



KENDRIYA VIDYALAYA SANGATHAN PATNA REGION

CLASS-XII



**Based on the latest CBSE Exam pattern
for the session-2023-24**

**STUDENT STUDY MATERIAL
(ECONOMICS)**

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2.	Money And Banking	Mr. Neeraj Kumar Tiwari, PGT(Economics), K.V. Sasaram
3.	Determination Of Income And Employment	Mr. A.K.Singh, PGT(Economics), K.V. Danapur cantt, Ist Shift
4.	Government Budget And Economy	Mr. A.K.Jha, PGT(Economcs), K.V.Muzaffarpur Ist Shift
5.	Balance Of Payments	Mr. A.K.Jha, PGT(Economcs), K.V.Muzaffarpur Ist Shift
6.	Development Experience (1947-90) And Economic Reforms Since 1991	Mr.Lal Bahadur Thakur, PGT(Economics), K.V.Gopalganj
7.	Current Challenges Facing Indian Economy	Dr.Bipul Vikas,PGT(Economics), K.V.Khagaul
8.	Development Experience Of India – A Comparison With Neighbours	Mr.Ratan Singh, PGT(Economics), K.V.Garhara
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ECONOMICS
CLASS – XII
(2023-24)

Theory: 80 Marks

3 Hours

Project: 20 Marks

Part A: Introductory Macroeconomics	Marks	Periods
➤ National Income and Related Aggregates	10	30
➤ Money and Banking	6	15
➤ Determination of Income and Employment	12	30
➤ Government Budget and the Economy	6	17
➤ Balance of Payments	6	18
	40	
Part B: Indian Economic Development		
➤ Development Experience (1947-90) and Economic Reforms since 1991: <ul style="list-style-type: none"> • Indian Economy on the eve of Independence • 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 	12	28
➤ Current challenges facing Indian Economy <ul style="list-style-type: none"> • Human Capital Formation • Rural development • Employment • Sustainable Economic Development 	20	50
➤ Development Experience of India	8	12
Theory Paper (40+40 = 80 Marks)	40	
		200
Part C : Project Work		
➤ Project Work	20	20
	100	

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Part A: Introductory Macroeconomics

Unit 1: National Income and Related Aggregates

What is Macroeconomics?

Basic concepts in macroeconomics: consumption goods, capital goods, final goods, Intermediate goods; stocks and flows; gross investment and depreciation.

Circular flow of income (two sector model); Methods of calculating National Income - Value Added or Product method, Expenditure method, Income method. Aggregates related to National Income:

Gross National Product (GNP), Net National Product (NNP), Gross Domestic Product (GDP) and Net Domestic Product (NDP) - at market price, at factor cost; Real and Nominal GDP , GDP Deflator, GDP and Welfare

Unit 2: Money and Banking

Money – meaning and functions, 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 through Bank Rate, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Repo Rate and Reverse Repo Rate, Open Market Operations, Margin requirement.

Unit 3: Determination of Income and Employment

Aggregate demand and its components. Propensity to consume and propensity to save (average and marginal).

Short-run equilibrium output; investment multiplier and its mechanism. Meaning of full employment and involuntary unemployment.

Problems of excess demand and deficient demand; measures to correct them - changes in government spending, taxes and money supply.

Unit 4: Government Budget and the Economy

Government budget - meaning, objectives and components.

Classification of receipts - revenue receipts and capital receipts;

Classification of expenditure – revenue expenditure and capital expenditure.

Balanced, Surplus and Deficit Budget – measures of government deficit.

Unit 5: Balance of Payments

Balance of payments account - meaning and components; Balance of payments – Surplus and Deficit

Foreign exchange rate - meaning of fixed and flexible rates and managed floating. Determination of exchange rate in a free market, Merits and demerits of flexible and fixed exchange rate. Managed Floating exchange rate system

Part B: Indian Economic Development

Unit 6: Development Experience (1947-90) and Economic Reforms since 1991:

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

Human Capital Formation: How people become resource; Role of human capital in economic development; Growth of Education Sector in India

Rural development: Key issues - credit and marketing - role of cooperatives; agricultural diversification; alternative farming - organic farming

Employment: Growth and changes in work force participation rate in formal and informal sectors; problems and policies

Sustainable Economic Development: Meaning, Effects of Economic Development on Resources and Environment, including global warming

Unit 8: Development Experience of India:

A comparison with neighbors India and Pakistan, India and China Issues: economic growth, population, sectoral development and other Human Development Indicators

Part C: Project in Economics

Part A: Introductory Macroeconomics

Unit 1: National Income and Related Aggregates

Macro Economics: Macroeconomics is the study of aggregate economic variables of an economy.

Consumption goods: - Are those which are bought by consumers as final or ultimate goods to satisfy their wants. Eg: Durable goods car, television, radio etc.

Non-durable goods and services like fruit, oil, milk, vegetable etc. Semi durable goods such as crockery etc.

Capital goods– capital goods are those final goods, which are used and help in the process of production of other goods and services. E.g.: plant, machinery etc.

Final goods: Are those goods, which are used either for final consumption or for investment. It includes final consumer goods and final production goods. They are not meant for resale. So, no value is added to these goods. Their value is included in the national income.

Intermediate goods :Intermediate goods are those goods, which are used either for resale or for further production. Example for intermediate good is- milk used by a tea shop for selling tea.

Stock: - Quantity of an economic variable which is measured at a particular point of time. Stock has no time dimension. Stock is static concept. Eg: wealth, water in a tank.

Flow: Flow is that quantity of an economic variable, which is measured during the period of time.

Flow has time dimension- like per hr, per day etc. Flow is a dynamic concept.

Eg: Investment, water in a stream.

Investment: Investment is the net addition made to the existing stock of capital.

Net Investment= Gross investment – Depreciation.

Depreciation: - depreciation refers to fall in the value of fixed assets due to normal wear and tear, passage of time and expected obsolescence.

Net factor income from abroad (NFIA)

Factor Income From abroad - Factor Income to Abroad

IMPORTANT POINTS AT A GLANCE:-

1. **GDP_{MP}**- It is the market value of all final goods and services produced within the domestic boundary of a country in an accounting year.
2. **NDP_{MP}**- It is the market value of all net final goods and services produced within the domestic boundary of a country in an accounting year. It excludes depreciation.
3. **GNP_{MP}**- It is the market value of all final goods and services produced by the normal residents of a country in an accounting year. It includes NFIA.
4. **NNP_{MP}**- It is the market value of all net final goods and services produced by the normal residents of a country in an accounting year. It includes NFIA and excludes depreciation.

5. **GDP_{FC}**- It is the money value of all final goods and services produced within domestic boundary of country in an accounting year. It includes NIT.
6. **NDP_{FC}**- It is the money value of all net final goods and services produced within domestic boundary of a country in an accounting year. It excludes depreciation and NIT.
7. **GNP_{FC}**- It is the money value of all final of goods and services produced by the normal residents of a country in an accounting year. It includes NFIA and excludes NIT.
8. **NNP_{FC}**- It is the money value of all net final goods and services produced by the normal residents of a country in an accounting year. It includes NFIA and excludes depreciation and NIT.

Formulas: -

- $NNP_{MP} = GNP_{MP} - \text{depreciation}$
- $NDP_{MP} = GDP_{MP} - \text{depreciation}$
- $NDP_{FC} = NDP_{MP} - \text{Net indirect taxes (indirect tax - subsidies)}$
- $GDP_{FC} = NDP_{FC} + \text{depreciation}$
- $NNP_{FC} = GDP_{MP} - \text{depreciation} + \text{Net factor income from abroad} - \text{Net indirect taxes}$
- (NNP_{FC} is the sum total of factor income earned by normal residents of a country during the accounting year)
- $NNP_{FC} = NDP_{FC} + \text{Net factor income from abroad.}$

TIPS FOR WORKING SUMS

1. To convert 'National' to 'Domestic', Subtract Net factor Income from abroad.
2. To convert 'Domestic' to 'National' Add Net factor income from abroad.
3. To convert 'Market Price' to 'Factor Cost' subtract Net indirect taxes.
4. To convert 'Factor Cost' to 'Market Price' Add Net indirect taxes.
5. Net factor income from abroad is the difference between factor income from abroad and factor income to abroad.
6. Net indirect tax is indirect taxes minus subsidies.
7. Net Exports is Export minus Import.
8. Gross Domestic Capital formation is Gross domestic fixed Capital formation plus Change in stock.
9. Change in stock is 'Closing stock' minus 'Opening stock'.
10. To convert 'Gross' to 'Net', subtract depreciation.
11. To convert 'Net' to 'Gross', Add depreciation.
12. Depreciation is otherwise called as Capital consumption or consumption of fixed capital.
13. Income Method is otherwise known as Factor income method.
14. Expenditure Method is otherwise known as Final expenditure method.
15. Value added Method is otherwise known as Net Output Method or Production Method.
16. Compensation of Employees includes Wages and Salaries and which are paid in Cash or Kind and Employers' contribution to social security schemes.
17. Operating Surplus is the sum of Rent, Interest and Profit.
18. Profit includes dividend, corporate tax, and corporate savings.
19. Corporate saving is otherwise called as retained earnings or undistributed profits.

Concept of Domestic Territory

Domestic territory is a geographical territory administered by a government within which persons, goods and capital circulate freely. (Areas of operation generating domestic income, freedom of circulation of persons, goods and capital)

It includes -

- *Political frontiers including territorial waters and air space.
- *Embassies, consulates, military bases etc. located abroad but including those located within the political frontiers.
- *Ships, aircrafts etc., operated by the residents between two or more countries.
- *Fishing vessels, oil and natural gas rigs etc. operated by the residents in the international waters or other areas over which the country enjoys the exclusive rights or jurisdiction.

Resident (Normal Resident): -

Normal resident is a person or an institution who ordinarily resides in that country and whose **centre of economic interest** lies in that country.

The Centre of economic interest implies: -

- I. the resident lives or is located within the economic territory.
- II. The resident carries out the basic economic activities of earnings, spending and accumulation from that location
- III. His centre of interest lies in that country.

Relation between National Product and Domestic Product.

Domestic product concept is based on the production units located within domestic (economic) territory, operated both by residents and non-residents.

National product concept based on resident and includes their contribution to production both within and outside the economic territory.

National product = Domestic product + Residents contribution to production outside the economic territory (Factor income from abroad) - non-resident contribution to production inside the economic territory (Factor income to abroad)

Real and Nominal GDP: -

Nominal GDP is defined as the money value of final goods and services produced in the domestic territory of an economy, measured at current year prices.

Real GDP is defined as the money value of all the final goods and services produced in the domestic territory of an economy, measured at base year prices.

Real GDP is a better indicator of economic growth and welfare of people of the country as it is not affected by changes in general price level.

From Nominal GDP, we can find Real GDP by eliminating the effect of change in prices between the base year and the current year in the following way:

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{Price Index}} \times 100$$

GDP Deflator:

The ratio of Nominal GDP to Real GDP of current year is a well-known price index, called GDP Deflator.

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

Real GDP can be less than/more than/equal to Nominal GDP:

- Generally, real GDP is less than nominal GDP when base year's prices were less than the current year's prices.
- However, real GDP can be greater than nominal GDP when base year's prices were higher than the current year's prices.
- Real GDP can be equal to nominal GDP when base year's prices and the current year's prices are same/equal.

Nominal and Real Income: When national income (product) of the current year is estimated on the basis of prices of current year, it is called nominal national income (or national income at current prices) whereas when national income (product) of the current year is estimated on the basis of prices prevailing in the base year, it is called real national income (or national income at constant prices).

Real National Income

$$\text{Real National Income} = \frac{\text{Nominal National Income}}{\text{Price Index}} \times 100$$

Methods of calculation of national income

I-PRODUCT METHOD(Value added method):

- Sales+ Change in stock=Value of output
- Change in stock=Closing stock–Opening stock
- Value of output-Intermediate consumption=Gross value added(GDP_{MP})
- NNP_{FC}(N.I)=GDP_{MP}(-)-Consumption of fixed capital(depreciation)

(+)Net factor income from
abroad

(-) Net indirect tax.

II- Income Method

1. Compensation of employees (Wages and salaries + Social Security Contribution by Employers)

2. Operating Surplus(Rent + Interest + Profit + Royalty)

If Profit is not given then use (Dividend+ Corporate Tax + Undistributed Profit) in place of Profit

(3) Mixed income of self-employed.

- NDP_{FC} = : COE + OS +MI
- NNP_{FC}=NDP_{FC}(+)Net factor income from abroad
- GNP_{MP}=NDP_{FC}+ consumption of fixed capital +Net indirect tax (Indirect tax–subsidy)

III. Expenditure method:

1. Government final consumption expenditure.
2. Private final consumption expenditure.
3. Net Export.
4. Gross domestic capital formation.

Gross Domestic fixed Capital formation + Change in stock (Closing Bal – Opening Bal)

$$GDP_{MP} = C + G + I + (X-M)$$

$$NNP_{FC} = GDP_{MP} - \text{consumption of fixed capital} + NFIA - \text{Net indirect taxes}$$

The precautions to be taken while calculating national income through product method (value added method)

- a) Avoid double counting of production, take only value added by each production unit.
- b) The output produced for self-consumption to be included
- c) The sale & purchase of second-hand goods should not be included.
- d) Value of intermediate consumption should not be included
- e) The value of services rendered in sales must be included.

The precautions to be taken while calculating National Income through Income method

- a) Income from owner occupied house to be included.
- b) Wages & salaries in cash and kind both to be included.
- c) Transfer income should not be included
- d) Interest on loans taken for production only to be included. Interest on loan taken for consumption expenditure is non-factor income and so not included.

The precautions to be taken while calculating National Income through Expenditure method: -

- a) Avoid double counting of expenditure by not including expenditure on intermediate product
- b) Transfer expenditure not to be included
- c) Expenditure on purchase of second-hand goods not to be included.

What is double counting? How can it be avoided?

Counting the value of commodities more than once is called double counting. It can be avoided by

- a) Value added method.
- b) Final output method.

Methods to avoid Double Counting: -

(1) Value Added Method:

It refers to the difference between value of output and intermediate consumption of each producing unit in the country.

(2) Final Output Method:

According to this method ,only final goods and services are included in the

estimation of GDP and intermediate goods are not included.

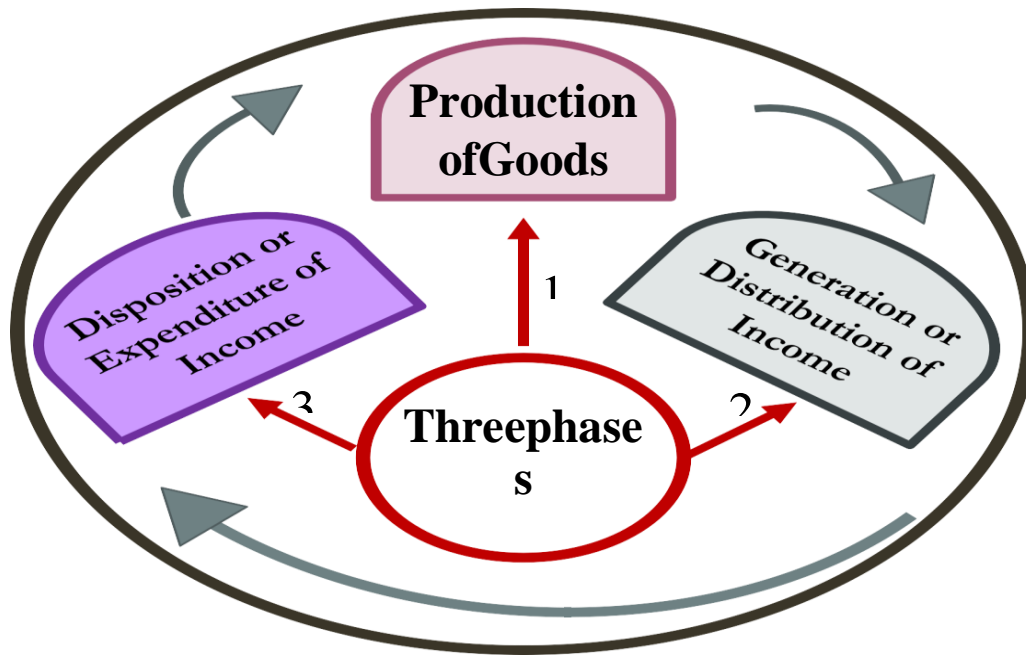
Why the flows of production, income and expenditure is called Circular?

Ans. Circular Flow of income refers to the unending flow of the activities of production, income generation and expenditure involving different sectors of the economy.

The three phases of circular flow:

- a. Production of goods and services causes generation (or distribution) of income.
- b. Income causes expenditure (or disposition.)
- c. By generating demand, expenditure once again causes production.

The flows of production, income and expenditure form a circularity with no beginning or no end. Which is why it is called circular



➤ To measure NI in 'Gross & Net' terms the key term is

DEPRECIATION

Gross = Net + Depreciation

Net = Gross - Depreciation

To measure NI at 'Market Price & Factor Cost' terms the key term is

NET INDIRECT TAXES

Net Indirect Tax = Indirect Tax - Subsidies

Market Price = Factor Cost + Net Indirect Tax (I.T - Subsidies)

Factor Cost = Market Price - Net Indirect Tax (I.T - Subsidies)

GDP AND WELFARE

- Welfare of people is measured in terms of the per capita availability of goods & services.

Greater availability of goods & services per person implies greater level of economic welfare. Hence Real GDP is considered as an index of the welfare of people.

- However, there are certain limitations related to GDP as an index of social welfare:

- Composition of GDP: Higher GDP will promote welfare only if increased output comprises of goods of mass consumption & essential goods.
- Distribution of GDP: It may happen that with rise in GDP, the inequalities in the distribution of income may also rise which will widen the gap between the rich & poor. GDP does not take into account changes in inequalities in the distribution of income.
- Non-monetary exchanges: Due to the non-availability of data, many activities which influence the economic welfare such as services of housewives in the economy, are not evaluated in monetary terms & hence not included in GDP.
- Externalities: These refer to positive/negative impacts of an activity caused by an individual/firm, for which they are not paid/penalized. The positive externalities increase the welfare while the negative externalities reduce the welfare. GDP does not take into account such externalities.
- Rise in prices: If increase in GDP is due to increase in prices and not due to increase in

in physical output, then it will not be a reliable index of economic welfare.

Test of your Knowledge: -

1. Consider the following statements:

1. The market value of goods and services taken at constant prices is the nominal GDP.
2. The value of goods and services taken at current prices is the real GDP.

Which of the statement(s) given above is/are correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) neither 1 nor 2

Answer: (d)

2. With reference to the Gross Domestic Product (GDP), consider the following statements:

1. Real GDP is nothing but the total market value of all the goods and services produced in India in a financial year.
2. The Nominal GDP is derived from the Real GDP by removing the effect of inflation.

Which of the statement(s) given above is/are correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2

Answer: (d)

3. Regarding the National Income, consider the following statements:

1. Factor cost is the input cost, that the producer has to incur in the process of producing goods and services.
2. The market cost is derived after deducting the indirect taxes to the factor cost of the product.

Which of the statement(s) given above is/are correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2

Answer: (a)

4. Consider the following statements:

1. GDP deflator is the measure of the level of prices of all domestically produced final goods and services.
2. It is calculated to find the overall rise in the level of price.
3. Real GDP can be calculated from nominal GDP if the increase in prices is already known.

Which of the statements given above are correct?

- (a) 1 and 2 only (b) 2 and 3 only
(c) 1 and 3 only (d) 1, 2 and 3 only

Answer: (d)

5. Consider the following statements regarding GDP deflator:

1. The GDP deflator measures the average level of the prices of all the goods and services.
2. The "basket" for the GDP deflator is allowed to change from year to year with people's consumption and investment patterns.

