public finance policy has to play an important role besides ensuring the safety and security

of people and their property rights. These include the need to overcome large social and physical infrastructure deficit, provide correctives to missing and imperfect markets, introduce measures to reduce acute inequalities and poverty and provide correctives to widespread information asymmetry. Interventions are needed also to provide externalities in terms of market development, irrigation, storage and price support in agriculture to deal with market imperfections and supply volatility. Similarly, generalized

externalities have to be ensured for the manufacturing and service sectors through competitive levels of infrastructure. India's public finance policies have enabled the government to play a catalytic role in the development of the economy as a whole. In addition

over the years, there has been a significant increase in transfers from the government such as for employment guarantee and food security, national housing scheme, Swachhh Bharat

Abhiyan, Ujjawala Yojana, Pradhan Mantri Kisan Samman Nidhi, periodic loan waivers, etc.

1. Which one of the following statements is correct?

A. The expansion of the public sector has been a necessary and constructive development and

a strong public sector is needed along with the capitalist market

B. There are several reasons for the state to embrace a much larger role

C. In India, state intervention through public finance policy has to play an important role

D. Keynesian economics states that the state has to ensure full employment

Choose the correct answer from the options given below:

1. A and B only

2. A, B and C only

3. A and C only

4. A, B, C and D

Ans-3

2. The statement, "Dispute arises when the state expands to areas beyond the realm of boundaries of the protective state into a productive or tax-transfer state", was given by

1. Musgrave

2. Keynes

3. Dalton

4. Bueltanan

Ans- 4

3. Which one of the following objectives of public finance is NOT correct?

1. Ensure macroeconomic stability

2. Ensure reduction of adverse balance of payments

3. Accelerate growth and development

4. Desired state of distribution

Ans-2

4. The externalities of the government intervention in the economy can be found in terms of
- Market development
 - Money supply
 - Storage and price support in agriculture
 - Irrigation

Choose the correct answer from the options given below:

- C and D only
- A, B and D only
- A, B and C only
- A and D only

Ans-1

5. Which one of the following does NOT fall in the category of government transfers?
- National Housing
 - Swachhh Bharat Abhiyan
 - Periodic loan waivers
 - Education

Ans-4

CASE STUDY-3

Read the passage carefully and answer the questions that follows

There is considerable evidence that some consumers are willing to pay more for green goods. To produce green goods we need not to use skill and human resources. Green goods are goods that are manufactured in an environmentally friendly way (e.g. wood products from sustainable forests, electricity produced from wind power) without a direct impact on a consumer. These are referred to as impure Public goods - a package of Private good and Public good. Why consumers are willing to pay more for these goods is complex. Whatever the reason, it is clear some consumers are willing to pay for green actions that do not benefit them directly. One example of green goods is 'green electricity'. Green power is simply electricity produced using renewable sources of energy. Of course, electricity itself is completely indistinguishable from non-green electricity. There are two ways in which consumers may buy green electricity; either by buying it directly or by contributing to the cost of building green electricity capacity. Consumers are clearly willing to spend more for green electricity and their preference for green production is indicated by the recent rise in popularity of retail carbon offsets. Offsets of emissions have long been used by firms to buy and sell the obligation to reduce emissions. In the USA, new emitters setting up a business in an urban area have to 'offset' their emission additions by finding (and paying) existing firms to reduce their emissions. In recent years, firms have used offsets to effectively reduce their emissions in order to provide a green image, particularly in the case of carbon emissions. The purchase of offsets by consumers is different when consumers buy offsets. They are making a purely voluntary contribution to the environment. Retail offsets are a way in which consumers can produce a green product from a brown product. For example, one can make his part of the flight carbon neutral by

paying someone else to reduce his or her carbon emission. This is formalized in an offset market whereby sellers of offsets reduce emissions and then sell these 'reductions'.