Which of the statement(s) given above is/are correct?

- (a) 1 only (b) Both 1 and 2
(c) 2 only (d) neither 1 nor 2

Answer: (b)

6. Consider the following statements

1. Steel is an example of an intermediate good which helps in the production of final product,

in

2. Final goods are not required to enter into further stages of production,
3. Measurement of GDP includes only the aggregate value of intermediary goods,

Which of the statements given above are correct?

- (a) 1 and 2 only (b) 1 and 3 only
(c) 2 and 3 only (d) 1, 2 and 3

Answer: (a)

7. Assertion (A): Transfer earnings are not to be included in the national income estimation. Reason (R): Transfer earnings are not payments for factor services.

- 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 a correct explanation of A
- c) A is true but R is false
- d) A is false but R is true

Answer: (a)

8. Assertion (A): Continuous increase in Real National Income is an indication of economic growth.

Reason (R): Increase in National Income does not necessarily reflect increase in per capita income.

- 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 a correct explanation of A
- c) A is true but R is false
- d) A is false but R is true

Answer: (b)

9. Assertion (A): The GNP is the value of all goods and services produced annually in the nation.

Reason (R): The most comprehensive measure of national output is the GNP.

- a) Both A and R are individually true and R is the correct explanation of A
- b) Both A and R are individually 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)

10. Read the following text carefully: In India, after Covid-19 period, household and private sector consumption, as measured by Private Final Consumption Expenditure (PFCE), was 39.7 trillion in nominal terms in (Q₁) FY23, compared with ₹28.4 trillion for the same period last year, and ₹39.2 trillion in the fourth quarter (Q₄) of 2021-22 (FY22). As a percentage of Nominal GDP PFCE was 61.1 per cent, compared with 55.5 per cent in Q₁ FY22. However, in real terms at constant prices, PFCE grew just 9.88 per cent, compared with (Q₁) of 2019- 20-the year before the Covid-19 pandemic.

"Recovery in domestic demand is reflected in the growth rates of PFCE and Gross Fixed Capital Formation (GFCF) over the corresponding quarter of the previous year," said D.K. Srivastava. GFCF came in at ₹19 trillion in (Q₁) FY23, compared with ₹14.4 trillion in (Q₁) FY22. However, it was slightly lower than ₹20.2 trillion in (Q₄) FY22. In the media briefing after the GDP numbers, Finance Secretary T.V.

Somanathan said this trend was expected as GFCF in present (Q_1) was usually lower than the previous year's (Q_4).

Write the answer of the following question on the basis of above paragraph

(a) Compare and analyses the trends of change in PFCE as a percentage of GDP, both in real and nominal terms.

(b) "Private Final Consumption Expenditure is an important factor determining Gross Domestic Product at Market Price." Justify the given statement.

11. Calculate (a) Gross domestic Capital Formation (b) Wages and salaries

Items	Rs. (in Crores)
(i) Mixed income of self employed	3500
(ii) Net Indirect Tax	300
(iii) Wage sand salaries	?
(iv) Government Final Consumption Expenditure	14000
(v) Net exports	3000
(vi) Consumption of fixed capital	300
(vii)Net Factor income from abroad	700
(viii) Operating Surplus	12000
(ix) National Income	30000
(x) Profits	500
(xi) Gross domestic capital formation	?
(xii) Private final consumption expenditure	11000

$$\begin{aligned} \text{(a) Gross domestic Capital Formation} &= (\text{ix}) - (\text{vii}) + (\text{vi}) + (\text{ii}) - (\text{iv}) - (\text{xii}) - (\text{v}) \\ &= 30000 - 700 + 300 + 300 - 14000 - 11000 - 3000 \\ &= 1900 \text{ cr.} \end{aligned}$$

$$\begin{aligned} \text{(b) Wages and salaries} &= (\text{ix}) - (\text{i}) - (\text{viii}) - (\text{vii}) \\ &= 30000 - 3500 - 12000 - 700 \\ &= 13800 \end{aligned}$$

ASSINGMENTS NATIONAL INCOME

ACCOUNTING

VERY SHORT QUESTIONS (1 MARK)

1. What is meant by circular flow of income? 1
2. What are the three phases of circular flow of income?1
3. Out of factor income and transfer income which one is a unilateral concept?
4. What is the meaning of final goods?

MULTIPLE CHOICE QUESTIONS (1 Mark)

5. Transfer payments refer to payments which are made:

(a) Without any exchange of goods and services. one job to another.	(c) To workers on transfer from one job to another.
(b) As compensation to employees.	(d) None of these

6. Which one of the following items comes under consumption goods?
- (a) Durable goods (c) Semi-durable goods
 (b) Non-durable goods (d) All of these.
7. Service of a teacher:
- (a) Capital goods (c) Consumption goods
 (b) Intermediate goods (d) Can be Consumption goods and intermediate goods
8. In a circular flow of income, we have:
- (a) Production (b) Distribution
 (c) Disposition (d) All of them
9. Which among the following are the features of capitalist economy?
- (a) Private ownership of Land and Capital. (c) Profit is the only motive.
 (b) Free Play of market forces of demand and supply. (d) All of these

GIVE REASONS (1 MARK)

A. Giving reasons, classify the following into intermediate goods or final goods.

1. Machines purchased by a dealer of machines.
2. A car purchased by a household.
3. Furniture purchased by a school.
4. Chalks, dusters, etc. purchased by a school.

B. Giving reasons, classify the following into factor income or transfer income.

1. Unemployment allowances.
2. Salary received by Pankaj from a company.
3. Financial help to earthquake victims.
4. Compensation received from the employer.

C. Giving reasons, classify the following into stock or flow.

1. Capital
2. Saving
3. Gross Domestic Product
4. Wealth

D. Giving reasons state whether the following are included or excluded in/from domestic territory.

1. An Indian Company in America

2. Microsoft Office in India
3. Company in India owned by an American
4. Office of Tata in New York

E. Classify the following into consumer, intermediate or capital goods.

1. Milk used by a manufacturer of sweets.
2. Cycle purchased by a consumer household
3. Textile machinery

F. Giving reasons, classify the following into normal resident of India or not.

1. Indian officials working in the Indian Embassy in USA.
2. A Japanese tourist who stays in India for 2 months.
3. Indians going to Pakistan for watching the cricket match.
4. Indians working in the UNO office, located in America for less than 1 year.

V. HIGHER ORDER THINKING SKILLS

1. In what situation will the Real Gross Domestic Product be greater than the Nominal Gross Domestic Product?
2. "Many goods and services which may contribute to welfare, but are not included in estimating Gross Domestic Product (GDP)." Do you agree with the given statement? Give valid reason in support of your answer.
3. Defend or refute the following statement, with valid argument: "Depreciation is a fall in the value of an asset due to unexpected obsolescence."
4. "National income is always greater than domestic income". Do you agree with the given statement? Support your answer with a valid reason.
5. "While estimating Gross Domestic Product (GDP) by expenditure method, entire focus is on expenditures incurred by the residents of the country." Do you agree with the given statement? Give valid reason in support of your answer.
6. "National income exceeds domestic income only when exports are greater than imports". Comment.
7. Should purchase of wheat in the wholesale market be treated as the purchase of intermediate goods? Explain. Q.14 Increase in national income always implies increase in domestic income. Elucidate.
8. "Machine purchased by a firm is always a capital good." Do you agree with the given statement? Give valid reasons for answer. Your answer.

9. Compensation to flood victims is a good social security measure by the government. But why is it not included in the estimation of national income?

10. From the following data calculate NI or NNP_{fc} by (a) Income method (b) Expenditure method

Items	Rs. (in Crores)
(i) Net domestic capital formation	500
(ii) Compensation of employees	1850
(iii) Consumption of fixed capital	100
(iv) Govt. final consumption expenditure	1100
(v) PVT. final consumption expenditure	2600
(vi) Rent	200
(viii) Interest	500
(ix) Net Exports	(-) 100
(x) Profits	1100
(xi) NFIA	(-) 50
(xi) Net Indirect taxes	250

11. Calculate "Sales" from the following data:

Particulars	Rs. In lakhs
(i) Net value added at factor cost	560
(ii) Depreciation	60
(iii) Change in Stock	(-)30
(iv) Intermediate cost	1000
(v) Exports	200
(vi) Indirect taxes	60

Unit 2: Money and Banking

Money: Money is defined as anything which is generally accepted by the people as a medium of exchange, measure of value, store of value and standard of deferred payment

Money supply: It is a stock concept. Stock of all type of money (currency + liquid assets) held by the people of a country at a point of time is termed as Supply of money.

It refers to that stock of money which is held by the people who demand money and not by those who supply money.

➤ **MEASURES OF MONEY SUPPLY IN INDIA:**

M1 measure which includes:

- **currency (coins & notes) held by the public (C)**
- **demand deposits of the people with the commercial banks (DD)**
- **other deposits (OD) held with RBI**

$$M1 = C + DD + OD$$

FUNCTIONS OF MONEY: -

- **Medium of exchange**

Money helps in buying and selling of goods and services as it is commonly accepted.

- **Measure of Value**

Money is a unit of account or it has a unit of value as price of all goods and services are expressed in terms of money.

- **Store of value**

Storing of value in terms of goods is very difficult. Now with money, savings are done in terms of money.

- **Standard of Deferred Payment**

It refers to payment made in future. Money makes the credit transaction possible when payments are to be made in future.

BANK: -

Any financial institution which accepts the deposits from the public, repayable on demand, withdraw able by cheque, draft, bill of exchange, etc. and provides various types of loans and advances, is called bank.

Explain the process of ‘credit creations’/ ‘money creation’/ ‘deposits creation’ by commercial bank.

Ans. The commercial bank has the power to create credit which is multi-times of initial deposits. The process of credit creation by the commercial banks is determined by two factors: -

1. The amount of initial fresh deposits.
2. Legal Reserve Ratio (SLR+CRR), it means minimum ratio of deposits legally required to be kept as a reserve by the banks.

The process of credit creation is explained on the basis of two assumptions: -

- I. The entire banking system is taken as a single unit and termed as ‘Banks’.
- II. The entire money that goes out of the bank is redeposit into the bank. Thus, all the receipts and payments in the economy are routed through banks.

Let legal reserve ratio be 10% and there is fresh deposit of ₹1,000. As required, the banks keep the 10% i.e., ₹100 as reserves.

ROUND	Deposit	Loan	LRR
First	1000	900	100
Second	900	810	90
Third	810	729	81
Total	10000	9000	1000

$$\text{Total Credit Creation} = 1/\text{LRR} * \text{Initial Deposit}$$

$$= 1/10\% * 1000$$

$$= 10000$$

Various tools of monetary policy to control credit in the economy.

The policy used by central bank to control the money supply and credit in the economy is called monetary policy.

It includes following tools: -

1. Quantitative Tools

- a. **Bank Rate:** It is the rate at which central bank lends money to commercial banks to meet their long-term needs.
- b. **Open Market Operations:** It refers to buying and selling of government securities by the central bank in the open market from and to public and commercial banks.
- c. **Cash Reserve Ratio (CRR):** It refers to that minimum percentage of total deposits which a bank must keep with the central bank in the form of reserves.
- d. **Statutory Liquidity Ratio (SLR):** It refers to that minimum percentage of total deposits which a bank has to keep with itself in the form of liquid assets.
- e. **Repo Rate:** It is the rate at which central bank lends money to commercial banks to meet their short-term needs. The central bank provides short-term loans by discounting approved securities and bills of exchange.
- f. **Reverse Repo Rate:** It is the rate at which central bank borrows from commercial banks.

2. Qualitative Tools

- a. **Marginal requirements:** It is the difference between market value of securities offered and amount of loan sanctioned.

Functions of central bank:-

Bank of Issue: Central bank has given sole monopoly power to issue the currency (except one-rupee notes and coins in India as it is issued by government of India with the objective to control over the volume of money supply and credit in the economy.

The currency issued by the central bank circulates in the economy as a legal tender money. Central bank has to maintain the reserves of gold and foreign exchange against the notes issued by it as per the statutory rules.

Banker to the government: Central bank act as a banker to the government i.e. both state and central governments. All banking business of the government are carried out by the central bank.

Government has the current account with the central bank, therefore ,central bank accepts receipt sand makes payment on behalf of the government.

It also manages all public debts of the country. Whenever government has excess budgetary expenditure and needs loan then central bank also provides short term loans to government.

Banker's bank & Supervisor: There are hundreds of banks in an economy, so there should be some authority to regulate and supervise their functioning and this duty is assigned to the central bank.

Central bank act as a banker's bank in the following ways: -

Custodian of cash reserves: Central bank is the holder of minimum cash reserves of commercial banks as every bank must keep a minimum proportion of total deposits with central bank in the form of reserves.

Lender of last resort: Whenever banks are short of funds and fails to meet their financial obligation from any other source, then central bank at last provides loans and advances against discounting approved securities and bills of exchange, it is known as lender of last resort.

Clearing house function: Central bank holds cash reserves of commercial banks. So, it becomes easier for it to use clearing house function. All banks have their accounts with the central bank, thus central bank can easily settle the claims of various commercial banks by making debit and credit entries in their accounts.

Controller of money supply and credit: Central bank not only issue the currency but also has given responsibility to control money supply and credit in the economy with the objective to maintain the price stability in the economy. For this, central bank uses monetary policy which has following instruments:-

Quantitative instruments: These instruments are used to control the total volume of credit in the economy. It includes bank rate, open market operation, cash reserve ratio and statutory liquidity ratio, repo rate and reverse repo rate.

Qualitative instruments: These instruments are used to affect direction of credit in economy. It includes moral suasion, margin requirements and selective credit control.

Custodian of foreign exchange reserves: Central bank act as a custodian of nation's gold and foreign exchange reserves with the objective to stabilize external value of domestic currency. All transactions of foreign currency are routed through RBI. If a person receives foreign exchange, then he has to deposit it with the central bank.

Similarly, if a person needs foreign exchange to make payment in abroad ,then he has to apply with the central bank.

MONEY BANKING MCQ INCLUDING CASE BASED AND ASSERTION & REASONING BASED(ONE MARKS QUESTIONS)

1. State the components of money supply.
2. What are demand deposits?
3. Define cash reserve ratio.
4. Define money.
5. Define primary deposit.
6. Define open market operation.
7. Define commercial bank.
8. Give the meaning of central bank.
9. What do you mean by credit creation by commercial banks?
10. Define bank rate.
11. Define cash reserve ratio.
12. Give the meaning of statutory liquidity ratio.

13. Define moral suasion.
14. Define money supply.
15. Which of the following agency is responsible for increasing rupee 1 currency note in India?
- a) Reserve Bank of India
 - b) Ministry of commerce
 - c) Ministry of finance
 - d) Niti Aayog
16. Economy is to control recession like situation which of the following can be appropriate:
- a) Reducing repo rate
 - b) Reducing CRR
 - c) Both a and b
 - d) None of them
17. The ratio of total deposits that a commercial bank has to keep with reserve Bank of India is called:
- a) Statutory liquidity ratio
 - b) Deposit ratio
 - c) Cash reserve ratio
 - d) legal reserve ratio
18. Which of the following is a bank? -
- a) Post office savings banks.
 - b) LIC
 - c) UTI
 - d) None of them
19. Central Bank..... Credit: -
- a) Create
 - b) control
 - c) Restrict
 - d) None of the above.

20. Which measure of money supply less stress on medium of exchange function of money:
- a) M1
 - b) M2
 - c) M3
 - d) M4
21. Which measure of money supply is lays stress on the store of value function of money: -
- a) M1
 - b) M2
 - c) M3
 - d) M4
22. Bank rate for controlling credit is applicable in the: -
- a) Very short run
 - b) Short run
 - c) Medium run
 - d) Long run.
23. Supply of money is a ...
- a) Flow variable
 - b) Stock variable
 - c) Real flow
 - d) Money flow
24. Open market operation is done by: -
- a) Commercial bank
 - b) Rural Bank
 - c) World Bank
 - d) Central Bank.
25. Commercial banks create money by way of: -
- a) Time deposits
 - b) Demand deposits

- c) Treasury bills
- d) Bill of exchange

26. Money is

- a) acceptable only when it has intrinsic value
- b) constant in purchasing power
- c) the most liquid of all assets
- d) needed for allocation of resources

Three and Four marks Questions:

1. If the commercial bank buys the government securities, their capacity to create credit is reduced. Do you agree?
2. Is it correct that when margins are raised, demands for loans is negatively impacted?
3. If CRR is lowered, investment demand must rise. Defend or refute.
4. How is quantitative credit control different from qualitative credit control?
5. How can Jan-Dhan Yojana be used as an instrument to increase supply of money by the commercial bank?
6. Why has the government of India failed to combat inflation even-when a series of monetary measures are available with the central bank?
7. Explain the impact of demonetization on credit creation by the commercial bank in Indian economy.
8. Distinguish between commercial banks and central bank.
9. Explain “Banker’s Bank” function of the central bank.
10. Explain banker to the government function of the central bank.
11. Explain briefly the credit creation by commercial banks with the help of an example.
12. Explain the function of central bank as the Bank of Note-Issue.
13. Explain the function of central bank as the Lender of the Last Resort.
14. Currency is issued by central bank, yet we say that the commercial banks create credit. Explain. How is this money creation by commercial bank likely to affect the national income?
15. Explain the Bank Rate. How is it helpful in controlling credit in the country?
16. Explain open market operation. How does it help to control credit creation?

17. Explain the role legal reserve ratio in controlling credit supply in a country.
18. In what way changes in margin requirement are helpful in controlling the volume of money supply in the country?
19. Explain the role of repo rate and reverse repo rate as instruments to control the supply of credit in a country.
20. What is meant by repo rate how does a central bank use this measure to control inflationary condition in an economy?

Unit 3: DETERMINATION OF INCOME, OUTPUT & EMPLOYMENT AGGREGATE DEMAND & RELATED CONCEPT

Aggregate Supply: - Aggregate Supply is the total Supply of goods and services in the economy.

Aggregate Demand: - Aggregate Demand is the total demand for goods and services in the economy.

Components of aggregate demand:

$$\mathbf{AD = C + I + G + (X - M)}$$

C = Consumption demand.

I = Investment demand.

G = government demand for goods and services.

(X - M) = Net exports.

1. Consumption demand= It is defined as the value of goods and services that households are able and willing to buy at a particular time.

2. Investment: - Investment is the addition to the stock of capital goods, in the nature of machinery, equipment, residential structure or inventory.

3. Government Expenditure: - The level of government demand for goods and services is determined by the government policy from time to time.

4. Net Export: - It is the difference between export and import.

CONSUMPTION FUNCTION & SAVING FUNCTION

Consumption function: Consumption Function explains relationship between consumption and income. $C = f(y)$

Marginal Propensity to consume (MPC): Marginal propensity to consume may be defined as the ratio of changes in the consumption to the changes in income.

$$\mathbf{MPC = \Delta C \text{ (Change in consumption)} / \Delta Y \text{ (Change in Income)}}$$

Average propensity to consume (APC): Average propensity to consume is the the ratio of consumption to income. $APC = C / Y$

Saving function: Saving Function explains relationship between saving and income. $S = f(y)$

Marginal propensity to save (MPS): Marginal propensity to save is the ratio of change in saving to a change in income. $MPS = \Delta S \text{ (change in saving)} / \Delta Y \text{ (Change in income)}$

Average propensity to save (APS): Average propensity to save is the ratio of saving to income. $APS = S / Y$

Relationship between MPC & MPS: $MPC + MPS = 1$

Relationship between APC& APS: $APC + APS = 1$

Algebraic equation of Consumption function: $C = \bar{C} + b Y$

Where, \bar{C} = Autonomous consumption, $b = MPC = \Delta C / \Delta Y$, $Y =$ Income

Algebraic equation of Saving function: $S = -\bar{C} + (1-b) Y$

Where, $(1-b) = MPS = \Delta S / \Delta Y$, $\bar{C} =$ Autonomous consumption, $Y =$ Income

Derivation of saving function curve from consumption function:

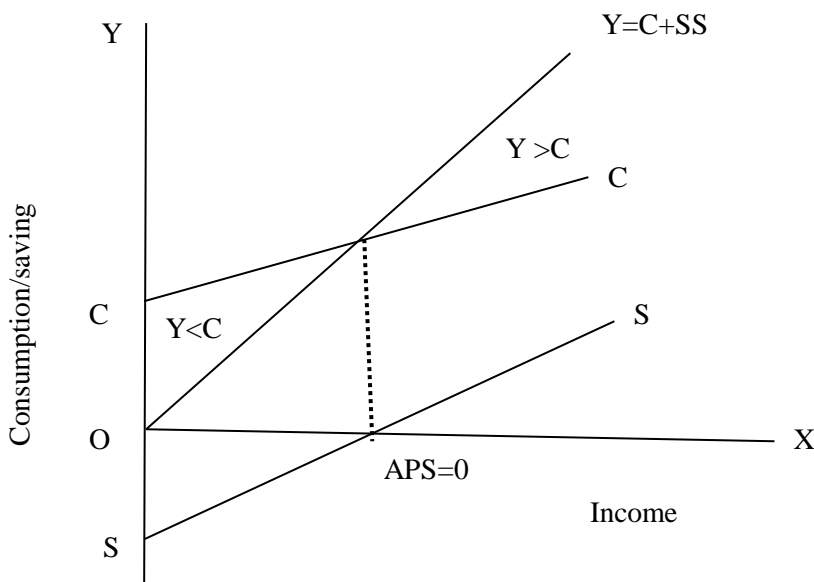
$$APC = C/Y \text{ and } APS = S/Y$$

Propensity to save curve is drawn from propensity to consume curve

When $Y = C$, $APC = 1$ and $APS = 0$

When $Y < C$ till then APS is negative.

When $Y > C$, then APS is a positive.



Q. From the following information about an economy, calculate

(i) Its equilibrium level of national income and

(ii) Consumption expenditure at equilibrium.

Consumption function = $C = 200 + 0.9 Y$ and

Investment expenditure = Rs.3000crore.

Ans. At equilibrium level $Y = C + I$

$$Y = 200 + 0.9Y + 3000$$

$$Y - 0.9Y = 200 + 3000$$

$$0.1 Y = 3200 \quad Y = 3200/0.1 = 32000$$

Consumption $C = 200 + 0.9Y$

$$= 200 + 0.9 (32000) = 200 + 28800 = \text{Rs.}29000$$

Q. In an economy $S = (-) 50 + 0.5 Y$ is the saving function and Investment expenditure is

7000. Calculate

- i) Its equilibrium level of national income and**
- ii) Consumption expenditure at equilibrium.**

Ans. Equilibrium $S = I$

$$7000 = (-) 50 + 0.5Y$$

$$0.5Y = 7000 + 50 = 7050$$

$$Y = 7050 / 0.5 = 14100$$

$$Y = C + I$$

$$14100 = C + 7000$$

$$C = 14100 - 7000 = 7100.$$

SHORT RUN EQUILIBRIUM OUTPUT

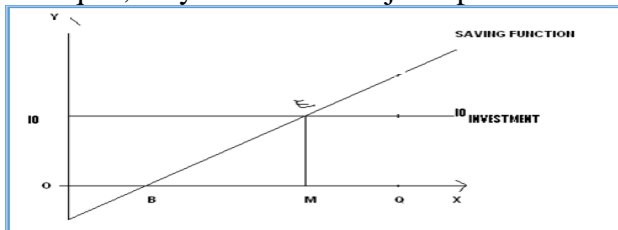
KEYNES THEORY OF INCOME & OUTPUT USING S & I APPROACH

Saving Functions:—Each point on the saving function shows the desired or planned saving at each Income level.

Investment Function: - Keynes assume that firms plan to invest exactly the same amount every year, regardless of the level of output.

Equilibrium:— occurs at Point E, where planned savings of households(S) equal planned Investment(I) .

ADJUSTMENT MECHANISM: When planned savings(S) and planned investment (I) are not equal, they will tend to adjust up & down till they are equal again.



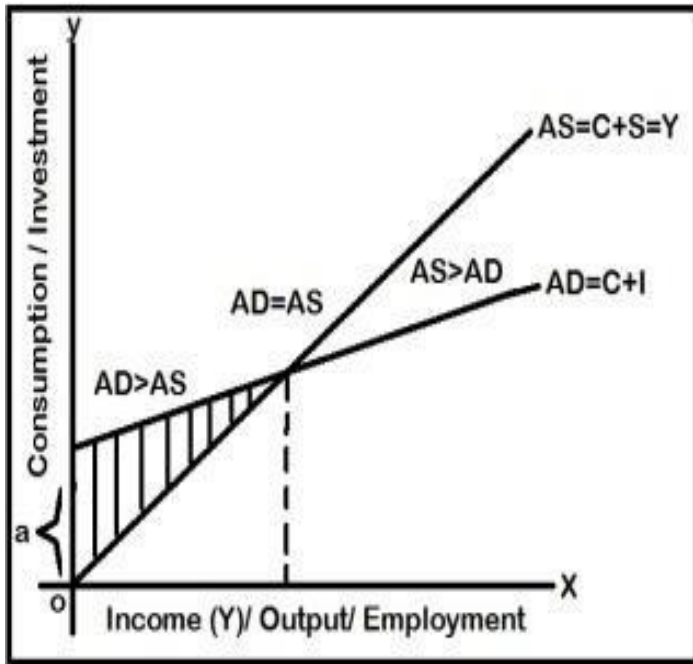
What happens if $S > I$: In case $S > I$, overall expenditure in the economy would remain lower than what is required to buy the planned output. As a result the producers will have undesired stocks and in order to clear their stocks, the producers would plan lesser output. This process would continue till $S = I$

What happens if $S < I$: In case $S < I$, overall expenditure in the economy would exceed than what is required to buy the planned output. To cope with the situation, the producers would now plan more output. This process would continue till $S = I$

KEYNES THEORY OF INCOME & OUTPUT USING AD & AS APPROACH

The economy is in equilibrium at the-point where the AD curve intersects the AS curve at point E, where AD is equal to (AS).

The adjustment Mechanism:—Equilibrium occurs when planned spending (AD) equals planned output (AS). When planned spending (AD) is not equal to planned output (AS), then output will tend to adjust up or down until the two are equal.



What happens if $AS > AD$: If $AS > AD$, the flow of goods and services in the economy tends to exceed their demand. As a result, the producers would have unwanted unsold stocks. To clear these excess stocks, the producers would plan a cut in production. This process would continue till $AD=AS$.

What happens if $AS < AD$: If $AS < AD$, the flow of goods and services in the economy tends to be less than their demand. As a result, the existing stocks of the producers would be sold out. To rebuild the desired stocks, the producers would plan greater production. This process would continue till $AD=AS$.

Q. Complete the following table-

Income	Marginal Propensity to Consume	Saving	Average Propensity to Consume
0	--	-40	--
100	--	-20	--
200	--	0	--
300	--	60	--
400	--	120	--

Ans.

Income	ΔY	Saving	Consumption	ΔC	MPC	APC
0	--	-40	40	--	--	--
100	100	-20	120	80	0.8	1.2
200	100	0	200	80	0.8	1.0
300	100	60	240	40	0.4	0.8
400	100	120	280	40	0.4	0.7

Q. Calculation of APC and MPC given the level of Income and Consumption.

Income Consumption

0	4
10	12
20	20

30	28		
40	36		
Income	Consumption	APC = c/y	MPC = $\Delta c/\Delta y$
0	4	-	-
10	12	1.20	0.80
20	20	1.00	0.80
30	28	0.93	0.80
40	36	0.90	0.80

Clue: $APC = C/Y$, $MPC = \Delta C/\Delta Y$, $S=Y - C$, $C= Y - S$, $Y= C + S$

Q. Calculation of APS and MPS given the level of Income and consumption.

Income	Consumption			
(Rs in crores)	(Rs in crores)			
0	4			
10	12			
20	20			
30	28			
40	36			
Income	Consumption	saving	APS	MPS
(Rs in crores)	(Rs in crores)			
0	4	-4	-	-
10	12	-2	-0.20	0.20
20	20	0	0.00	0.20
30	28	2	0.07	0.20
40	36	4	0.10	0.20

Clue: $APS = S/Y$, $MPS = \Delta S/\Delta Y$, $S=Y - C$, $C=Y - S$, $Y= C + S$

Q. Suppose the consumption equals $C= 40 + 0.75 y$, Investment equals $I = Rs 60$. Find i) Equilibrium level of income ii) The level of consumption at equilibrium iii) level of saving at equilibrium

Ans: i) $Y= C + I$ (AS = AD at equilibrium level)

Substituting the value of C and I we get

$$Y = 40 + 0.75y + 60 \quad (I = 60)$$

$$(Y-0.75y)= 100$$

$$(1-0.75)Y=100$$

$$0.25Y = 100$$

$$Y=100/0.25$$

$$Y=10000/25$$

$$Y=400$$

ii) AS = AD

$$C = 40 + 0.75y$$

$$Y = 400$$

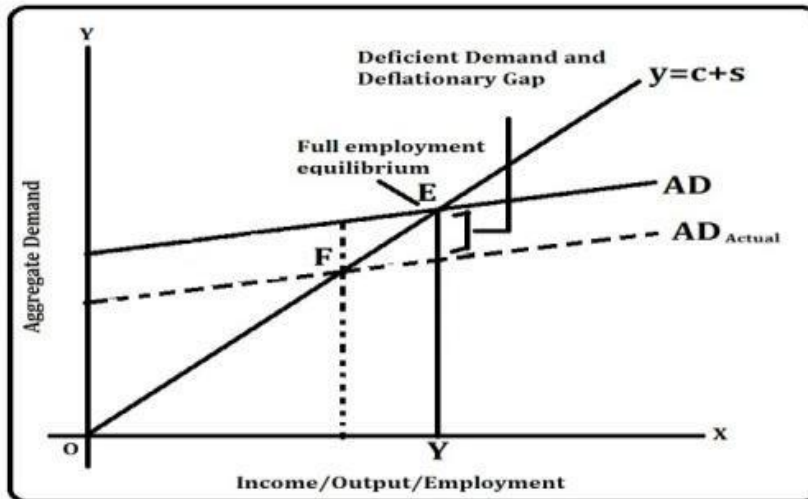
$$C = 40 + 0.75(400) = 340$$

$$C = 340$$

$$\text{iii) } Y = C + S$$

$$S = Y - C$$

$$S = 400 - 340 = 60$$



g the period of one year.
during the period of one

vestment during the period
to be made in the economy
ment.

ne period of one year. This
'accounting'
during the period of one

to an unemployment in
existing wage rate, do not

Primary Unemployment Primary unemployment refers to a situation when a person is unemployed because he is not willing to work at the existing wage rate.

EXCESS AND DEFICIENT DEMAND & MEASURES TO CORRECT IT

Deficient demand: It refers to the situation when aggregate demand (AD) fall short of aggregate supply (AS) Corresponding to full employment in the economy.

i.e. $AD < AS$ or $AS > AD$ corresponding to full employment.

Deflationary gap: Deflationary gap is the shortfalls in aggregate demand over aggregate supply i.e. the required level to maintain full employment equilibrium.

$AD < AS$ corresponding to full employment.

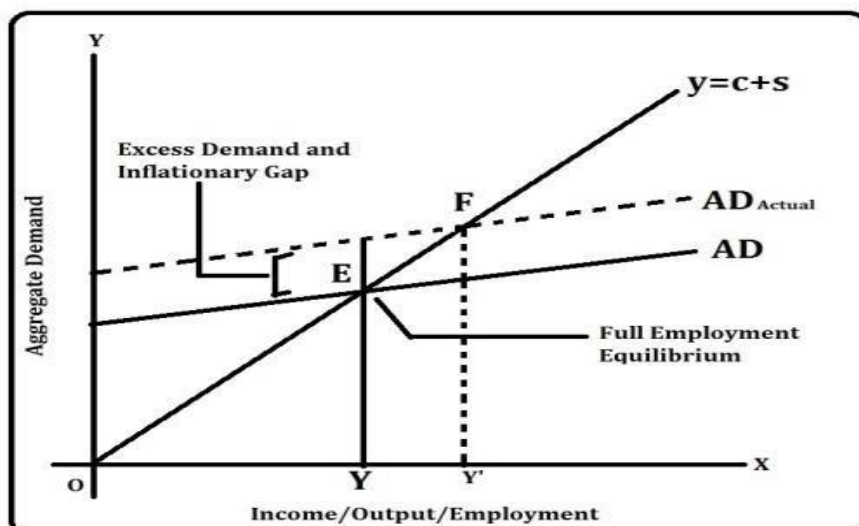
Q: - What is excess demand?

Excess demand: It refers to the situation when aggregate demand is in excess of aggregate supply corresponding to full employment

i.e. $AD > AS$ or $AS < AD$ corresponding to full employment.

Inflationary gap: Inflationary gap in the excess of aggregate demand over and above aggregate supply i.e. the required level to maintain full employment equilibrium in the economy.

$AD > AS$ corresponding to full employment.



Measure to correct excess and deficient demand through Fiscal policy:

1. **TAXES:** During excess demand tax rate are increased and during deficient demand tax rate are decreased.
2. **GOVERNMENT (PUBLIC) EXPENDITURES:-**During excess demand government reduced the public expenditure. On the other hand, during deficient demand public expenditures are increased.
3. **DEFICIT FINANCING:-**During deficient demand, there is increase in deficit financing and during excess demand there is decreased in deficit financing.
4. **PUBLIC BORROWING:-**During deficient demand, public borrowing is reduced and it is increased during excess demand.

Measure to correct excess and deficient demand through Monetary policy:

(A) QUANTITATIVE CREDIT CONTROL: -

1. **Cash reserve ratio: -** It refers to the minimum percentage of a bank' total deposit that is required to be kept with the central bank.

During excess demand cash reserve ratio can be increased in order to decrease the money supply.

On the other hand during deficient demand cash reserve ratio can be decreased in order to increase the money supply.

2. **Statutory liquidity ratio:-**It refers to minimum percentage of total deposit which commercial banks required to maintain with themselves in the form of liquid assets.

During excess demand SLR can be increased in order to decrease the money supply.

On the other hand during deficient demand SLR can be decreased in order to increase the money supply.

3. **Bank Rate/Repo rate: -** The bank rate refers to the rate of interest at which central bank gives loans and advance to the commercial banks.

During excess demand bank rate is increased in order to decrease the money supply.

On the other hand, during deficient demand, bank rate in decreased in order to increase the money supply.

4. **Reverse Repo rate: -** It refers to the rate at which commercial bank park their surplus money with the central bank.

During excess demand reverse repo rate is increased in order to decrease the

money supply.

On the other hand, during deficient demand, reverse repo rate is decreased in order to increase the money supply.

5. Open market operation: - It refers to the purchase and sale of securities in the open market by the central bank.

During excess demand, central bank sells the securities in the open market in order to decrease the money supply.

On the other hand, during deficient demand, central bank buys the securities in the open market in order to increase the money supply.

(B) Qualitative or selected credit control: -

1. Change in margin requirements of loans: A margin is the difference between the amounts of the loan and market value of the security offered by the borrower against the loan.

During excess demand margin is increased in order to decrease the money supply.

On the other hand, during deficient demand, margin is decreased in order to increase the money supply.

MULTIPLIER

Multiplier is the number by which change in investment must be multiplied in order to determine the resulting change in income and output.

$$K = \frac{\Delta Y}{\Delta I} \quad \text{OR } K = \Delta Y / \Delta I$$

• Find out multiplier when MPC (i) 0.5 (ii) 0 (iii) 0.9

Ans. (i) When MPC = 0, $K = 1 / 1 - MPC = 1 / 1 - 0 = 1/1 = 1$

(ii) When MPC = 0.5, $K = 1 / 1 - MPC = 1 / 1 - 0.5 = 1/0.5 = 10/5 = 2$

(iii) When MPC = 0.9, $K = 1 / 1 - MPC = 1 / 1 - 0.9 = 1 / 0.1 = 10 / 1 = 10$

Q. Find out multiplier when MPS (i) 0.4 (ii) 0.5 (iii) 0.8

Ans: - (i) When MPS = 0.4, $K = 1 / MPS = 1 / 0.4 = 10 / 4 = 2.5$

(ii) When MPS = 0.5, $K = 1 / MPS = 1 / 0.5 = 10 / 5 = 2$

(iii) When MPS = 0.8, $K = 1 / MPS = 1 / 0.8 = 10 / 8 = 5 / 4 = 1.25$

Q. In an economy investment expenditure increased by Rs 400cr and MPC is 0.8. Calculate total increase in income, saving and consumption.

Ans:- Multiplier $K = 1 / 1 - MPC$

$$= 1 / 1 - 0.8 = 1 / 0.2 = 10 / 2 = 5$$

$$K = \Delta y / \Delta \quad (\text{By cross multiplication})$$

(i) Increase in income $\Delta Y = K \cdot \Delta I$

$$= 5 \times 400 = 2000 \text{ cr}$$

(ii) Increase in consumption $\Delta C = MPC \cdot \Delta Y$

$$= 0.8 \times 2000$$

$$= 8/10 \times 2000$$

$$= 1600$$

(iii) $MPS = 1 - MPC$ [$MPC + MPS = 1$]

$$MPS = 1 - 0.8 = 0.2$$

Increase in saving = $MPS \cdot \Delta Y$

$$= 0.2 \times 2000$$

$$= 2/10 \times 2000$$

$$= 400$$

NOTE: $\Delta Y = \Delta C + \Delta S$

$$2000 = 1600 + 400$$

$$2000 = 2000$$

RELATIONSHIP BETWEEN MPC/MPS AND MULTIPLIER

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

$$K = \frac{1}{MPS}$$

Q:- An increase in Rs 200 crore in investment in an economy resulted in total increase in income of Rs 1000 cores.

Calculated the following:-

(i) MPC (ii) change in saving (ΔS) (iii) change in consumption (ΔC) and (iv) value of multiplier.

Ans:- (iv) Multiplier(k) = $\frac{\Delta Y}{\Delta I} = \frac{1000}{200} = 5$

(i) $K = \frac{1}{1 - MPC}$

$5 = \frac{1}{1 - MPC}$ [By cross multiplication]

$5(1 - MPC) = 1$

$5 - 5MPC = 1$

$5MPC = 5 - 1$

$5MPC = 4$

$MPC = \frac{4}{5} = 0.8$

(ii) Change in saving (ΔS)

$\Delta S = MPC * \Delta Y$ [therefore MPC = 0.8 therefore, MPC + MPC = 1

$\Delta S = 0.2 * 1000$ therefore MPC = 1 - MPC = 1 - 0.8 = 0.2]

$\Delta S = \frac{2}{10} * 1000 = 200$

(iii) Change in consumption (ΔC)

$\Delta C = MPC * \Delta Y$

$= 0.8 * 1000$

$\Delta C = \frac{8}{10} * 1000 = 800$

10

[check the answer]

$\Delta Y = \Delta C + \Delta S$

$1000 = 800 + 200$

$1000 = 1000$

Q: - In an economy, the actual level of income is Rs. 500 cr, whereas the full employment level of income is Rs. 800 cr. The MPC is 0.75. Calculate the increase in investment (ΔI) to achieve the full employment level of income.

Ans: - Actual level of income = Rs 800 - 500 = Rs 300 cr.