1. Green Electricity means
 - a) Electricity produced from renewable sources of energy
 - b) Electricity from Thermal plants
 - c) Electricity from Gas-powered plants
 - d) Hydro-power

Ans-1

2. Impure Public goods are
 - a) Private goods
 - b) Public goods
 - c) A package of Public and Private goods
 - d) Harmful goods for the society

Ans-3

3. Offset of emissions are used
 - a) To reduce emissions
 - b) To provide green image
 - c) For emission addition
 - d) To satisfy consumer preferences

Choose the correct answer from the options given below:

1. A, B and C only
2. A, C and D only
3. A, B and D only
4. B, C and D only

Ans-3

4. An example of green good is
 - e) White paper
 - f) Wind power
 - g) Forest product
 - h) Solar energy

Choose the correct answer from the options given below:

1. A and B only
2. B and C only
3. C and D only
4. B and D only

Ans-4

5. The way in which consumers can produce a green product from a brown product
 - a) Monopoly
 - b) Retail offsets
 - c) Price discrimination
 - d) Fiscal deficit

Ans-2

ASSERTION AND REASON BASED QUESTIONS

1. Assertion (A): Indian economy is predominantly rural economy
Reasoning (R): As per 2011 census, the country's rural population is almost 83.25 crore (68.8% of total population)
Options : (A) is True but (R) is False
2) (A) is False but (R) is True
3) Both (A) and (R) are True and (R) is the correct of A
4) Both (A) and (R) are True but (R) is not the correct explanation of (A)

Answer-3

2. Assertion (A): Literacy is a powerful instrument of socio-economic change.
Reasoning (R) : Empowerment of women helps to reduce gender disparity.
Options : 1) (A) is True, but (R) is False
2) (A) is False, but (R) is True
3) Both (A) and (R) are True and (R) is the correct explanation of (A)
4) Both (A) and (R) are True but (R) is not the correct explanation of (A)

Answer-4

3. Assertion (A): India become self-reliant in the agricultural production after introducing green revolution.
Reason(R): shortage of food grains due to drought and lack of irrigation facilities in the early 1960's.
a) Both assertion(A) and reason(R) are true and reasons (R) is the correct explanation of assertion (A).
b) Both assertion and reason 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.

Answer- B

4. Read the following statements - Assertion (A) and Reason (R) Assertion (A): Small scale industries ensure a more equitable distribution of national income and wealth.
Reason (R): The ownership of small scale industries is more wide spread than the ownership of large scale industries.
Select the correct alternative from the following:
a)Both Assertion (A) and Reason (R) are true.
b) Both Assertion (A) and Reason (R) are false.
c) Assertion (A) is true but reason (R) is false.
d) Assertion (A) is false but reason (R) is true.

Answer- A

5. Assertion (A): India became an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.
Reason (R): Restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.
- (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.

Answer- A

6. Assertion (A): The major policy initiatives i.e. land reforms and green revolution helped India to become self-sufficient in food grains production.
Reason (R): The proportion of people depending on agriculture did not decline as expected
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.

Ans. (b)

MULTIPLE CHOICE QUESTIONS

- which of the following is not an example of physical capital?
(a) machinery (b) raw material (c) building (d) education and knowledge in people.
Answer—D
-five-year plan recognised the importance of human capital?
(a) seventh (b) third (c) eight. (d) sixth
Answer—A
- which one of the following is a reason for poor human capital formation in India?
(a) Brain drain
(b) insufficient resources
(c) high growth of population
(d) all of these
Answer- D
- how much educational cess has been imposed by the government on all union taxes ?
(a) 1 percent (b) 2 percent (c) 4 percent (d) 5 percent
Answer-B
- which one of the following is a major sources of human capital formation in the country ?

- (a) Expenditure on education (b) Expenditure on infrastructure
(c) expenditure on defences (d) expenditure on energy

Answer-A

6. the objectives of the mid-day meal scheme is.....?
(a) to boost universalisation of primary education
(b) to boost nutritional status of children in schools
(c) to increase inrollment, attendance and retention.
(d) to boost universalisation of upper primary level of education

Answer-C

RURAL DEVELOPMENT

IMPORTANT POINTS-

- Rural development is the process of improving the quality of life and economic well-being of people living in rural areas. It is a process of Social and Economic growth of Rural area.
- Agriculture credit means Credit for farming. After independence the Government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate credit to farmers, at a cheaper rate of interest.
- Sources of credit: -
 - Institutional sources: - banks, NBFCs, cooperative societies
 - Non institutional sources: - Moneylenders, Traders and Commission agents, Relatives, Landlords
- Self-help group:- A self-help group (SHG) is a financial intermediary committee usually composed of 10–20 local women or men. Members make small regular savings contributions over a few months until there is enough money in the group to begin lending. Many SHGs are 'linked' to banks for the delivery of micro-credit.
- Goals of SHGs: -
 - Empowering women
 - developing leadership abilities among poor and the needy people
 - Increasing school enrolments
 - Improving nutrition and the use of birth control.
- Advantages of SHGs: -
 - Economically poor individual gains strength as part of a group.
 - SHG minimize expenses on travel for completing paperwork and on the loss of workdays in canvassing for loans.
 - Empowered poor people especially women
 - SHGs help borrowers overcome the problem of lack of collateral.
- Assessment of agriculture credit: -