$MPC = 0.75 \quad k = \frac{1}{1 - 0.75} = \frac{1}{0.25} = \frac{1}{\frac{25}{100}} = \frac{100}{25} = 4$

$K = \frac{\Delta Y}{\Delta I} \quad \frac{1}{1 - MPC} = \frac{1}{0.25} = \frac{1}{\frac{25}{100}} = \frac{100}{25}$

$\Delta Y = K * \Delta I$

$\Delta I = \frac{\Delta Y}{K} = \frac{300}{4} = 75 \text{ cr Ans.}$

Multiplier process

The working of multiplier process assumes the following process:-

$\Delta I - \Delta Y - \Delta C - \Delta Y$

Change in investment causes change in income. As a result, there is change in consumption.

Consumption expenditure of one person is an income of the other. Hence, change in consumption leads to change in income. This process continues till ΔC becomes zero.

Multiplier tells us what will be the final change in the income, as a result of change in investment. Change in investment results in the change in income.

Symbolically: $\Delta I \rightarrow \Delta Y \rightarrow \Delta C \rightarrow \Delta Y$

The working of a multiplier can be explained with the help of a numerical example which is based on the assumption that $\Delta I=1000$ and $MPC=0.8$

WORKING PROCESS OF MULTIPLIER

ROUNDS	ΔI	ΔY	ΔC
1	1000	1000	$0.8 \times 1000 = 800$
2	--	800	$0.8 \times 800 = 640$
3	--	640	$0.8 \times 640 = 512$
4	--	512	$0.8 \times 512 = 409.6$
$\downarrow \infty$	$\downarrow \infty$	$\downarrow \infty$	$\downarrow \infty$
TOTAL		5000	4000

As per the table the initial increase in the investment of Rs 1000 there is a total increase in the income by Rs 5000 given $MPC=0.8$. Out of this total increase in the income Rs 4000 will be consumed and Rs 1000 be saved.

The sum of total increase in income is also derived as:

$$\Delta y = 1000 + 800 + 640 + 512 + \dots \dots \dots \text{infinity.}$$

$$1000 + 0.8 \times 1000 + (4/5)^2 \times 1000 + (4/5)^3 \times 1000 + \dots \dots \dots \text{infinity}$$

$$= 1000 [1 + 0.8 + (4/5)^2 + (4/5)^3 + \dots \dots \dots \text{infinity}]$$

$$= 1000 [1 / (1 - 0.8)] = 1000 \times 10/2 = 1000 \times 5 = \text{Rs. 5000 cores.}$$

IMPORTANT FORMULAE:

- ❖ $AD = C + I$ (two sector economy-closed economy)
 - ❖ $AD = C + I + G + (X - M)$ (four sector economy-open economy)
 - ❖ $APC = C/Y$.
 - ❖ $APS = S/Y$.
 - ❖ $APC + APS = 1$
 - ❖ $MPC = \Delta C / \Delta Y$
 - ❖ $MPS = \Delta S / \Delta Y$
 - ❖ $MPS + MPC = 1$ AND $1 - MPC = MPS$
 - ❖ $K = \Delta Y / \Delta C$ or $K = 1 / MPS$ or $K = 1 / (1 - MPC)$
 - ❖ $C = -c + b(Y)$
 - ❖ $S = -a + (1 - b)Y$
- c= autonomous consumption

-a= negative saving

$(1-b)=MPS$

PRACTICE QUESTIONS FOR SELF ASSESSMENT

Q1. Consumption function is a functional relationship between:

- (a) income and saving (b) price and consumption
- (c) Consumption and income (d) consumption and saving

Q2. Saving function is the functional relationship between:

- (a) income and consumption (b) price and saving
- (c) income and saving (d) consumption and saving

Q3 Full employment equilibrium refers to a situation of:

- (a) $AD = AS$ (with fuller utilisation of resources) (b) zero unemployment
- (c) both (a) and (b) (d) none of these

Q4. Identify the correct sequence of a alternatives given in Column II by matching them with respective items in Column I:

Column I

- (a) Full employment equilibrium
- (b) Structural unemployment
- (c) Excess of demand

(d) Shortage of demand

(e) Monetary policy

Column I I

(i) Inflationary gap in the economy

(i i) Underemployment equilibrium

(i i i) Pursued by the central bank of a country

(i v) Change in the technique of production

(v) No excess capacity

Q5. Read the following statements – Assertion (A) & reason (R) carefully & choose the correct alternative:

Assertion (A): MPC represents the slope of the consumption function.

Reason (R) : MPC represents change in consumption due to a given change in income.

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

Q6. Read the following statements: - Assertion (A) & Reason (R) carefully & choose the correct alternative:

Assertion (A): APC is continuously increasing as income increases; and APS is continuously decreasing as income increases.

Reason (R): As income increases, the proportion of income saved increases and the proportion of income consumed decreases.

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

Q7. Identify the correct sequence of a alternatives given in Column II by matching them with respective items in Column I:

Column I

- (a) AD curve
- (b) Saving
- (c) Net exports
- (d) MPC
- (e) $Y = C$

Column II

- (i) Income - Consumption
- (ii) $\Delta C/\Delta Y$
- (iii) Saving is zero
- (iv) Diagrammatic presentation of AD schedule
- (v) Exports - Imports

Q8.If MPS is 45%, then MPC will be 55%. (True/False)

Q9. In saving function $-50 + 0.5Y$, the value of autonomous consumption will be - 50.(True/False)

Q10. When $C = 100 + 0.5Y$ and $Y = 1,200$, autonomous consumption will be:

- (a) 100
- (b) 1,000
- (c) 500
- (d) 600

Q11. Explain the components of aggregate demand.

Q12. Explain the concept of multiplier process.

Q13. Explain Keynes theory using AD and AS approach.

Q14. Explain Keynes theory using S and I approach.

Q15. Explain the concept of inflationary gap.

Q16. Explain the concept of deflationary gap.

Q17. How excess and deficient demand can be corrected through monetary policy? Explain it.

Q18. How excess and deficient demand can be corrected through fiscal policy? Explain it.

Q19. Distinguish between autonomous and induced investment.

Q20. Distinguish between voluntary and involuntary unemployment.

Q21. Distinguish between ex ante saving & investment and ex post saving & investment.

Q22. Define the following terminology:

- a. APC & APS and the relationship between them
- b. MPC & MPS and the relationship between them
- c. AD & AS and their components

Unit:4 GOVERNMENT BUDGET

Govt. Budget: It is the financial Statement Containing an estimate of all anticipated receipt and expenditure of the government for the coming financial year.

OBJECTIVES OF THE GOVERNMENT BUDGET:-

1. **Optimum allocation of resources:-**government budget through taxation and expenditure programmes, can greatly affect the allocation of resources. It provides more funds to socially productive sectors and draw away resources in a specific sector through heavy taxation.
2. **Equitable distribution of income and wealth:-** Inequality of wealth persists in growing economies at early stage of economic growth. Government budget through its redistributive tax Policy and development plan expenditure can bring positive effects on income distribution in favor of the poor.
3. **Price stability:-**Free play of market forces are bound to generate business cycles. Budget is used to correct the situations of inflation and deflation. By doing it, the

government tries to achieve the state of economic stability which stimulates the inducement to invest and increases the rate of growth.

COMPONENTS OF THE BUDGET:-

Budget Receipt:- It refers to estimated money receipts of the government from its all the sources during the financial year.

Budget Receipt Are Classified As:-

1. **Revenue Receipts-** Revenue receipts are those money receipts of the government which do not create liability or reduction in assets of the government.

SOURCES OF REVENUE RECEIPTS: -

- (a) **Tax Revenue-** It is the revenue received by the government on levying taxes.
Examples - Income tax, corporation tax, Sales tax, GST.
 - (b) **Non-Tax Revenue-** It is the revenue received by the government from the sources other than the tax.
Examples- fines, fees, Income from the public Enterprises, Gifts and grants.
2. **Capital Receipts-** Capital Receipts are those money receipts of the government which create a liability of repayment for the government or cause reduction in its assets.

SOURCES OF CAPITAL RECEIPTS:-

- (a) **Recovery of loans** - The central government offers loans to the State government, Union territories, local bodies etc to cope with their financial requirements. The loans are recovered by the Central government from the borrowers and they form a part of capital receipts because these reduce financial assets of the government.
- (b) **Borrowing and other liabilities-** Sometimes the government borrows funds from different sources to meet the financial requirement. These borrowings create liabilities for the government.
- (c) **Disinvestment** - It means the funds received by the government from the sale of the part or the whole of equity shares of public enterprises. Such receipts are capital receipts because it causes reduction in assets of the government.

TAX:-

Tax- A tax is a compulsory payment made by on Individual, household or a firm to the government without reference from the government in return.

TAX IS CLASSIFIED AS:-

1. **Direct Tax-** A direct tax is one the final burden of which is borne by the person on whom it is imposed. These taxes are based upon the tax paying ability of the tax payers

For example - Income tax, gift tax, wealth tax.

2. **Indirect Tax-** An indirect tax is the one whose initial burden is on person but he succeeds in shifting the burden to another person.

For example - GST, customs duty.

BUDGET EXPENDITURE: –

Budget expenditure- It refers to estimated expenditure of the government under different heads during a fiscal year.

BUDGET EXPENDITURE IS CLASSIFIED AS:-

Revenue Expenditure- Are those expenditure of the government which do not result in the Creation

of assets or cause any reduction in liability of the government. These revenue expenditure are incurred for normal running of the government departments and various services.
For examples- Grants-in-Aid to state, Interest payment, salaries, pension, dearness allowances of the defense personnel.

Capital expenditure- are those expenditure of the government which results in the creation of assets or Cause reduction in liabilities. These expenditure are incurred for the acquisition of assets like land, buildings, machinery, equipment's etc.

For example - expenditure on construction of non-residential buildings, ordinance factories, social and Community service such as education, health, art, cultures, sanitation, water supply, Loans and advances to the states and UTs.

BALANCED BUDGET:-

Balanced budget when the total receipts of the government are equal to total expenditure, it is called balanced budget.

SURPLUS BUDGET:-

Surplus budget-If the revenue anticipated by the government is greater than its estimated expenditure during a year, it is called surplus budget.

DEFICIT BUDGET:-

Deficit budget- It is a situation in which the estimated expenditure of the government is more than estimated revenue.

Types Of Deficit:-

1. **Revenue Deficit-** It is the excess of revenue expenditure over the revenue receipts.

- Revenue deficit = Revenue expenditure – Revenue receipts

Implications of Revenue deficit- A high revenue deficit warns the government either to cut its expenditure or increase its tax and non-tax receipts.

2. **Fiscal deficit** - If refers to the excess of all the anticipated government expenditure over the anticipated government receipts in the year except borrowings.

- Fiscal Deficit= Total expenditure – Total Receipts – Borrowings

Implications of Fiscal deficit- It highlights the borrowing requirement of the government. It increases the liability of the government in the form of repayment of loan together with interest.

3. **Primary deficit-** It is the difference between fiscal deficit and Interest payment.

- Primary deficit= Fiscal deficit - Interest payment

Implications of Primary deficit-It indicates borrowing requirement of the government to meet fiscal deficit excluding interest payment.

When primary deficit is zero, the financial deficit becomes equivalent to the interest instalment.

MULTIPLE CHOICE QUESTIONS

Choose the correct option: -

1. "Government of India has recently launched various Programmes such as case transfer to senior Citizens and Widow"

The government is trying to achieve the objective of _____ using such measures.

- A. Reallocation of resources.
- B. Economic instability
- C. Redistribution of income
- D. Regional equality.

Answer:-[C]

2. Revenue earned by the government from the property without any legal heir is called-
- Donation
 - Escheat
 - Income from public enterprises
 - None of the above

Answer:-[B]

3. Which of the following is / are implication/s of fiscal deficit?
- crowding-out
 - Inflationary spiral
 - Erosion of government credibility
 - All the above.

Answer:-[D]

4. Primary deficit can be zero if _____
- Fiscal deficit = Interest payment
 - Fiscal deficit < Interest payment.
 - Fiscal deficit > Interest payment.
 - Revenue deficit < fiscal deficit

Answer:-[A]

5. Which of the following are capital receipts of the government?
- Recovery of loans
 - Borrowing
 - Disinvestment
 - All of these

Answer:- [D]

ALTERNATIVES:-

6. Alternatives:-

- Both the statements are true.
- Both the Statements are false
- Statement 1 is true and statement 2 is false.
- Statement 2 is true and statement 1 is false

Statement 1:- Fiscal deficit is always greater than Primary deficit.

Statement 2:- Fiscal deficit indicates borrowing requirement of the government

Answer:- [D]

Statement 1:- Disinvestment is an example of non-debt creating capital receipt

Statement 2:- Recovery of loans is a revenue receipt.

Answer:-[c]

7. Classify the following into capital expenditure and revenue expenditure in the context of government budget-
- Expenditure On collection of taxes.
 - Expenditure on purchasing of computers
 - Expenditure on building a bridge.
 - Subsidies
 - Repayment of loans
 - Grants given to state government
8. Distinguish between Revenue receipts and capital receipts
9. Distinguish between Revenue expenditure and capital expenditure.
10. Explain the meaning and implications of revenue deficit in a government budget.

11. Distinguish between fiscal deficit and revenue deficit. What does fiscal deficit indicate?

Unit 5: BALANCE OF PAYMENT

Balance of payment-Balance of payment of a country is a systematic record of all economic transactions between the residents of the reporting country and residents of foreign countries during a period of time.

Balance of Trade - Balance of Trade is the difference between the values of imports and exports of visible items. If the visible exports exceed the value of visible imports, the Balance of trade is favorable. If the value of visible imports exceeds the value of visible exports, the balance of trade is unfavorable.

Economic transactions in BOP:-

- 1) Visible items or goods
- 2) Invisible item or services.
- 3) Unilateral transfers.
- 4) Capital transfers.

Components of Balance of payment:-

1. **BOP on current Account** - Current Account of BOP records all those transactions between the residents of a country and the rest of the world, which do not Cause a change in the assets or liabilities of the residents of the country or its government. Current Account contains the receipt and payments relating to all transactions of visible items, invisible items and unilateral transfers.

The payment for import is written on the negative side (debit items) and receipts from exports are shown on the Positive side (credit items). Similarly, receipts of unilateral transfers one shown on the positive side (credit) and payment of unilateral transfers are shown on the debit side.

Balance of payment on capital Account- Capital Account of BOP records all those transactions between the residents of a country and rest of the world, which cause a change in the assets or liabilities of the residents of the country or its government. The components of this type are-

Borrowing and lending:-

Private Transactions- These affect assets and liabilities of non-government entities or private sector. Receipts of loans are recorded on credit side and their repayment on debit side.

Official Transactions: - These affect asset and liabilities Status of the government. Receipts of loans by the government are recorded on credit side and repayment of loans is recorded on debit side.

Investment:-

Foreign Direct Investment- It refers to purchase of an asset in the rest of the world which gives full control to the buyer over assets.

Purchase of asset abroad is recorded on the debit side and sale of asset abroad is recorded credit side.

Portfolio investment- It refers to purchase of an asset in the Row which does not give full control over the asset. Purchase of assets abroad is recorded on the negative side (debit) and sale of asset on the credit side.

Changes in foreign exchange reserve- Foreign exchange reserves are the financial assets of a country held in the central Bank.

When addition to this reserve is made it implies negative items and entered in the debit side of BOP and any withdrawal from these reserves is recorded on positive items (credit side) of BOP.

Autonomous items and Accommodating items:-

Autonomous Items - These refer to economic transactions with Row which take place due to

some economic motive for maximizing profits.

These transactions are independent of the country's BOP Situation. 'and are known as above the line Items'. These transactions take place on both, current and capital account.

Accommodating transactions- These are those transactions that are undertaken in order to establish BOP identity. They are not related to profit maximization.

Accommodating transactions take place on capital account and are known as "below the line items"

MULTIPLE CHOICE QUESTIONS

1. Economic transactions in BOP are-
 - a) Visible items
 - b) Invisible items
 - c) Capital transfers
 - d) All of these

Answer:- (d)

2. Transactions which take place on both current and capital account are-
 - a) Autonomous
 - b) Accommodating
 - c) Both (a) and (b)
 - d) neither (a) and (b)

Answer:- (a)

3. Foreign exchange transactions which are independent of other transactions in the BOP Account are called-
 - a) Current account transaction
 - b) Capital account transaction
 - c) Autonomous transactions
 - d) Accommodating transactions.

Answer: - (c)

4. Export of machinery is recorded in the-
 - a) credit side of capital account
 - b) debit side of capital account
 - c) credit side of current account
 - d) debit side of current account

Answer:- (c)

5. Loans Taken from the foreign Bank are recorded in the-
 - a) Credit side of the capital account
 - b) Debit side of the capital account
 - c) Credit side of the current account
 - d) Debit side of the current account

Answer:- (a)

6. ASSERTION - REASON:

Assertion (A)- Economic transactions of Indian investing in assets abroad is recorded under debit side of capital account in BOP.

Reason (R)- BOP is the difference between, inflow of foreign exchange and outflow of foreign exchange on account of economic transactions.

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 and Reason (R) is false
 - d) Assertion (A) is false and Reason (R) is true
7. Indian Rupees has been depreciating in the recent times" what will be its impact on the current Account deficit?
 8. Differentiate between BOP and current account balance.
 9. Giving reason, state which of the following transaction will be recorded in current account or capital account of BOP .Also Indicate Credit side or Debit side of the transactions.
 - a) International purchase of financial assets
 - b) Borrowing from abroad
 - c) Remittances from India to Nepal.

FOREIGN EXCHANGE RATE

Foreign Exchange rate - It is the rate at which domestic currency can be exchanged for a foreign currency.

Flexible exchange rate - It is the rate which is determined by the supply-demand forces in the foreign exchange market.

Merits of flexible exchange rate:-

- A. Promotes economic Development.
- B. Solution to the Balance of payment problems.
- C. Promotes International trade.

Demerits of flexible exchange rate:-

- A. Instability and uncertainty about the receipt and Payment in foreign exchange transaction
- B. Destabilize the economy.
- C. Inflationary effect.

Sources of demand for foreign exchange:-

- A. Domestic individuals, firms or government who import goods and service from abroad to India.
- B. The domestic residents travelling and studying abroad.
- C. Domestic residents who want to invest their capital abroad.
- D. Direct purchases abroad.

Sources of supply of foreign exchange:-

- A. Domestic exporters who receive payments of foreign currency.
- B. The foreigners who invest and lend in the home Country.
- C. Domestic residents who repatriate capital funds previously sent abroad.
- D. The domestic residents who receive gifts from foreign countries.

Determination of Equilibrium Rate of foreign exchange:-

Equilibrium rate of exchange is established at a point where the quantity demanded and quantity Supplied of Foreign exchange are equal.

Depreciation of domestic currency- It refers to decrease in the value of domestic currency in terms of foreign currency. It occurs when there is an increase in the domestic currency price to buy a unit of foreign currency.

For example- If price of one dollar rises from Rs 70 to Rs80, this is currency depreciation for domestic currency.

Effect of depreciation on exports: - It encourages export

Effects of depreciation on imports: - It discourages imports

Appreciation of domestic currency- It refers to increase in the value of Domestic currency in terms of foreign currency. It occurs when there is a decrease in the domestic currency price to buy a unit of foreign currency.

For example- If 1 dollar is exchanged for Rs70 and now the exchange rate falls to Rs60 for one dollar. .

Effects of appreciation of domestic currency on export-It discourages exports

Effects of appreciation of domestic currency on import- It encourages imports.

Fixed exchange Rate- It refers to the system in which exchange transaction take place at a rate fixed by the government or determined by the monetary authority.

Meritsof fixed Exchange rate:-

- A. Promotes world Trade.
- B. Removes speculation.
- C. Facilitates capital movement.