- Credit facilities in rural areas for agriculture is extended. But it has some problems/ issues like:-
 - Insufficiency
 - Inadequate Amount of Sanction
 - Lesser Attention of Poor Farmers[due to collateral requirements]
 - Growing Over dues
 - Inadequate Institutional Coverage
 - Red Tapism
- Suggestions for solving problems of agriculture credit: -
 - Middlemen existing between credit agencies and borrowers should be eliminated.
 - RBI or NABARD should arrange sufficient fund for long term loans.
 - The Government should introduce the credit guarantee scheme.
 - Credit should also monitor over the actual utilisation of loans.
 - Co-operative credit societies should be organised to make it efficient and purposeful for providing the best in terms of rural credit.
- Rural Marketing: -
 - Agricultural marketing system is an efficient way by which the farmers can dispose their surplus produce at a fair and reasonable price. Agricultural marketing includes the operations like collecting, grading, processing, preserving, selling, transportation and financing.
- Defects of agriculture marketing: -
 - Existence of Middlemen
 - Dependency on Moneylenders [Lack of Institutional Finance]
 - Lack Storage Facility
 - Less Bargaining Capacity
 - unregulated Markets
 - Inadequate Transport Facility
 - Agricultural Marketing Societies
 - Lack of Grading
- Remedies for agriculture marketing: -
 - Establishment of regulated markets.
 - Establishment of co-operative marketing societies.
 - Extension of additional storage and warehousing facilities for agricultural.
 - Extending adequate amount of credit facilities to the farmers.
 - Timely supply of marketing information to the farmers.
 - Improvement and extension of road and transportation facilities for connecting the villages with mandis.
 - Provision for standardization and grading of the produce for ensuring good quality product.

- Formulating suitable agricultural price policy by the Government [MSP]
- Organic farming: - A system of farming in which chemicals are not utilised. It means use of Organic inputs in agriculture.

CASE STUDY BASED QUESTIONS

CASE STUDY-1

In agriculture, due to long time gap between crop sowing and realisation of income, farmers are in strong need for credit. Farmers need money to meet initial investment on seeds, fertilisers, implements and other family expenses of marriage, death, religious ceremonies, etc. So, credit is one of the important factors, which contribute to agricultural production. An efficient and effective rural credit delivery system is crucial for raising agricultural productivity and incomes.

1. Which one of the following is not a non-institutional source of credit?
 (a) Money lenders (b) Co-operative Credit
 (c) Trader and commission agents (d) Land development bank
2. _____ (NABARD/ RBI) is the Apex Bank which coordinates the functioning of different financial institutions, working for expansion of rural credit.
3. Regulated markets were organised to protect the farmers from the malpractices of consumers. (True/ False)

Answers:

- 1 (b) Co-operative Credit
- 2 NABARD
- 3 False

CASE STUDY-2:

Prior to independence, farmers, while selling their produce to traders, suffered from faulty weighing and manipulation of accounts. Farmers who did not have the required information on prices prevailing in markets were often forced to sell at low prices. They also did not have proper storage facilities to keep back their produce for selling later at a better price. Measures that were initiated to improve the marketing aspect.

Question:

1. Government improve agriculture marketing system through __ (Control/Regulate)
2. Agricultural marketing is a process that involves the __
 (a) Transportation (b) Packaging (c) Grading (d) All of these
3. The first step was regulation of markets to create orderly and transparent marketing conditions (True/Falls)

Answers:

1. Regulate
2. (d) All of these
3. True

CASE STUDY-3:

At the time of independence, money lenders and traders exploited small and marginal farmers and landless labourers by lending to them on high interest rates and by manipulating the accounts to keep them in a debt-trap. A major change occurred after 1969 when India adopted social banking and multi agency approach to adequately meet the needs of rural credit.

The institutional structure of rural banking today consists of a set of multi-agency institutions, namely, commercial banks, regional rural banks, cooperatives and land development banks. They are expected to dispense adequate credit at cheaper rates. Recently, self-help groups have emerged to fill the gap in the formal credit system. The SHGs promoter shrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy members to be repayable in small instalments at reasonable interest rates. By May 2019, nearly 6 crore women in India have become member in 54 lakh women SHGs. About Rs 10-15.000 per SHG as a community investment support fund are provided as part of renovating fund to take up self-employment for income generation.