Demerits of fixed exchange Rate-

- A. Outmoded System
- B. Price instability
- C. Does not reflect cost price relationship.

Managed Floating rate system:-It refers to a system in which foreign exchange rate is determined by market forces and central bank stabilizes the exchange rate in case of appreciation or depreciation of Domestic currency.

MULTIPLE CHOICE QUESTIONS:-

1. Other things remaining the same, when in a country the market price of Domestic currency rises, National Income is-
 - a) likely to rise
 - b) likely to fall
 - c) likely to rise and fall
 - d) not affected
2. Import of goods and service increase the_____ foreign exchange.
 - a) Demand
 - b) supply
 - c) both (a) and(b)
 - d) Neither(a) nor(b)

3. Read the Statement and choose the correct alternative among those given below -

Statement I: Appreciation of foreign currency includes FDI from rest of the world

Statement 2: Appreciation of foreign currency implies depreciation of domestic currency

Alternatives:-

- a) Both the statements are true
- b) Both the statements are false.
- c) Statement 1 is true and statement 2 is false

- d) Statement 2 is true and Statement 1 is false
4. "Recently Indian Rupee has depreciated significantly". This led to distress for Indian importer. Defend or refute the given statement with valid reasons.
 5. How is appreciation of domestic currency likely to affect exports and imports of domestic economy?

INDIAN ECONOMIC DEVELOPMENT

Unit 6: INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

KEY POINTS

* The sole purpose of the British colonial rule in India was to reduce the country to being a feeder economy for Great Britain's own rapidly expanding modern industrial base.

* **Conditions in the Indian economy on the eve of independence:**

(i) Low level of economic development:

The colonial govt. never made any sincere attempt to estimate India's national and per capita income. The estimates given by Dr. Rao - growth of GDP was only 2% while the growth of per capita output was just 1/2 (0.5) percent.

(ii) Backward agricultural sector: Due to

- a. Land tenure system - Zamindari system, Mahalwari system and Ryotwari system.
- b. Forced commercialization of Agriculture
- c. Partition of the country.

(iii) Less developed Industrial sector: Due to

- a. De-industrialization - decline of Indian handicraft industry.
- b. Capital goods industries were lacking
- c. Limited operation of public sector
- d. Discriminatory tariff policy.

(iv) Unfavorable foreign trade:

- a. Net exporter of raw material and importer of finished good.
- b. Britain had monopoly control on foreign trade.
- c. Drain of India's wealth

(v) Adverse demographic condition:

- a. High death rate - 40 per thousand.
- b. High infant mortality rate - 18 per thousand.
- c. Mass Illiteracy - 83% illiterate.
- d. Low life expectancy - 32 years
- e. Low standard of living - people used to spend 80% to 90% of their income on basic

needs.

(vi) Dependence on Primary Sector

- * Largest share of work force which was 72% was engaged in agriculture.
- * 10% manufacturing while 18% workforce were engaged in service sector.

(vii) Positive effects of the British rule in India:

- a. Provide transport facilities, largely in terms of railway
- b. Development of ports.
- c. Provision of post and telegraph service.
- d. British Govt. left a base of a strong and efficient administrative set up.

INDIAN ECONOMY: 1950-1990

KEY POINTS:

Economy: An economy is an organization of economic activities which provide people with the means to work and earn a living.

Economic Planning: Economic Planning means utilization of country's resources in different development activities in accordance with national priorities.

Goals of Planning in India:

GROWTH, EQUITY, MODERNISATION & SELF SUFFICIENCY(GEMS)

Short-term and Long-term Objectives/Goals- Short-term goals are plan specific and are to be achieved over a period of 5 years. Long-term objectives are common to all plans and are to be achieved over a period of 20 years.

***Long-term Goals of Planning in India: Modernization:** Adoption of new technology.

Self-reliance: Reducing dependence on imports. **Growth (Economic):** Increase in the aggregate output of Goods & services. **Equity:** Reduction inequality of income or wealth.

***Short-term Goals of Planning in India-** Short term objectives vary from plan to plan depending on current needs of the country.

Conditions of Agriculture (1950-1990):

***Main Features of Indian Agriculture:** 1. Low productivity 2. Disguised unemployment. 3. Dependence on rainfall 4. Subsistence farming 5. Traditional inputs 6. Small holdings 7. Backward technology 8. Landlord tenant conflict.

***Problems of Indian Agriculture:**

Institutional Problems: 1. Small and scattered holdings. 2. Poor implementation of land reforms 3. Lack of credit and marketing facilities.

Technical Problems: .Lack of irrigation facilities.. 2. Wrong cropping pattern 3. Outdated technique of production

General Problems: 1. Pressure of population on land 2. Land degradation 3. Subsistence farming 4. Crop losses- by pest, insect, flood, drought etc

***Reforms in Indian Agriculture:**

Institutional Reforms/ Land reforms: i Abolition of intermediaries .ii Ceiling on land

holdings iii. Regulation of Rent iv. Consolidation of Land

Technical Reforms/ Green Revolution i. Use of HYV seeds ii. Use of chemical fertilizers
iii. Use of insecticides and pesticides iv. Scientific rotation of crops v. Modernized means of cultivation

General reforms: I. Expansion of irrigation facilities ii. Provision of credit iii. Regulated markets and co-operative marketing societies iv. Price support policy.

Achievements of Green revolution: 1. Rise in production and productivity 2. Increase in income 3. Rise in commercial farming 4. Increase in employment

Limitations of Green revolution: 1. Restricted to limited crops and areas such as two crops wheat & rice growing states like Punjab, Haryana, U.P and Andhra Pradesh 2. Partial removal of poverty 3. Ecological degradation 4. Neglected land reforms.

Agriculture Subsidies: Instrumental in encouraging adoption of new technology that is deemed risky by the farmers. Limitations- 1. Huge burden on government finances 2. Misappropriated benefits 3. Wasteful consumption

Industry (1950-90): *Role of Industrial sector in India- 1. Provides employment 2. Promotes regional balance 3. Leads to modernization & self-sustainable development 4. Key to high volume of exports & Growth of civilization.

Problems of Industrial Development in India- 1. Sectoral imbalances - agriculture and infrastructure have failed to provide the support to the industrial sector . 2. Regional imbalance - restricted to few states . 3. Industrial sickness 4. Poor performance of the public sector 5. Underutilization of capacity & Increasing capital - output ratio.

Role of Public Sector / Govt. in Industrial Development- 1. Lack of capital with the private entrepreneurs. 2. Lack of incentive among the Pvt. Entrepreneurs - low demand due to limited size of the market. 3. Socialistic pattern of society - main aim of Govt. is to generate employment rather than profits 4. To prevent concentration of economic power. 5. Development of backward areas.

Industrial Policy Resolution (IPR) 1956: 1. New Classification of Industries

Schedule-A - 17 industries listed in schedule-A whose development would be the responsibility of state.

Schedule-B - 12 industries were included in schedule-B, which could be established both as the private and public sector enterprises.

(c) **Schedule-C** - Other residual industries were left open to private sector. 2. Stress on the role of cottage and small scale industries .

Industrial licensing: Industries in the Pvt. Sector could be established only through a license from the government.

Characteristics of SSI (Small Scale Industries): 1. Labour- intensive & employment oriented 2. Self - employment 3. Less capital intensive 4. Export promotion 5. Shows locational flexibility

Problems of SSI- 1. Difficulty of finance . 2. Shortage of raw material 3. Difficulty of marketing. 4. Outdated machines & equipments 5. Competition from large scale industries.

Foreign Trade:

*** 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-

1. It helped to save foreign exchange by reducing import of goods 2. Created a protected market and large demand for domestically produced goods. 3. Helped to build a strong

industrial base in our country which directly led to economic growth.

Criticism of import substitution strategy-

1. It did not led to growth 2. Lack of competition implied lack of modernization.3. Growth of inefficient public monopolies.

ECONOMIC REFORMS SINCE 1991

KEY POINTS:

New Economic Policy 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. in1991.

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 to abolish controls, eliminate bureaucratic hurdles and make the decision-making process efficient and transparent.

Liberalization: Liberalization means removing all unnecessary control and restriction like permits, licenses, protectionist duties, quotas etc.

Economic reforms under liberalization: 1. Industrial sector reforms2. Financial sector reforms3. Fiscal reforms.4. Foreign exchange reforms.5. Trade and investment reforms.

Privatisation is the general process of involving the private sector in the ownership or operation of public sector.

Policies for Privatization:1. Contraction of public sector2. Abolish the ownership of Govt. in the management of public enterprises3. 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:1. Increase in equity limit of foreign investment.2. Partial convertibility3. Long term trade policy.4. Reduction in tariff.

An Appraisal of LPG Policies:

Positive Impact-1. Increase in foreign investment2. Increase in foreign exchange reserves3. A check of inflation4. Increase in domestic product5. Increase in exports6. Consumer sovereignty

Negative Impact-1. Neglect of agriculture2. Increase in competition for domestic industry.3. Increase in urbanisation. 4.Spread of consumerism.5.Cultural erosion. .

GOODS & SERVICE TAX (GST)-GST is an indirect tax levied on the supply of goods and services right from the producer to the consumer. It is a destination based consumption tax with facility of Input Tax Credit in the supply chain. GST has replaced many indirect taxes. GST was brought in to effect on 1 July, 2017.

DEMONETISATION-Withdrawal of a coin or currency note from its use as legal tender is called demonetization .On 8th November 2016, the Government announced demonetization of 500 and 1000 rupee notes.

OBJECTIVES OF DEMONETIZATION-1.To eliminate black money & fake currency notes2. To promote cashless transactions 3.To increase tax revenue.

MCQ (Competency Focused Questions)

1. Which of the following were/was part of strategy of the colonial government regarding Indian industry?

i) The intention was to first turn India into a sprawling market for raw materials from other colonies of the British.

ii) Second, it wanted India to become exporter of its unique handicrafts cheaply to Britain and its colonies.

(a) Both are correct (b) Both are incorrect (c) (i) correct (d) (ii) correct

2. Who among the following benefits from subsidies?

1. The fertilizer industry 2. The farmers in the more prosperous regions 3. The government 4. Farmers using the new HYV technology

Select the correct answer using the codes given below :

a) 1 and 2 only b) 2 and 3 only c) 1, 2 and 4 only d) 1, 2, 3 and 4

3. Assertion: - In the first seven five year plans of India, the trade was commonly called an inward looking trade strategy..

Reason :- Imports were protected by the imposition of tariff and quotas which protect the domestic firms from foreign competition.

A) Both Assertion and reason are true and reason is correct explanation of assertion. ((B)

Assertion and reason both are true but reason is not the correct explanation of assertion. (C)

Assertion is true, reason is false. D) Assertion is false, reason is true.

4. Assertion: The industrial sector reforms implemented under liberalisation policies in a country led to an increase in Foreign Direct Investment in the manufacturing sector.

Reason: Liberalisation policies aimed to toughen trade barriers, regulate industries, and provide a conducive environment for indigenous investors, making the manufacturing sector more attractive for FDI.

(a) The assertion is true, but the reason is false. (b) The assertion is false, but the reason is true.

(c) Both the assertion and reason are true, but the reason is not the correct explanation of the assertion. (d) Both the assertion and reason are true, and the reason is the correct explanation of the assertion.

5.i) Capital goods industry means industries which produce goods like machines and industrial plants which are used for further industrialisation. ii) A large number of capital goods industries came up in second half of the nineteenth century.

Which of the above sentences are incorrect? a) Only (i) b) Only (ii) c) Both (i) and (ii) d) Neither (i) nor (ii)

ANSWER -1. B 2.C 3.A 4.A 5A.

CASE STUDY-

Outsourcing was first recognized as a business strategy in 1989 and became an integral part of business economics throughout the 1990s. The practice of outsourcing is subject to considerable controversy in many countries. Those opposed argue that it has caused the loss of domestic jobs, particularly in the manufacturing sector. Supporters say it creates an incentive for businesses and companies to allocate resources where they are most effective, and that outsourcing helps maintain the nature of free-market economies on a global scale.

Questions: 2x3= 6 marks

1. What is meant by outsourcing?
2. Why outsourcing is good for India?
3. Why are developed countries opposing outsourcing to India?

Answers:

1. Outsourcing refers to contracting out some of its activities to a third party which were earlier performed by the organisation. .
2. Provides employment to large number of unemployed Indians, enables the exchange of ideas and technical know-how, improves the standard of living of people, and enhances India's international worthiness credibility.
3. Outsourcing reduces the employment generation and creates job insecurity in the developed countries.

Short Answer Question- 3 marks

Q. Give a quantitative appraisal of India's demographic profile during the colonial period.

Ans- India's demographic conditions during the British rule depict our economy as stagnant

and backward.

- 1) Both the birth rate and death rate were as high as 48 and 40 per thousand.
- 2) Due to high birth rate and high death rate the population growth was stagnant.
- 3) The Infant Mortality Rate was also very high of about 218 per thousand.
- 4) The Life Expectancy Rate was as low as 32 years while presently it is 63.5 years.
- 5) The literacy rate was less than 16 percent which denotes social backwardness and gender bias in the economy.

Long Answer Question (6 marks)

Q.State and explain the development of Indian Agriculture sector between 1950-1990.

ANS-Development of Agriculture sector between 1950-1990

(i) Land reforms :

Land reforms were initiated in order to bring equity in ownership of landholdings. It was decided to establish intermediaries and to make the tillers of the owners of land. It gives the tillers the incentives to invest in making improvements in land provided sufficient capital was made available to them.

(ii) Land Ceiling:-

It refers to fixing the maximum size of land which could be owned by an individual. The purpose of land ceiling was to reduce the concentration of land ownership in a few hands and to promote equality in the agricultural sector.

(iii) Green Revolution:-

It refers to large increase in production of food grains resulting from the use of High yielding variety (HYV) seeds. The use of fertilizers, pesticides, irrigation facilities is important along with HYV seeds in order to increase agricultural productivity & production. The farmers should be provided adequate financial resources in order to purchase agricultural inputs.

Analysis based Questions

1. Export surplus is generally considered desirable as it implies more foreign exchange earnings than expenditure. How did it emerge as a tool of exploitation under the British Rule
2. Zamindari system was introduced by the British to collect rent from the peasants. How did it become an instrument of exploitation of the peasants?
3. How did discriminatory tariff policy help in destroying Indian Industries?
4. What, in your view, were the main features of economic backwardness in the Indian economy at the time of independence.
5. Why was self-reliance adopted as one of the main goals of economic planning in India ?
6. Why was HYVP (High-yielding varieties Programme introduced as a package programme?
7. An equally strong case can be made in favour of and against agriculture subsidies .Do you agree? Give reasons for your answer.
8. Make a case for helping the growth of small-scale industries.
9. Performance of the agriculture sector was poor in the economic reforms period. Do you agree with this statement?
10. During many years of economic reforms periods, the industrial growth rate was quite unsatisfactory .What in your view, were the causes of this unsatisfactory performance?
11. During the period of economic reforms, the service sector has emerged as growth.

Unit7: CURRENT CHALLENGES FACING INDIAN ECONOMY

Human Capital Formation:: How people become resource; Role of human capital in economic development; Growth of Education Sector in India

Rural development: Key issues-credit and marketing-role of cooperatives ;agricultural diversification; alternative farming -organic farming

Employment: Growth and changes in work force participation rate in formal and in formal sectors; problems and policies

Sustainable Economic Development: Meaning, Effects of Economic Development on Resources and Environment ,including global warming

HUMAN CAPITAL FORMATION

How people become resource: by imparting knowledge and skill that convert a human being into the human capital.

Sources of human capital:

HEALTH AND EDUCATION: Expenditure on health is an important source of human capital formation. The amount of money spent on

- ★Preventive medicine(vaccination),
- ★Curative medicine(medical intervention during illness),
- ★Provision of clean drinking water and good sanitation
- ★Health expenditure directly increases the supply of healthy labour Force Spending on education by individuals is similar to spending on capital goods by companies
- ★Individuals invest in education with the objective of increasing their future income.
- ★It results in optimum resource utilization.

ON THE JOB TRAINING:

- ★The workers may be trained in the firm itself under the supervision of a skilled worker;
- ★The workers may be sent for off-campus training.
- ★Expenditure regarding on-the-job training is a source of human capital formation as the return in the form of enhanced labour productivity is more than the cost of it.

MIGRATION:

- ★Technically qualified persons, like engineers and doctors, migrate to other countries because of higher salaries
- ★Migration involves cost of transport, higher cost of living in the migrated places and psychic costs of living in a strange socio cultural set up.
- ★The enhanced earnings in the new place outweigh the costs of migration; hence, expenditure on migration is also a source of human capital formation

INFORMATION:

- ★Expenditure on information is necessary to make decisions regarding investments in human capital
- ★For efficient utilization of the acquired human capital stock.
- ★For acquiring information relating to the labour market and other markets is also a source of human capital formation.

Role of human capital in economic development

- ★ Both goes hand in hand
- ★ Better handling of techniques and technology raises the productivity
- ★ Innovation is possible which increases GDP.
- ★ Higher rate of participation means increased living standard
- ★ Per capita income has direct relation with positive education and health indicators

Growth of Education Sector in India

can be explained in two manners:

- ★ In terms of increased expenditure
- ★ In terms of increased share in GDP

SHARE OF EDUCATION SECTOR IN GDP WAS 0.64 % -1950 NOW 3.1 %.
EDUCATION COMMISSION(1964-66)RECOMMANDED6%.

RTE AND EDUCATION CESS

- ★ In 2009, the Government of India enacted the Right of Education Act to make free education a fundamental right of all children in the age group of 6-14 years.
- ★ 2% education cess on all union taxes—will be spent on elementary education
- ★ In the past 4 years 141 new universities and 7 IITs have been sanctioned.
- ★ Atal Innovation mission: Atal Tinkering Labs-5450

FUTURE PROSPECTS

- ★ Education for All—Still a Distant Dream
- ★ Gender Equity—Better than Before
- ★ Higher Education— a Few Takers

ASSERTION & REASON

Alternatives:

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

Q1. Read the following statements carefully Assertion (A) and Reason (R) and choose the correct alternative:

ASSERTION (A): Expenditure on health increases the physical and mental ability of human beings..

REASON (R): Expenditure on health makes long term impacts and these can be easily reversed.

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

Q2.ASSERTION (A): According to human capital, human beings are ends in themselves.

REASON(R):Human capital considers education and health as a means to increase labour productivity.

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

Q3.ASSERTION(A):Human Capital of a nation is raised when skill and expertise of the

people rises.

REASON(R):Rising population is an impediment to the process of human capital formation in India.

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

Q4.ASSERTION (A): Cause and effect relation between Human Capital and economic growth can be easily proved.

REASON (R): Due to measurement problems, it is difficult to establish a relation of cause and effect from the growth of human capital (Education and Health) to economic growth.

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

OBJECTIVE TYPE

QUESTIONS

- 1 Significance of human capital was recognized in...five-year plan.
(a)Third (b)Second (c) Seventh (d)Fourth
ANSWER=C
- 2 Government organization that regulates education sector.
(a)NCERT(b) ICMR(c) UGC(d)Both (a) and(c)
ANSWER=D
- 3 Which one of the following organizations regulates the health sector in India?
(a)ICMR (b) UGC (c) AICTE(d)RBI
ANSWER=A
- 4 In..... government of India made education free and compulsory for all children
Between6-14years of age group.
(a)1991 (b)2009 (c) 2014 (d)2017
ANSWER=B
- 5 ICMR stand for
(a) International council of medical research
(b) Indian council of medical resources
(c) International council of medical resource
(d) Indian council for medical research

ANSWER = D

COMPETENCYBASESQUESTIONS

1.....capital refers to the stock of skill, ability, expertise, education and knowledge embodied in the people.

ANSWER = HUMAN

2..... capital is tangible, while...is intangible.

ANSWER = PHYSICAL, HUMAN

3..... capital cannot be separated from the owner, whereas...capital can be separated its owner.

ANSWER = HUMAN, PHYSICAL

4..... rate refers to the ratio of literate adult population to the total adult population in a country.

ANSWER = LITERACY

5.A form of training that takes place during the working is called...training.

SHORT AND LONG ANSWER TYPE QUESTIONS (3,4&6 MARKS)

Q1. Bring out the need for on-the-job-training for an Employee.

Answer. Technical training adds to the capacity of the people to produce more. Firms given on- the-job- training to enhance the productive skills of the workers so as to enable them to absorb new technologies and modern ideas. It can be given in two forms:

The workers may be trained in the firm itself under the assistance of a senior and experienced worker.

The workers may be sent off the firm campus for the training.

Q2. Education is considered an important input for the development of a nation. How?

Answer(i)Education confers higher earning capacity on people.

ii)It gives better social standing and pride.

iii)It enables one to make better choices in life.

iv)It provides knowledge to understand the changes taking place in society.

v)It also stimulates innovations.

vi)Its facilities adaptation of new technologies

Q3. “Human capital formation give birth to innovation, invention and technological improvement” Do you agree with the given statement? Support your answer with valid argument.

Answer The given statement is correct.

Human capital formation not only increase the productivity of available human resources but also stimulates innovation and creates ability to adopt new technology.

Investment in education creates ability to adopt newer technology, facilitates invention and Innovations in educated workforce generally adapts to modern technologies and innovation.

Q4. What are the main problems of human capital formation in India?

AnswerThe various problems of human capital formation are:

i)Insufficient resources

ii)Inefficiencies.

iii)Brain Drain

iv)High growth of population

v)Lack of proper man power planning.

vi)Weak science and technology

Q5. What do you mean by human capital formation? What are the sources of human capital formation?

Answer: Meaning of Human Capital formation: Human capital formation means the development of abilities and skills among the population of the country.

Sources of Human Capital Formation:

1)Expenditure on education: It is one of the most important sources of human capital Formation. Proper utility of man power depends on the system of education, training and experience of the people.

2)Expenditure on Health: Health is an important input for a development of a nation. Provision of clean drinking water and good sanitation is very important for improvement of health. Health expenditure directly increases the physical capacity of human being.

3) On the job training: productivity of physical capital is substantially increased with the improvement in human capital. Due to this reason many firms provide on the job training to their workers.

4)Expenditure on migration: - people migrate to one place to another that gives them higher salaries. Hence it is a source of human capital formation.

5)Expenditure on Information: - Expenditure is incurred to acquire information relating to labour market and other market. It involves amount spent on seeking information about educational institutions, education standard, their educational needs and cost of education.

CASE STUDY BASED/ SOURCE BASED QUESTION

CASE STUDY-

Human Capital and Human Development are related concepts, but certainly not identical. Human capital is means to an end. Human capital is a means in the sense that it consists of 'skills' as used in the process of production. It consists of 'know how', abilities and expertise used as inputs in the production activity increase productivity is the end result. Thus, we want to achieve higher and higher levels of output through extensive and intensive application of human capital development is an end itself. It refers to development of the individuals and valuable personalities by acquiring good education and attaining good health. Human development occurs when more and more individuals in a society are educated, healthy and skill-oriented.

Answer the below Questions on basis of above case study

1. Human development occurs when more and more individuals in a society are.....

- (a) Skill-oriented
- (b) Educated
- (c) Healthy
- (d) All of these ANSWER-D

2. Differentiate between human development and human capital.

Answer- Human capital is a means to an end. Human development is an end in itself. It refers to development of the individuals valuable personalities by acquiring good education and attaining good health. Human development occurs when more and more individual in a society are educated, healthy and skill-oriented.

3. Human development is an end itself, it refers to development of the individual as valuable

Person by acquiring.....(education/investment) ANSWER-Education

4. Human development is a means to an end.(True/False) ANSWER-False

UNSOLVED QUESTIONS

- Q1. Explain the main challenges of education in India.
- Q2. Distinguish between Physical capital & Human capital.
- Q3. Education is considered to be an important input for the development of a nation. How?
- Q4. What factors contribute to human capital formation?
- Q5. Bring out the differences between human capital and human development.

RURAL DEVELOPMENT

WHAT IS RURAL DEVELOPMENT? –Rural development means an 'action-plan' for the social and economic growth of the rural areas.

KEY ISSUES

★Development of human resources including

- ★ Literacy, more specifically, female literacy, education and skill development
- ★ Health, addressing both sanitation and public health
- ★ Land reforms
- ★ Special measures for alleviation of poverty and bringing about significant improvement in the living conditions of the weaker sections.
- ★ Infrastructure development like electricity, irrigation, credit ,marketing ,transport facilities including village roads ,agriculture research.

RURAL CREDIT-WHY

- ★ As the time gestation between crop sowing and realisation of income after production is quite long, farmers borrow from various sources to meet their initial investment on seeds, fertilisers, implements.
- ★ other family expenses of marriage ,death, religious ceremonies etc.

FROM WHERE TO MANAGE THE CREDIT

TWO SOURCES:

- ★ **NON INSTITUTIONAL (INFORMAL) SECTOR** : Money Landers, Traders, Relatives Etc. – Lead To Debt Trap
- ★ **INSTITUTIONAL (FORMAL)**: Commercial Banks, Regional Rural Banks (RRBs), Cooperatives And Land Development Banks.

CHANGES OVER THE TIME

- ★ Remarkable Increase In Share of Rural Credit By Formal Sector After 1969 When 14 Large Banks (PaidUp Capital 50Cr.)Were Nationalised.
- ★ 1951: Informal Sector Credit – 93%
- ★ 2018: It has reduced up To 23%

NABARD

- ★ Established on 12 JULY 1982
- ★ To Coordinate The activities of all institutions involved in the Rural Financing System.
- ★ Rural Infrastructure Development Fund -With the help of Swiss agency, this fund covers the areas of Irrigation,, Rural Roads, Health and Education, Soil Conservation Etc.

REGIONAL RURAL BANKS

- ★ Established on 2 OCTOBER 1975.
- ★ 196 RRBs were there but are merged .Now 45 RRBs are functioning in the country.
- Covers one or more districts

SELF HELP GROUPS /MICRO CREDIT

Credit linking between banks and SHGs/NGO is called Micro Credit Programme.

NEED:

- ★ Since some kind of collateral is required, a vast proportion of poor rural households are automatically out of the credit network.
 - ★ The SHGs promote thrift in small proportions by a minimum contribution from each member.
 - ★ By credit linking SHG s are empowered financially and rate of recovery is 98% ,a grand success in non-farm sector which created self-employment especially among women.
- Agricultural marketing** is a process that involves the assembling ,storage ,processing ,transportation ,packaging ,grading and distribution of different agricultural commodities a cross the country.

Need:

- ★ Faulty weighing and manipulation of accounts.
- ★ Farmers are forced to sell their product at low prices.
- ★ Lack of proper storage facilities to keep back their produce for selling later at a better price.

FOUR MEASURES BY GOVT.

- ★ Regulation of markets to create orderly and transparent marketing conditions.
- ★ Provision of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing units.
- ★ Cooperative marketing, in realizing fair prices for farmers' products.
- ★ Policy instruments like

Assurance of minimum support prices (MSP) for agricultural products

Maintenance of buffer stocks of wheat and rice by Food Corporation of India and

Distribution of foodgrains and sugar through PDS.

ROLE OF COOPERATIVES IN RURAL CREDIT

★ 1951-3.1% SHARE IN RURAL CREDIT

- ★ Now over 96% of rural population is covered with 35% share in rural credit.
- ★ Advantages of cooperative credit: Alternative credit source, cheap rural credit, productive lending and improvement in farming methods.

ROLE OF COOPERATIVES IN MARKETING

★ National agricultural cooperative marketing federation of India limited (NAFED) is the apex cooperative marketing organization which procures, distributes and involved in foreign trade of selected agricultural commodities.

★ Three types of cooperative marketing: single commodity, multi commodity and multi-purpose multi-commodity marketing.

★ The structure is two tier in some states and three tier in another states.

EMERGING ALTERNATE MARKETING CHANNELS

★ farmers directly sell their produce to consumers:

★ *Apni Mandi* (Punjab, Haryana and Rajasthan);

★ *Hadaspar Mandi* (Pune); *Rythu Bazars* (vegetable and fruit markets in Andhra Pradesh and Telangana) and *Uzhavar Sandies* (farmers markets in Tamil Nadu).

★ MNCs are also approaching farmers for desired produce but it results in conflicts (Pepsico V/S farmers on potato cultivation)

AGRICULTURAL DIVERSIFICATION

Two aspects-

★ To change in cropping pattern

★ Shift of workforce from agriculture to other allied activities (livestock, poultry, fisheries etc.) and non-agriculture sector.

Need:

To reduce the risk from the agriculture sector but also to provide productive sustainable livelihood options to rural people.

SCOPE IN DIVERSIFICATION

★ Agro-processing industries, food processing industries, leather industry, tourism,

★ Traditional home-based industries like pottery, crafts, handlooms

★ Live stocks ect

ALTERNATIVE FARMING-ORGANIC FARMING

★ A whole system of farming that restores, maintains and enhances the ecological balance

and to enhance food safety throughout the world.

★to substitute costlier agricultural inputs(such as HYV seeds ,chemical fertilizers ,pesticides etc.)

★generates income through exports and generates more employment

★has more nutritional value than chemical farming

★An environmentally sustainable way

CHALLENGES

★Requires awareness and willingness on the part of farmers to adapt new technology

★Inadequate infrastructure and the problem of marketing the products are major concerns

★Yields from organic farming are less than modern agricultural farming in the initial years.

★Organic produce may also have more blemishes and a short life than sprayed produce.

★Production of off-season crops is quite limited in organic farming.

INDIAN ORGANIC FARMING

★Sikkim–Country’s First Organic State.

★India has Highest% Of Organic Farmers (30% Of World Share) With 1.5 Million Hectares Under Organic Farming.

★Paramparagat Krishi Vikas Yojana :Free Certification Programme.

OBJECTIVE TYPE QUESTIONS

Q1: _____ is a comprehensive term that focuses on action for the development of that areas which are lagging behind in the overall development of village economy. (fill up the blank with correct answer)

Answer: Rural development

Q2: What does the Micro Credit programme mean?(choose the correct option)

- 1) Credit provision made by small farmers
- 2) Credit provision made by self-help group to its members
- 3) Credit provision made by large farmers
- 4) None of the above

Answer.2)Credit provision made by self-help group to its members.

Q3: What is NABARD full form?(Choose the correct option)

- 1) National Bank of Agriculture and Rural Development
- 2) National Bureau of Agriculture and Rural Development
- 3) Native Bank of Agriculture and Regional Development
- 4) National Bank of Agriculture and Regional Development

Answer.1) National Bank of Agriculture and Rural Development.

Q4:14majorcommercialbankswerenationalizedin---

- A19July1969
- B19 July1980
- C19 July1975
- D19July1991

Answer. A19July1969

Q5: National Bank for Agriculture and Rural Development (NABARD) was set up in year _____ as an apex body to coordinate the activities of all institutions involved in the rural financing system. (Fill up the blank with correct answer)

Answer. 1982

COMPETENCY BASED QUESTIONS

Q1. ASSERTION (A): Rural development is an action plan for complete and comprehensive development of rural area.

REASON (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)

Q2. 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.

- 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: (d)

CASE STUDY BASED QUESTIONS

CASE STUDY

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, fertilizers, 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) Moneylenders
- (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 organized to protect the farmers from the malpractices of consumers. (True/False)

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

SHORT & LONG TYPE QUESTIONS

Q1: What do you mean by rural development? Bring out the key issues in rural development.

Answer: Rural development is a comprehensive term which includes various aspects of economic development. It mainly focuses on those areas which are lagging behind in the overall development of the rural economy. The key issues in rural development are as follows:

- Development of human resources
- Land reforms
- Development of productive resources
- Infrastructure development
- Special measures for poverty alleviation

Q2. Discuss the importance of credit in rural development.

Answer:i) Buying inputs for Agriculture: The gestation period between crop sowing and income realization is quite long for farmers. Farmers need infusion of capital at various stages of the farm cycle. This capital need is usually met by borrowings from various sources. Hence, credit is very important for rural development.

ii) For Investing in Non-Farm Activities: Availability of cheap credit is used to set up small and cottage units, dairy, poultry, shop keeping, or small business.

iii) For buying assets: Rural people may buy tractors, thresher, pump set, construct well, house, warehouse, cold storage, purchase vehicle etc.

Q3. Explain the role of micro-credit in meeting credit requirements of the poor.

Answer: Lending by organized sector; like banks and cooperative banks has its own limitations. As collateral is required for availing loans from banks, the poor are automatically excluded from its ambit. Micro-credit works on the involvement of SHGs (Self Help Groups). Such groups pool money from their members and grant loan to a member who is in need. SHGs promote spendthrift so that loan recovery can be realized. As experience of many villages shows, micro-credit has definitely helped in improving the status of rural poor.

Q4. State the meaning of 'Agriculture Marketing'.

Answer: Agriculture marketing may be defined as the Agricultural marketing is a process that involves the:- (i) assembling, (ii) storage, (iii) processing, (iv) transportation, (v) packaging, (vi) grading and (vii) distribution of different agricultural commodities across the country.

Q5. Distinguish between Green Revolution and Golden Revolution.

Answer: Green Revolution: Green Revolution 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. The spread of green revolution technology enabled India to achieve self-sufficiency in food grains;

Golden Revolution: Golden Revolution refers to the large increase in production of horticultural crops such as fruits, vegetables, tuber crops, flowers, medicinal and aromatic plants, spices and plantation crops. Investment in horticulture sector it has been term as a "GOLDEN REVOLUTION"

Q6. What is Agricultural Marketing System? What are the measures can be followed to Improve Agricultural Marketing?

Answer: Agricultural marketing is a process which involves assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities

across the country.

Measures to Improve Agricultural Marketing: After Independent govt. has adopted various measures to improve of the system of agricultural marketing in the country. It has brought about following measures in order to regulate the markets:-

- (i) **Regulated Markets:-** The first measure was regulation of markets, to create orderly and transparent marketing condition. This is organized in order to protect farmers from malpractices of sellers and brokers.
- (ii) **Cooperative Marketing:-**Marketwise societies are formed by farmers to sell the output collectively and to take advantages of collective bargaining , for obtaining a better price.
- (iii) **Infrastructural facilities:-** Govt. had also provided infrastructural facilities like roads, railways, warehousing, old storage and processing units.
- (iv) **Standardization and Grading:-** Grading And quality control helps farmers to get good price for quality products produced by them.
- (v) **Minimum Support Price:-** To safeguard the Interest of the farmers government fixes the minimum support price for agricultural products like wheat, rice, maize, cotton, sugarcane, pulses etc. the government willingly will buy any amount of grains from the farmers at a price higher than the market price in order to help them recover their loss.

Q7. Why is agricultural diversification essential for sustainable livelihoods?

Answer: There are two major problems in agriculture; when ensuring sustainable livelihood is concerned. The first problem is over-dependency on cropping to earn livelihood. The second problem is over supply of labour to the farming sector. In India, while most of the farm labourers get engaged during kharif season, many of them remain unemployed during rabi season; especially in areas with poor irrigation facilities. Due to overcrowding of labourer in farming, many people suffer from disguised unemployment and seasonal unemployment. This does not ensure sustainable livelihoods for many.

Hence, diversification in agriculture is essential.

Q8. What do you mean by Organic Farming? What are the Advantages of Organic Farming?

Answer: Organic farming is the process of producing food naturally. This method avoids the use of synthetic chemical fertilizers and genetically modified organisms. It is very eco-friendly and very essential for sustainable development. It has a zero impact on environment.

Advantages of Organic Farming:

- (i) It substitutes costlier agricultural inputs such as HYV seed, Chemical fertilizers, pesticides etc. locally produced organic inputs, which are cheaper and thereby generate good returns on Investments.
- (ii) It generates income through export as the demand, for organically grown crops are on the raise.
- (iii) It provides healthy food as organically grown food has more nutritional value than food grown through chemical farming.
- (iv) It can provide more employment opportunities in India as it requires more labourers for production than chemically produced goods.
- (v) Organic food is a pesticide free and is produced in an environmentally sustainable way.

Q9. : Critically evaluate the role of the rural banking system in the process of rural development in India.

Answer: The rural banking system has a positive effect on rural development. especially after the green revolution, the rural banking system helped farmers to avail loans for various farm inputs. This ensured better farm productivity and as a result famines are a thing of the past.

However, the formal credit system has failed to ensure that credit reaches to poor farmers.

With some exception of the commercial banks, most of the financial institutions have failed to ensure availability of loans to the rural poor. High default rate is another major problem among rural farmers. The banking sector needs to turn into customer relationship specialist to ensure proper disbursement and recovery of loans. This will help in better development in rural India.

UNSOLVED QUESTIONS

1. What is the Full form of TANWA?
2. Mention some obstacles that hinder the mechanism of agricultural marketing.
3. What do you mean by Organic Farming? What are the Disadvantages of Organic Farming?
4. Why is agricultural diversification essential for sustainable livelihoods?
5. Explain the role of non-farm employment in promoting rural diversification.

EMPLOYMENT: GROWTH, INFORMALISATION AND OTHER ISSUES

EMPLOYMENT:-Situation when people are willing to work, required skill and ready to work at the existing wage rate, and are able to work, but are not getting work.

RKER: - All those who are engaged in economic activities, in whatever capacity — high or low, are workers (Those activities which contribute to the gross national product are called economic activities).

SELF-EMPLOYED WORKERS: - Those workers who are engaged in their own business or own profession.

HIRED WORKER: - Those workers who work for others and get wages and salaries as a reward for their services.

CASUAL WORKERS:- Casual workers are like daily wagers, not on permanent rolls of the employer, and not entitled to social security benefits.

REGULAR WORKERS:- Workers are hired on regular basis and are on permanent pay-roll of their employees and are entitled to social security benefits.

LABOR SUPPLY: - amount of labor that the workers are willing to offer corresponding to different wage rates.

LABOR FORCE:-Number of persons actually working, or willing to work at the existing wage rate.

WORK FORCE: - Number of persons actually working, and does not account for those who are willing to work.

JOBLESS GROWTH:- Jobless growth is a situation when the level of output in the economy tends to rise owing to innovative technology without any perceptible rise in the level of employment.

SIZE OF WORK FORCE IN INDIA:-

1. India has a workforce of nearly 47.3 crore of persons.
2. About 70% of the workforce of the male workers and only 30% are female workers.
3. Nearly 75% of the workforce found in rural areas and urban workforce is only 25% of the total.
4. Female workforce in rural areas is nearly 25%, while it is only 20% in urban areas

RATE OF PARTICIPATION IN INDIA (RURAL- URBAN, MALE- FEMALE RATE

OF PARTICIPATION):- (i) Rate of participation for the urban areas is about 33.9 % in 2017-18 (ii) Rate of participation for the rural areas is about 35% in 2017-18 (iii) In urban areas, rate of participation is about 53% for man and 14.2% for women. (iv) In rural areas, rate of participation is about 51.7% for man and 17.5% for women.

SELF- EMPLOYMENT AND HIRED WORKERS IN INDIA:- URBAN WORKERS:-

Hired worker 61% and self-employed 38% (2018-19). **RURAL WORKERS:-** Hired worker 42% and self-employed worker 58% (2018-19)

CASUALIZATION OF WORKFORCE

★ The process of moving from self-employment and regular salaried employment to casual wage work.