1. _____ was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system. (RBI/NABARD)
2. This was a harbinger of major changes in the credit system as it led to the diversification of the portfolio of rural credit towards production-oriented lending.
(a) Green Revolution (b) Golden Revolution
(c) White revolution (d) None of these.
3. Recently, Self Help Groups have emerged to fill the gap in the formal credit system. Such credit provisions are generally referred to as
(a) Macro credit programmes (b) Micro credit programmes
(c) Both 'a' and 'b' (d) None of these
4. Which of the following part is not a part of the institutional structure of rural banking today?
(a) Commercial banks. (b) Regional rural banks.
(c) Non-banking finance companies. (d) Land development banks

Answers:

1. NABARD
2. (b) Golden Revolution.
3. (b) Micro credit programmes.
4. (c) Non-banking finance companies.

CASE STUDY-4:

Rural Development is the key issue with the government. Without the development of rural areas India cannot increase its growth to desired level. Rural development does not mean only to develop its agriculture marketing and credit but also to develop education, training, and infrastructure in rural areas. The government has launched many programs especially of provision of credit and marketing facilities. The farmers often have shortage of funds. Farmers generally go to non-institutional sources for their short term and long-term loans. But farmers are generally exploited. To help them government started provided

loan through commercial banks and an apex bank named NABARD was established in 1982. Government is also making efforts to improve agricultural marketing by removing the role of intermediaries where farmers can directly sell their produce to seller without involving any commission agent or middlemen.

1. Name the Non-institutional sources of credit
 - (a) Landlords
 - (b) Moneylenders
 - (c) Traders and commission agents
 - (d) All of above
2. NABARD is established in the year
 - a) 1982
 - b) 1992
3. Non-farm activities are promoted by government for:
 - (a) regular income to farmer
 - (b) addressing the problem of disguised unemployment
 - (c) reducing pressure on land
 - (d) All of the above

Answers:

1. (d) All of above
2. 1982
3. (d) All of the above

ASSERTION AND REASON BASED QUESTION

1. **ASSERTION (A):** Rural development is an action plan for complete and comprehensive development of rural area.
REASONING (R): It is required to increase the standard of living of Indians as two third of the population of India lives in rural area.
 - 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.

Ans: (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
2. **ASSERTION (A):** Rapid expansion of the banking system had a positive effect on rural farm and non-farm output, income and employment.
REASONING (R): The institutional credit arrangement continues to be inadequate as they have failed to cover the entire rural farmers of the country.
 - 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.

Ans: (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct

explanation of Assertion (A)

3. ASSERTION (A): National Bank for Agriculture and Rural Development (NABARD) was set up in 1980.

REASONING (R): National Bank for Agriculture and Rural Development (NABARD) is an apex body to coordinate the activities of all institutions involved in the rural financing system.

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

Ans: (d) Assertion (A) is false but Reason (R) is true.

4. ASSERTION (A): Rural people not only face problems with regard to finance, but also encounter difficulties in marketing their goods.

REASONING (R): Agriculture Marketing' needs urgent attention in the scheme of securing rapid rural development.

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

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

MULTIPLE CHOICE QUESTIONS

1. Rural development means:-

- Providing education to rural people
- Providing health facilities to rural people
- Development of agriculture
- Which raises quality of life or standard of living of rural people

2. Rural people require long term loans.....

- To purchase agriculture machinery
- To buy fertilizers and seeds
- TO improve the land
- All of the above

- Because in rural area depend on Agricultural economic activity

3. Rural people require short term loans.....

- To buy factors and cattle
- To pay old debits
- To meet consumption expenditure

- D. All of the above
- Because they want to pay quickly and take one more
4. Rural marketing is related to.....
- Regulated markets
 - Storage
 - Transportation Less use of pesticide
 - All of the above
5. Organic farming is very useful due to
- Less use of pesticides
 - Less use of insecticides
 - Improvement in soil fertility
 - All of the above
- Its food healthy for health
6. Cow dung, urine, residuals of fruits, mobility of organic nutritious elements are trusted by farmer under.....
- Organic farming
 - Farming
 - Land holding
 - Distress farming
7. Regional rural banks contribute in institution credit.....
- 32Percentage
 - 22 percentage
 - 12 percentage
 - 60 percentage
8. Three tire system of rural co-operative credit societies is.....
- Primary agricultural credit societies (PACS)
 - Central co-operative banks
 - State co-operative banks
 - All of these
- Because – All financial agencies giving help for development
9. Multi-agency approach.....
- co-operatives
 - Commercial Banks
 - Regional Rural Banks
 - All of these
10. Different type of production included in Agriculture.....
- Animal husbandry
 - Production of milk
 - Goods related to animal produce
 - All of these
11. The main function of co-operative marketing societies is to improve....