FORMAL WORKERS: - 1. Work in organized sector of the economy 2. Are entitled to social security benefits 3. Can form trade unions 4. Are protected by various labour laws.

INFORMAL WORKERS: - 1. Work in unorganized sector of the economy 2. Are not entitled to social security benefits 3. Cannot form trade unions 4. Are not protected by various labour laws

MALE WORKFORCE:-Hired male worker 48% and self-employed 52% (2018-19).

FEMALE WORKFORCE:- Hired female worker 48% and self-employed female worker 52% (2018-19).

CAUSES OF LOWER WOMEN PARTICIPATION IN WORK: -

1. Women education in India is still lagging behind implies low employment opportunities for women.

2. In urban areas, most families do not like women to do work

3. Women, by and large, undertake productive work only under compulsion

4. Many activities performed by women of India are not recognized as economic activities.

NATURE OF UNEMPLOYMENT IN INDIA

RURAL UNEMPLOYMENT: - **1. Disguised unemployment:**- “When the number of workers engaged in a job much more than actually required” for example If three persons are required to cultivate a farm measuring one hectare but actually six persons are engaged there, then three persons are disguisedly unemployed. Disguised unemployment is a feature of Indian agriculture because:- (i) On account of joint family system (ii) Per person holding size continues to shrink (iii) Lack of job opportunities outside agriculture.

2. Seasonal unemployment: - It occurs simply because agriculture is a seasonal occupation. During the off- season, often the farm workers are out of job. They have no work to do . Workers engaged for few month in a year rest of period, they remain unemployed. There are three sources of data on unemployment (i) Reports of Census of India, (ii) National Sample Survey Organisation’s (NSSO) Reports (iii) Employment Exchanges.

URBAN UNEMPLOYMENT:- 1. Industrial unemployment :-“ Industrial unemployment refers to the unemployment among the illiterates who wish to work in industries, mining, transport, trade and construction activities, but are not getting jobs because of insufficient demand for labor” . The principal causes of Industrial unemployment are :- (i) Rapid rise in population overtime (ii) Concentration of industry in the urban areas (iii) Labour- saving western Technology .

2. Educated unemployment: - “Among the educated people which include matriculates to higher educated” educated unemployment arises due to :- (i) On account of expansion of educational institutions (ii) Education system in India is not job- oriented (iii) Increase in the size of educated labour force.

COMMON TYPES OF UNEMPLOYMENT ACROSS RURAL AND URBAN

AREAS:-1. Open unemployment :- “When worker is willing to work, and has the necessary ability to work, yet he does not get work”(found among agricultural and educated persons) **2. Structural unemployment:-** “Structural unemployment occurs due to structural change in the economy.”

Structural changes are broadly of two types: (i) Changes in technology (ii) Changes in pattern of demand.

3. Under unemployment: - “Situation in which a worker does not get a full time job”. He remains unemployed for some month in a year or some hours every day Under unemployment is of two kinds: (i) Visible unemployment (ii) Invisible unemployment

4. Frictional unemployment:-“It occurs due to imperfections in the mobility of labour across different occupations”. One wishes to move from one job to the other, but in the process of change may remain unemployed for some time.

5. Cyclical unemployment: - It occurs owing to cyclical fluctuations in the economy: Phases of boom, recession, depression and recovery in the market economy.

ECONOMIC AND SOCIAL CONSEQUENCES OF UNEMPLOYMENT

ECONOMIC CONSEQUENCES:-

1. Non-utilisation of manpower

2. Loss of output

3. Low capital formation
4. Low productivity

SOCIAL CONSEQUENCES:-

1. Low quality of life
2. Social unrest
3. Class struggle
4. Greater inequality.

SUGGESTIONS TO SOLVE THE PROBLEM OF UNEMPLOYMENT:- 1. Increase in production 2. High rate of capital formation 3. Increase in productivity 4. Employment exchanges 5. Educational reforms 6. Help to self-employed persons 7. Technique of production 8. Importance to employment programmes .

GOVERNMENT POLICY AND PROGRAMMES:- Most poverty alleviation programmes implemented are based on the perspective of the Five Year Plans. Expanding self-employment programmes and wage employment programmes are being considered as the major ways of addressing poverty . Self-employment programmes :- (i) Rural Employment Generation Programme (REGP), (ii) Prime Minister's Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY) (iii) Swarnajayanti Gram Swarozgar Yojana (SGSY) (iv) National Rural Livelihoods Mission (NRLM). Wage employment programmes :- (i) Mahatma Gandhi National Rural Employment Guarantee Act 2005. (MGNREGA):- The Parliament passed a new Act to provide guaranteed wage employment to every rural household whose adult volunteer is to do unskilled manual work for a minimum of 100 days in a year. (ii) Pradhan Mantri Gram Sadak Yojana, (iii) Pradhan Mantri Gramodaya Yojana, (iv) Valmiki Ambedkar Awas Yojana (v) Development of small and cottage industries (vi) Minimum needs programme (vii) Twenty-point programme (viii) Micro Units Development Refinance Agency Bank (MUDRA BANK) Government has set up MUDRA Bank in April 2015. Its objective is to meet credit needs of micro enterprise and self-employed persons. Under MUDRA yojna , a micro enterprise is entitled for a loan up to Rs. 10 lakh per unit.

MULTIPLE CHOICE QUESTIONS:

Question 1. Which of the following statement is not true for a worker?

- (A) A worker contributes to the GDP.
- (B) Workers may temporarily abstain from work due to illness.
- (C) Self-employed are not workers.
- (D) Those who help the main workers are also workers. **Ans-C**

Question 2. What is the distribution of the workforce in rural and urban areas?

- (A) 75: 25
- (B) 60: 40
- (C) 50: 50
- (D) 40: 60 **Ans-A**

Question 3. Which of the following is the correct definition of self-employed?

- (A) Not able to find jobs during some months of the year
- (B) Own and operate their own enterprises
- (C) Receive wages on a regular basis by the employer
- (D) Casually engaged in other individuals enterprises **Ans-B**

Question 4. Which of the following workers is a regular salaried employee?

- (A) Owner of a saloon
- (B) Rickshaw puller
- (C) Cashier in State Bank of India
- (D) Vegetable vendor **Ans- C**

Question 5. Which of the following is a primary sector activity?

- (A) Mining and Quarrying
- (B) Construction

- (C) Trade
- (D) Transport and Storage **Ans- A**

COMPETENCYBASESQUESTIONS

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.

Q1. ASSERTION (A): Percentage of Female worker is low in Urban Area.

REASON (R): In urban areas, job for women is governed by Family decisions rather than Individual Decision.

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

Q2. ASSERTION (A): Disguised unemployment is present in India.

REASON (R): Agricultural productivity at the margin is close to zero.

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

Q3. ASSERTION (A): Worker-population ratio of women workers in rural areas is more than the women in urban areas.

REASON (R): The number of women workers in our country are generally underestimated because many activities undertaken by them are not recognised as productive work.

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

Q4. ASSERTION (A): Labour force refers to the number of persons actually working and does not account for those who are willing to work.

REASON (R): Workforce is a measurement of actual labour force.

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

Q5. ASSERTION (A): Women participation in workforce is less.

REASON (R): Women education in India is still lagging behind which implies low employment opportunities for women.

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

CASE BASED QUESTIONS

CASE BASED QUESTION:

India's unemployment rate shot up to 7.8% for the week ended November 22 as compares to 5.5% in the preceding week, signaling weakening of labour market. Labour participation rate fell to 39.3% resulting in sharp fall of 114 basis points in the employment rate at 36.24%, data from the centre for Monitoring Indian Economy showed. While this was the sign of weakening labour market over the last four weeks, it also reflected the inability of the labour markets to absorb adequate proportions of the working age populations during the festive seasons of 2020 the CMIE said. "The sharp rise of unemployment rate is against the trend seen since the recovery began. The trend has been one of falling unemployment rates with an occasional spike which happened during the first fortnight of October 10", it said. As per CMIE, the 36.28% employment rate in the week of November 22 is the lowest employment rate in the week of October 25. The unemployment rate stood at 37.38% in the week ended November 15.

“The deterioration of labour metrics in November is a signal again of the early exhaustion of the recovery process that began in late May this year”, it said. “The recovery is not complete. The employment rate never reached its pre lockdown level . And before reaching there it has started to decline again”. According to CMIE , the unemployment is the measure of the health of the Indian Economy as it measures the proportion of the working age population that are employed.

Q24) Rise in the unemployment rate week ended in the month of November 22, signals weakening of..... (labour, commodity) market.

Q25) Rise in unemployment rate is an indicator of incomplete..... (recovery/recession) Period since May 2020.

Q26) Worker participation ratio is calculated by dividing the total number of workers in India by the total (population/workforce) in India then multiply by 100.

Q27) what does deterioration of labour metric signify.

ANS) Labour, recovery, population, early exhaustion of recovery process

SHORT & LONG TYPE QUESTIONS

Q1. What is Worker participation ratio?

Answer: Worker Participation Ratio refers to the total percentage of the total population who is truly engaging in a fruitful activity. It is also known as workers population ration.

$$\text{Worker Participation Ratio} = \frac{\text{Total Workers} \times 100}{\text{Total Population}}$$

Q2. What are the three sources that collect data on unemployment?

Answer: 1) Census reports of India

2) National sampler survey organization reports of employment and unemployment situations

3) Directorate general of employment and training date of registration with employment exchange.

Q3. Compared to urban women, more rural women are found working. Why?

Answer: Women in rural areas often work in various farming processes; like harvesting and threshing. We know that farming processes need more number of workforce and this need can only be met with participation of women workers as well. Following are the reasons:

i) Poverty: In rural areas people are poorer, so in order to feed the family women are bound to work. Only one person's income is insufficient.

ii) Illiteracy among women: Sometimes, it is cost saving for the farm owner to hire a female worker because female workers are paid less than male workers.

In urban areas women work less as compared to women. Main reasons are

iii) Social Stigma: Another important fact is the prevalent mind-set which sees women in their traditional role of a housewife. These are the reasons, more rural women are found working compared to urban women.

Q4. Explain why regular salaried employees are generally more in urban areas than in rural areas.

Answer: Regular salaried employees are more in urban as they have variety of employment opportunities due to presence of more industries and as compared to the rural areas.

Higher level of literacy and skills are required in regular salaried jobs which are available in urban areas. Moreover enterprises in urban areas require workforce on a regular basis.

Q5. Analyse the recent trends in sectoral distribution of workforce in India.

Answer: Distribution of workforce by industrial sectors shows substantial shift from farm work to non-farm work .

• Primary sector: In 1972-73, about 74 per cent of workforce was engaged in primary sector

and in 2011-12, this proportion has declined to about 50 per cent.

- Secondary sector's contribution was about 11% in 1972-73, its share has increased from 11 to 24% in 2011-12. It showed at least 12% increase, which is a good transformation.
- Tertiary sector's contribution raised tremendously from 15% to 27% from 1972-73 to 2011-12.

Since independence, distribution of workforce in primary sector has declined to some extent but this decline is not significant. While the share of secondary sector in the GDP has grown, this sector has failed to generate employment in that ratio. The tertiary sector has grown quite significantly both in terms of contribution to GDP and employment generation. However, even the tertiary sector has failed to generate enough employment so that the load on primary sector could be reduced.

Q6..GDP in India is growing but unemployment stays to be a serious issue. How do you reconcile this fact?

Answer: Despite a rise in GDP, unemployment continues to stay as a serious issue owing to the following reasons:

- (i) Owing to rising population, labour force continues to rise at an alarming rate.
- (ii) Education and Employment of women in India is no longer a social taboo. This has led to a significant rise in the labour force.
- (iii) Strategy of growth is such that we are relying more on the western technology which is labour saving.

Briefly, a significant rise in the supply of labour on the one hand and a significant reliance on the technology, on the other hand, has led to GDP growth without significant conversion of labour force into workforce. Hence, unemployment stays to be a serious issue.

Q6."It is necessary to create employment in the formal sector rather than in the informal sector". Defend or refute the given statement with valid arguments.

Answer: "It is necessary to create employment in the formal sector rather than in the informal sector". The statement is defended because workers of the formal sector enjoy social security benefits and job security which remain protected by the labour laws. On the other hand people engaged in the informal sector do not enjoy any social security benefits and do not have job security. As a result, informal workers are generally very poor and live in slums.

Q7. How do you evaluate Start-ups in India as a solution to the problem of unemployment? Write two observations.

Answer: (i) Start-up are expected to generate opportunities of self-employment, and are therefore, solution to the problem of unemployment.

(ii) Start-ups are to be aided with technical and financial support by the government. Accordingly, these are expected to encourage the use of latent resources (particularly entrepreneur skill and small savings). When latent resources are used, employment opportunities are bound to arise.

UNSOLVED QUESTIONS

1. What is unemployment?
2. What is casualisation of workforce?
3. What is jobless growth?
4. What are the Causes of unemployment? What are remedial measures to solve problem of unemployment?
5. Comment upon the informalisation of labour force in India.
6. Define the worker- population ratio.

SUSTAINABLE ECONOMIC DEVELOPMENT

Meaning:

★ Development that will allow all future generations to have a potential average quality of life that is at least as high as that which is being enjoyed by the current generation.

★ The concept of sustainable development was emphasized by the United Nations Conference on Environment and Development (UNCED), which defined it as: 'Development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs'.

Effects of Economic Development on Resources and Environment, including global warming

SOIL EROSION

★ Loss of vegetation occurring due to deforestation

★ Unsustainable fuel wood and fodder extraction

★ Shifting cultivation and encroachment into forest lands

★ Forest fires and over grazing

★ Non-adoption of adequate soil conservation measures

★ improper crop rotation and indiscriminate use of agro-chemicals such as fertilisers and pesticides

★ improper planning and management of irrigation systems and extraction of ground water in excess.

BIODIVERSITY

★ World wildlife fund (WWF):

★ 60% of species declined in past 4 decades.

★ Amazon rain forests – 20% decrease in 50 years. Burning right now with govt. permission

★ Death of coral reefs

Montreal Protocol- 26 August 1987

★ The Montreal Protocol on Substances that Deplete the Ozone Layer (a protocol to the Vienna Convention for the Protection of the Ozone Layer) is an international treaty designed to protect the ozone layer by phasing out the production of numerous substances that are responsible for ozone depletion.

★ As a result of the international agreement, the ozone hole in Antarctica is slowly recovering.

Kyoto protocol to reduce greenhouse gas emissions based on the scientific consensus that (part one) global warming is occurring and (part two) it is extremely likely that human-made CO₂ emissions have predominantly caused it.

The Kyoto Protocol was adopted in Kyoto, Japan, on 11 December 1997 and entered into force on 16 February 2005.

GLOBAL WARMING:-

★ The observed and projected increase in the average temperature of the earth's atmosphere and oceans.

CAUSES OF GLOBAL WARMING:-

★ Increase in the greenhouse gas concentrations.

★ Increasing use of fossil fuels.

MAIN EFFECTS OF GLOBAL WARMING:-

★ Earth temperature may increase by about 3°C to 5°C by the year 2100.

★ Sea levels can increase by at least 25 meters by 2100.

- ★ It can lead to melting of polar ice and affects the drinking water supplies.
- ★ It can cause frequent tropical storms.

STRATEGIES FOR SUSTAINABLE DEVELOPMENT

- ★ Use of Non-conventional Sources of Energy
- ★ LPG, Gobar Gas in Rural Areas
- ★ CNG in Urban Areas
- ★ Wind Power, Solar Power, Mini-hydel Plants
- ★ Traditional Knowledge and Practices
- ★ Bio composting, Bio pest Control

- Environment refers to total planetary inheritance and totality of all resources and includes all the biotic and factors influencing each other.

Excessive resource extraction and excess wastes generation from use of resources, both together, cause environmental crisis. It is caused by rising population and rising consumption and production standards.

- Functions (importance/significance) of environment:

1. Environment offers resources for production:- resources here include both renewable and non- renewable resources. Renewable resources are those which can be used without the possibility of the resources becoming depleted or exhausted. That is, a continuous supply of the resources remains available.
2. Enhances quality of life
3. Environment sustains life by providing genetic and bio diversity
4. Environment assimilates waste:- this implies that the resource extraction is not above the rate of regeneration of the resources and the waste generated are within the assimilating capacity of the environment.

SUSTAINABLE DEVELOPMENT:- “Sustainable development is that process of economic development which aims at raising the quality of life of both present and future generations, without harming natural resources and environment”. The concept of sustainable development was emphasised by the United Nations Conference on Environment and Development (UNCED), which defined it as: ‘Development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs’.

Features of sustainable development :-

1. Increase in per capita income and welfare over time
2. Rational use of natural resources
3. Check on pollution
4. Ability of future generations to fulfill their need.

OBJECTIVE TYPE QUESTIONS

Q1: Which of the following factors does not contribute to global warming?

- 1) Deforestation
- 2) Air pollution
- 3) Burning of petroleum and coal products
- 4) Hydrogen gas released in animal waste

Answer: 4) Hydrogen gas released in animal waste

Q2. Ozone depletion refers to the phenomenon of reduction in the amount of ozone in the?

- 1) Exosphere
- 2) Stratosphere
- 3) Troposphere

4) Mesosphere

Answer: 2) Stratosphere

Q3. Which of the following is not a sustainable development goal targeted to be achieved by 2030 -

- (a) Gender equality. (b) zero hunger
(c) Good health and well-being. (d) Space research

Ans: (d)

Q4. The first airport powered solar energy was -

- (a) Bangalore. (b) cochin. (c) london. (d) frank furt

Ans: (b)

Q5. What was the theme of the world sustainable development summit 2021 ?

- (a) attaining the 2030 agenda: delivering on our promises
(b) partnership for a resilient planet
(c) redefining our common future: safe and secure environmental for all
(d) towards 2030 goals: making the decade count

Ans: (c)

COMPETENCYBASEDQUESTIONS

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.

Q1. ASSERTION (A): The environment fails to perform its vital function of life sustenance and this results in an environmental crisis.

REASON (R): Many resources have become extinct and the wastes generated are beyond the absorptive capacity of environment.

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

Q2. ASSERTION (A): The environment has an important function of supplying resources, both renewable and non-renewable resources.

REASON (R): The environment is able to perform its functions as long as the demand on these functions is within its carrying capacity.

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

Q3. ASSERTION (A): Sustainable development is the development that meets the need of present generation without compromising the ability of the future generations to meet their own needs.

REASON (R): Conservation and promotion of natural resources.

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

Q4. ASSERTION (A): Environmental degradation owes a great deal to supply demand reversal of resources over time.

REASONING (R): Global warming is wake up call to save environment.

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

Q5. ASSERTION (A): Deforestation is rising at such a rapid scale that it has totally disturbed the ecological balance of the country.

REASON (R): Deforestation is one of the major reasons for soil erosion.

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

CASE BASED QUESTIONS

Read the following article and answer the questions on the basis of same:

Environmental degradation and disturbed ecosystems aggravate disasters and their impacts such as 2020's covid-19 pandemic, super cyclone and a deadly pest attack, one after the other. This is the year of reflection, to sit back and analyse what has infuriated nature so much that it is unfolding such shocks.

Nature is a sort of given that never demands anything in return. It's the source of all food, air, and water. But today the planet that has been tendering our civilizations has turned ill and needs time for recovery. Our carbon footprint has become so large that it would take 1.6 earths to meet the demand that humans make on nature each year.

Today's greatest environmental threats are climate change, species' extinction, biodiversity loss, pollution, water stress, draining of natural resources, soil degradation, and deforestation. It will take combined action from business, cities, citizens and countries to improve the environment's health. Governments and green organizations are trying for that but the task needs individual contribution.

1. Greatest environmental threats in present times:

(a) biodiversity loss (b) pollution (c) species extinction (d) all of these

Ans:(d)

2. Due to environmental degradation and distributed ecosystems, our planet earth has turned ill and needs time for _____(extinction/recovery).