- A. Agricultural marketing
- B. Industrial marketing
- C. Both(A+B)
- D. None of these

Because – Mostly societies stab list in rural areas

12. Institutional sources are.....

- A. Money lenders, relatives and land owners.
- B. Rural co-operative societies commercial banks and regional rural banks
- C. Central Banks
- D. Primary agricultural credit societies

Because-- rest of the choices are individual

13. Agriculture marketing does not comprise of

- A. Transportation of produce to the market place for sale.
- B. Grading of the produce according to the quality
- C. Storage of the produce for sale in future
- D. Credit taken to meet expenditure on agriculture

Because – Agriculture marketing is institutional role

14. The farmers in rural area require credit for agricultural development. This credit is known as:--

- A. Rural /Agricultural credit
- B. Urban credit
- C. Both A &B
- D. None of these

15. What type of loans are based on objectives?

- A. Production loans
- B. Consumer loan
- C. Both A &B
- D. None of these

16. What are the kinds of loan based on time period?

- A. Short Term
- B. Medium Term
- C. Long Run
- D. All of these

17. What are the non- institutional sources of credit?

- A. Moneylenders, Mahajans
- B. Trademen, Relatives
- C. Landlords
- D. All of the above

- All are individual, and its not registered in record.

18. Organic farming is a.....

- A. Natural way of farming

- B. Eco- friendly technology
 - C. Essential for sustainable development
 - D. All of the above
19. What type of revolution is called between 1991-2003?
- A. Green Revolution
 - B. Golden Revolution
 - C. White Revolution
 - D. Red Revolution
- It is the time period of Honey and Horticulture production
20. In which form multi-agency system was adopted after Indian's Independence?
- A. Non- Institutional Credit
 - B. Institutional credit
 - C. Both A&B
 - D. None of these
21. How much the commercial banks contribute in institutional credit?
- A. 72Percentage
 - B. 31 percentage
 - C. 12 percentage
 - D. 75 percentage
22. Which banks come under multi- agency system?
- A. Cooperative
 - B. Commercial
 - C. Regional Rural
 - D. All of three
23. What element is trusted by farmer under organic farming?
- A. Cow dung, urine etc.
 - B. Residual of fruits
 - C. Mobility of Organic Nutritious Elements
 - D. All of the above
- Because all natural choices (option)
24. Which production does come under Agricultural diversification?
- A. Food grains
 - B. Commercial crops
 - C. Horticulture and Dairy
 - D. All of these
25. Announcement of prices of agricultural goods every year is known as;
- A. Support price
 - B. Agricultural Price
 - C. Cost Price
 - D. All of the above
26. National Agricultural Federation (NAFED) was established in;

- A. 1962
 - B. 1963
 - C. 1964
 - D. 1965
27. When a farmer sells agricultural surplus to Sahukars or Trademen at lower price, it is called as: -
- A. Forced
 - B. Forced sale
 - C. Sale
 - D. Defective sale
28. In which sectors rural cooperatives play important role?
- A. Agricultural credit
 - B. Production
 - C. Processing Marketing
 - D. All the above
29. What are the Rural finance functions of Reserve Bank of India (RBI)?
- A. Regulatory and financial functions
 - B. Developmental works
 - C. Both A & B
 - D. None of these
30. Capital requirement of NABARD are met by:
- A. Reserve Bank of India (RBI)
 - B. World Bank(WB)
 - C. International Development Association(IDA)
 - D. All of these
31. Operation flood was implemented in.....
- A. 1951
 - B. 1966
 - C. 1975
 - D. 1985
32. Blue revolution is associated with.....
- A. Indigo cultivation
 - B. Poultry farming
 - C. Fisheries
 - D. Availability of drinking water
33. India occupies-----place in milk production in the world.
- A. Fourth
 - B. First
 - C. Second
 - D. Fifth
34. Which of the following falls under unorganized sector?

- A. Gramin Banks
 - B. Cooperative Banks
 - C. Money lenders and traders
 - D. Land development Banks
35. Following is the advantage of lending by moneylenders.....
- A. Easy procedure of lending
 - B. Available for both productive and unproductive purposes
 - C. Loans are not made public
 - D. All the above
36. The feature of organic farming is.....
- A. Sustainable agriculture
 - B. Use of local inputs
 - C. Focus on soil health instead of plants
 - D. All of the above
- To protect the health and environment
37. Following is the limitation of organic farming.....
- A. Unsustainable agriculture
 - B. Less demand for organic food
 - C. Difficult marketing of organic products
 - D. No use of locally available inputs
38. If India has to make real progress, she has to develop its rural areas. It is because.....
- A. One –third of rural India still lives in abject of poverty.
 - B. More than the 50% India’s population depends on agriculture which is the major source of livelihood in the rural sector.
 - C. Growth –rate in the agricultural sector has been quite lower than those of other sectors of the economy.
 - D. All the above.
- 39 .14 major commercial banks were nationalized in---
- A 19 July 1969
 - B 19 July 1980
 - C 19 July 1975
 - D 19 July 1991
40. Diversification of agriculture implies.....
- A. Shift of workforce from agriculture to other allied activities and change in coping pattern
 - B. Commercialization of agriculture.
 - C. Use of modern technology
 - D. None of these
41. Diversification of agriculture is essential....
- A. To check food inflation
 - B. To provide sustainable livelihood option to rural people

- C. To generate large export surplus
 - D. None of these
- 42 .Livestock sectors in India provides employment to over..... Rural people.
- A. 14.4 million
 - B. 52 million
 - C. 70 million
 - D. 90 million
- 43 .Which of the following accounts for the largest share in the livestock sector of India?
- A. Poultry
 - B. Cattle
 - C. Goats
 - D. Ponies and mules
44. Which of the following is traditional source of rural credit?
- A. Regional Rural Bank
 - B. Village Money Lender
 - C. Commercial Bank
 - D. Co-operative Bank
45. Agricultural diversification money:
- A. Scientific farming
 - B. Large scale farming
 - C. Co-operative farming
 - D. Production of variety of grains and plans on the same land
46. Why is minimum support price fixed by the government?
- A. For government non- profit
 - B. To safeguard the interest of farmers
 - C. To safeguard the interest of consumers
 - D. None of these
- 47.The problems faced in rural banking are:
- A. Insufficient rural credit
 - B. Growing overdues
 - C. Inadequate amount of sanction
 - D. All of these
48. Organic farming is beneficial because:
- A. It generates income through international exports
 - B. It provides healthy food
 - C. It is produced in an environmentally sustainable way
 - D. All of these
- 49.Allied agricultural activities are/is:
- A. Agro processing
 - B. Food Processing
 - C. Tourism

- D. All of these
50. Rural developments will bring:
- Employment opportunities
 - Raise standard of living
 - Prosperity
 - All of the above
51. Surplus population engaged in agriculture can be employed in:
- Animal husbandry
 - Fisheries
 - Horticulture
 - All the above
52. Who was the founder of High Yielding Varieties(HYV) of seeds:
- Normen E. Barlang
 - Dada Bhai Nauroji
 - Dr.Swaminathan
 - None of these
53. NABARD was set up in-----.
- 1982
 - 1980
 - 2000
 - 2001
54. Production of a commodity, mostly through the natural process, is an activity in:
- Primary
 - Secondary
 - Tertiary
 - Information technology
55. When were regional rural banks initiated in India?
- 1970
 - 1975
 - 1980
 - 1985
56. National Bank for Agriculture and Rural Development is a.....
- Commercial Bank
 - Cooperative bank
 - An apex bank set up for rural and agricultural credit
 - Subsidiary of State Bank of India

Answers

1 (A) 2.(A) 3(C) 4.(D) 5(D) 6 .(D) 7. (C) 8.(D) 9. (D) 10.(D)11. (A) 12. (B)
13.(D) 14.(A) 15.(D) 16.(D) 17.(D) 18.(D) 19. (B) 20(B) 21.(A) 22.(D) 23.(D) 24(D) 25(A)

26(C)	27(B)	28(D)	29.(C)	30(D)	31(B)	32(C)	33(B)	34(C)	35(D)	36(D)	37(C)
38(A)	39(A)	40(A)	41(B)	42(C)	43(A)	44(B)	45(D)	46(B)	47(D)	48(D)	49(D)
50(D)	51(D)	52(A)	53(A)	54(A)	55(B)	56(C)					