Ans:

recovery

3. Prior to industrialization and phenomenal increase in population, the demand for environmental resources was ____ (less/more) than their supply.

Ans: less

4. Measure to control environmental degradation

____. (a) population control

(b) pollution control

(c) both (a) and (b)

(d) neither (a) nor (b)

SHORT & LONG TYPE QUESTIONS(3,4&6 marks)

Q.1 Define carrying capacity of environment.

ANS. The environment is able to perform its functions without any interruption as long as the demand on these functions is within its carrying capacity. Carrying capacity means to fulfil the following conditions:

(i) Extraction of resources should be less than the rate of regeneration of resources; and (ii) wastes generated are within the assimilating (absorption) capacity of the environment.

Q2. What is bio-diversity loss?

ANS. The high density of population, livestock and the competing uses of land for agriculture, forestry, human settlements, industries etc. Exert an enormous pressure on the country's finite resources, which puts a strain on the eco-system resulting in extinction of plants and animal species. This loss is known as bio-diversity loss.

Q3. "Ujjwala Yojana has been a game changer for rural India". State any three conventional fuels being targeted under the LPG cylinder distribution scheme (Ujjwala Yojana).

ANS. : The conventional sources of energy cause environmental pollution therefore the government has introduced the 'ujjwala yojana' as a game changer for rural India by providing free LPG cylinders (cleaner fuel) to rural households.

The three conventional fuels targeted under ujjwalayojana are:

- (i) Agricultural waste and dried dung
- (ii) Firewood
- (iii) Coal

Q4. State and discuss any two environmental concerns faced by India in the present times.

ANS. Two environmental concerns faced by India in the present times:

1. Problem of pollution:- The intensive and extensive extraction of both renewable and non-renewable resources has exhausted some of these vital resources and we are compelled to spend huge amounts on technology and research to explore new resources. Added to these are the health costs of degraded environmental quality — decline in air and water quality (seventy per cent of water in India is polluted) have resulted in increased incidence of respiratory and water-borne diseases. Hence the expenditure on health is also rising. To make matters worse, global environmental issues such as global warming and ozone depletion also contribute to increased financial commitments for the government. Thus, it is clear that the opportunity costs of negative environmental impacts are high. (i) Air pollution (ii) Water pollution (iii) Noise pollution

2. Excessive exploitation of natural resources:- Deforestation :- "Deforestation refers to the removal or destruction of the forest cover of an area". Causes of Deforestation :- (i) It is caused by growing demand for wood other forest products by the industries (ii) Increasing pressure of population (iii) Industrialization leads to urbanization and urbanization and urbanization induces deforestation (iv) Construction of dams is another factor for deforestation.

Q5. Define the following:

- (a) Bio-composting
- (b) Sustainable development
- (c) Absorptive capacity of the environment.

ANS. (a) **Bio-composting**: In our quest to increase agricultural production during the last five decades or so, we almost totally neglected the use of compost and completely switched over to chemical fertilisers. The result is that large tracts of productive land have been adversely affected, water bodies including ground water system have suffered due to chemical contamination and demand for irrigation has been going up year after year. Farmers, in large numbers all over the country, have again started using compost made from organic wastes of different types. In certain parts of the country, cattle are maintained only because they produce dung which is an important fertiliser and soil conditioner. Earthworms can convert organic matter into compost faster than the normal composting process.

(b) **Sustainable development**: "Sustainable development is that process of economic development which aims at raising the quality of life of both present and future generations, without harming natural resources and environment". The concept of sustainable development was emphasised by the United Nations Conference on Environment and Development (UNCED), which defined it as: 'Development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs'.

(c) **Absorptive capacity of the environment**: Absorptive capacity means the ability of the environment to absorb degradation. The result — we are today at the threshold of environmental crisis. The past development has polluted and dried up rivers and other

aquifers making water an economic good. Besides, the intensive and extensive extraction of renewable and non-renewable vital resources and we are compelled to spend huge amounts on technology and research to explore new resources.

Q6. What are the causes of environment degradation?

Causes of Environment degradation are:-

- i) Population explosion
- ii) Widespread poverty
- iii) Increasing urbanisation
- iv) Excess use of insecticides and pesticides
- v) Rapid industrialisation
- vi) Disregard for civic norms

Q7. What is environment? Explain significance of environment.

Ans. 'It includes all the biotic and abiotic factors that influence each Other'. While all living elements — the birds, animals and plants, forests, fisheries etc. — are biotic elements, abiotic elements include air, water, land etc. Rocks and sunlight are all examples of abiotic elements of the environment.

Function (Importance/ Significance) of environment:-

- 1.Environment offers resource for production
- 2.Enhances quality of life
3. Environment sustains life by providing genetic and bio diversity
4. Environment assimilates waste:- This implies that the resource extraction is not above the rate of regeneration of the resource and the wastes generated are within the assimilating capacity of the environment.

Q8. Suggest some measures to control environmental degradation.

- ANS. (i) Population Control
(ii) Pollution Control
(iii) Eradication Of Poverty
(iv) Creating Awareness Among Masses
(v) Management Of Solid Waste
(vi) Adopting Sustainable Development.

Q9. Explain the supply-demand reversal of environmental resources.

ANS. Before the beginning of the Industrial Revolution the supply of natural resources was higher than demand. But after many years of Industrial Revolution there has been a role reversal. At present, the demand of natural resources is higher than supply.

UNSOLVED QUESTIONS

1. What do you mean by Sustainable Development? Explain briefly its features.
2. Mention the strategy for sustainable development.
3. Differentiate between conventional sources and non-conventional source of energy.
4. Distinguishes between commercial sources and non-commercial sources of energy.
5. Do you agree with the view that the use of public transport in place of personal transport reduces environmental degradation?

Unit 8: COMPARATIVE DEVELOPMENT EXPERIENCES OF INDIA AND ITS NEIGHBOURS

Development Strategies of India, Pakistan and China:-

Similarities:

1. All the three nations have started towards their development path at the same time.

2. India and Pakistan became independent nations in 1947 and Republic of established 1949.
3. All these nations started their planning in similar ways.
4. India commenced its five year plans in 1951, China started its plans in 1953 and Pakistan in 1956.
5. China introduced economic reform since 1978, India 1991 and Pakistan from the beginning of 1988.

China:

After the establishment of People's Republic of China under one-party rule, all critical sectors of the economy, enterprises and lands owned and operated by individuals were brought under government control.

- a. Great Leap Forward (GLF 1958) campaign of China:- GLF was started in 1958 with a view to propelling the pace of economic and industrial development.
- b. China resorted to "Commune System of Production" Under which people cultivated land collectively.
- c. Great Proletarian Cultural Revolution (1966–76) under which students and professionals were sent to work and learn from the countryside.
- d. Child policy in China:- OCP adopted by China in 1979 has been very successfully pursued . Now this of OCP is withdrawn in 2016.
- e. Dual pricing system: Prices were fixed in two ways –
 1. Controlled price for farmers and industrialists.
 2. Market price for others.

Pakistan:-

In the late 1950s and 1960s , Pakistan introduced a variety of regulated policy framework (for import substitution-based industrialisation).

- a. In the 1970s, nationalisation of capital goods industries took place.
- b. Pakistan follows the mixed economy model.
- c. Importance to PSU.
- d. Introduction of green revolution and increase in public investment.
- e. In 1988, reforms were initiated.

DEMOGRAPHIC INDICATORS:-

If we look at the global population, out of every six persons living in this world, one is an Indian and another a Chinese. We shall compare some demographic indicators of India, China and Pakistan.

- (i) Size of population :- China is the second most populous country in the world and India is the most populated country in the world. Population of Pakistan is very less.
- (ii) Growth rate of population: -Annual growth rate of population in 2017-18 India 1.03, Pakistan 2.05 and China 0.46 %, population size in India may soon exceed in China.
- (iii) Density of population: - It is estimated to be 148 persons per square KM in China, 275 persons per square km in Pakistan, 455 persons per square km in India.
- (iv) Sex Ratio:- It is estimated to be 924 per thousand in India, 949 per thousand in China and 943 per thousand in Pakistan.

Urbanization :- In India, 34 % of population is urbanized compared with 37 % in Pakistan and 59% in China.

SECTORAL DISTRIBUTION OF OUTPUT (GDP AND SECTORS):-

1. In both India and Pakistan, the contribution of agriculture to GVA (GDP) was 16 and

24 per cent, respectively, but the proportion of workforce that works in this sector is more in India. In Pakistan, about 41 per cent of people work in agriculture, whereas, in India, it is 43 per cent.

2. The sectoral share of output and employment also shows that in all three economies, The industry and service sectors have less proportion of workforce but contribute more in terms of output.

3. In China, manufacturing and service sectors contribute the highest to GVA (GDP) at 41 and 52 per cent, respectively whereas in India and Pakistan, it is the service sector which contributes the highest by more than 50 per cent of GDP.

4. The contribution of industries to GVA (GDP) is at 30 per cent in India and 19 per cent in Pakistan.

INDICATORS OF HUMAN DEVELOPMENT: -

1. China has the highest life expectancy of 76.9 years India and Pakistan have the life expectancy of 69.7 and 69.3 respectively.

2. Mean years of schooling is highest in China with 8.1%, while the corresponding figures for India and Pakistan are 6.5% and 5.2% respectively.

3. Maternal mortality: In China, for one lakh births, only 29 women die whereas in India and Pakistan, about 133 and 140 women die respectively.

4. The proportion of people below the international poverty rate of \$ 3.20 a day, India has the largest share of poor among the three countries.

5. Surprisingly all the three countries report providing improved drinking water sources for most of its population.

6. Higher HDI ranking of China has performed better than India and Pakistan . HDI rank 2019-20 in China was 87 ranks, India was – 130rank and Pakistan was 154 ranks in the world.

7. China has the lowest percentage of population which is being undernourished as compare to India Pakistan.

8. Infant Mortality Rate is lowest in China and highest in Pakistan.

APPRAISAL OF DEVELOPMENT STRATEGIES

India- Indian economy performed moderately but majority of its people still depend on agriculture. It has taken many initiatives to develop the infrastructure and improve standard of living.

Pakistan – Political instability, over dependence on remittances and foreign aid along with volatile performance of agriculture are the reasons for the slowdown of the Pakistan economy.

China - In China, the lack of political freedom and its implications for human rights are concerns. However in the last four decades, it used the ‘market system without losing political commitment’ and succeeded in raising the level of growth along with poverty alleviation.

ASSERTION & REASON QUESTION

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.

Q1. ASSERTION (A): Great Leap Forward (GLF) campaign initiated in China brought a new era of industrialization and agricultural development.

REASON (R): Students and professionals were sent to countryside under the Great Leap Forward (GLF) campaign.

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

Q2. ASSERTION (A): GLF campaign initiated in 1958 aimed at industrializing the country on a massive scale.

REASON (R): Under the commune system, people collectively cultivated lands.

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

Q3. ASSERTION (A): India adopted a mixed economy model of growth.

REASON (R): People's Republic of China as a growth model was established in 1949.

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

Q4. ASSERTION (A): China's rapid industrial growth can be traced back to its reforms introduced in 1978.

REASON (R): Private Sector firms and township and village enterprises (enterprises which were owned and opened and operated by local collectives) were allowed to produce goods.

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

Q5. ASSERTION (A): India is moving ahead of both China and Pakistan.

REASON (R): India introduce economic reforms like GLF campaign of China , to industrialize the country on a massive scale.

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

MCQ

Question 1: Arrange the following events in chronological order and choose the correct answer from the given alternatives:

(i) Establishment of People's Republic of China

(ii) Creation of Pakistan

(iii) First Five-Year Plan of India

(iv) First Five-Year Plan of China

Alternatives :

(A) (i), (iv), (ii), (iii)

(B) (iii), (ii), (i), (iv)

(C) (ii), (i), (iii),(iv)

(D) (iv), (iii), (ii), (i)

Answer: (C) (ii), (i), (iii),(iv)

Q2. The main aim of 'Great Leap Forward' was to ensure rapid increase in (primary/secondary/tertiary) sector in China. (CBSE 2020)

Ans. Secondary

Q3- Mao initiated the 'Great Leap Forward' in the year----- (CBSE 2020)

(A) 1951 (B) 1955 (C) 1958 (D) 1962

Ans. (C) 1958

Q4. India is not a member of which of the following regional / global economic group: (CBSE 2020)

- (a) European Union
- (b) BRICS
- (c) G-20
- (d) SAARC

Ans. (a) European Union

Q5. GLF with respect to the People's Republic of China is referred to as _____ .

- (a) Giant Leap Forward
- (b) Great Lead Forum
- (c) Great Leap Forward
- (d) Giant Lead Forum

Ans. (c) Great Leap Forward

Q6. Introduction of economic reforms in China took place in the year

_____ .

- (a) 1978
- (b) 1980
- (c) 1988
- (d) 1991

Ans. (a) 1978

Q7. The main aim of Great Leap Forward in China was to ensure rapid increase of _____. (CBSE 2020)

- (a) Agriculture
- (b) Industries
- (c) Services
- (d) Export

Ans. (b) Industries

Q8. Which of the following countries adopted One Child Policy as a measure to control population?

- (a) India (b) China (c) Pakistan (d) Russia

Ans. (b) China

Q9. Which of the following countries has the highest population growth rate? (A) India (B) China (C) Pakistan (D) All of these:

Ans. (C) Pakistan

Q10. in which year, China announced its first five-year plan?

- (a) 1950 (b) 1951 (C) 1953 (d) 1954

Ans. (C) 1953

11 India introduced economic reforms in
(a) 1990 (b) 1991 (c) 1992 (d) 1995

Ans. (b) 1991

Q12. Commune system is the feature of
(a) India (b) China (c) Pakistan (d) All the above

Ans. (b) China

Q13. Reforms in were introduced in 1978.
(a) China (b) Pakistan, (c) India (d) None of these

Ans. (a) China

Q14. Great Proletarian Cultural Revolution was introduced under
the leadership of _____.

- (a) Mao Zedong
- (b) J.L. Nehru
- (c) M.K. Gandhi
- (d) M.A. Jinnah

Ans. (a) Mao Zedong

SHORT AND LONG ANSWER TYPE QUESTION(3,4, & 6 Marks)

Q1. Explain the concept of 'Dual Pricing' adopted by China.

Q2. Discuss 'The Great Proletarian Cultural Revolution' introduced in China.

Q3. Discuss any two similar developmental strategies followed by India and Pakistan after 1947?

Q4. Explain briefly the problems faced by Great leap forward (GLF) campaign.

Q5. Compare the demographic indicator of India with China and Pakistan.

Q6. Give reasons for the slow growth and re-emergence of poverty in Pakistan,

Q7. Evaluate any three factors that led to the rapid growth in economic development in China.

Q8 What are the important implications of 'one child norm' in China?

Q9. Briefly explain the development strategies followed by China for its development.

Ans. Policies followed by China are :-

- a) Great leap forward (GLF) – The campaign initiated in 1958 aimed at industrialising the country on a massive scale. People were encouraged to setup industries in their backyards.
- b) Commune system – In rural areas, people collectively cultivate lands, In 1958, there were 26,000 communes covering almost all the farm population.
- c) Great Proletarian Cultural Revolution (1966-1976) – Under this revolution, students and professionals were sent to work and learn from the countryside.
- d) One child policy – One child policy norm introduced in China to control its population growth.
- e) Setting up of Special economic zones and opening up of economy in 1978

Q10. Mention the salient demographic indicators of China, Pakistan and India.

Ans: Following are the salient demographic indicators of China, Pakistan and India:

- i) Population: The population of Pakistan is very small and accounts for roughly about one-tenth of China and India.
- ii) Population Density: Though China is the largest nation geographically among the three, but its density is the lowest.
- iii) Population Growth: Population growth is highest in Pakistan followed by India and China. One-child norm introduced in China in the late 1970s is the major reason for low population growth. But this measure led to a decline in the sex ratio.
- iv) Sex Ratio: The sex ratio is low and biased against females in all the three countries. There is strong son-preference prevailing in all these countries as the reason.

Q11. Define the liberty indicator. Give some examples of liberty indicators.

Ans. Liberty Indicator may be defined as the measure of the extent of demographic participation in the social and political decision making.

Examples of liberty indicators:

- (i) Measures of the extent of the Constitutional Protection Rights given to the citizens;
 - (ii) Extent of the Constitutional Protection of the independence of the Judiciary and Rule of Law.
-

SAMPLE PAPER

ECONOMICS (030)

BLUE PRINT

Class XII

2023-24

TOTAL MARKS : 80

TIME : 3:00 HOURS

Sl.No	NAME OF THE UNIT	Multiple choice Questions (1marks)	Short type Questions (3 marks)	Short type Questions (4 marks)	Long type Questions (6 marks)	Total marks
1	National Income and Related Aggregates	1*1	3*1		1*6	10
2.	Money and Banking	1*2		4*1		6
3.	Determination of Income and Employment	1*4		4*2		12
4.	Government Budget and the Economy				1*6	6
5.	Foreign Exchange Rate & BOP	1*3	3*1			6
		1 X 10 =10	3X 2 =6	4*3=12	6X 2=12	40

Sl.No	NAME OF THE UNIT	Multiple choice Questions (1marks)	Short type Questions (3 marks)	Short type Questions (4 marks)	Long type Questions (6 marks)	Total Marks
1	Indian Economy on the Eve Of Independence	1*1				12
	Indian economy 1950-1990				6*1	
	Liberalisation , Privatisation and Globalisation	1*1		4*1		
2.	Current Challenges facing Indian Economy	1*4	3*2	4*1	6*1	20
3.	Comparative Development experiences of India & Its Neighbours	1*4		4*1		8
		1 X 10 =10	3X 2 =6	4*3=12	6X 2=12	40
	G. Total	1 X 20 =20	3X 4 =12	4*6=24	6X 4=24	80

केन्द्रीय विद्यालय संगठन, क्षेत्रीय कार्यालय पटना

KENDRIYA VIDYALAYA SANGTHAN, REGIONAL OFFICE PATNA

SAMPLE QUESTION PAPER

TIME : 3Hrs
MM- 80

SUBJECT : ECONOMICS (030)

General instructions:

- i. All the questions in both the sections are compulsory. Marks for questions are indicated against each question.
- ii. Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each. They are required to be answered in one word or one sentence each.
- iii. Question number 11 - 12 and 28 - 29 are short-answer questions caring 3 marks each. Answers to them should not normally exceed 60-80 words each.
- iv. Question number 13 - 15 and 30 - 32 are also short-answer questions carrying 4 marks each. Answers to them should not normally exceed 80-100 words each.
- v. Question number 16 - 17 and 33 - 34 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100-150 words each.
- vi. Answer should be brief and to the point and the above word limit be adhered to as far as possible.

सामान्य निर्देश:

- i. इस प्रश्न पात्र में दो अनुभाग हैं। दोनों अनुभागों में सभी प्रश्न अनिवार्य हैं। प्रत्येक प्रश्न के सामने प्रश्नों के अंक अंकित हैं।
- ii. प्रश्न संख्या 1 - 10 और 18 - 27 अतिलघुउत्तरीय प्रश्न हैं, प्रत्येक प्रश्न 1 अंक का है। इनका उत्तर एक शब्द या एक वाक्य में देना होगा।
- iii. प्रश्न संख्या 11 - 12 और 28 - 29 लघुउत्तरीय प्रश्न हैं जिनमें से प्रत्येक के लिए 3 अंक निर्धारित हैं। इन के उत्तर सामान्यतः 60-80 शब्दों से अधिक नहीं होने चाहिए।
- iv. प्रश्न संख्या 13 - 15 और 30 - 32 भी लघुउत्तरीय प्रश्न हैं, प्रत्येक प्रश्न 4 अंक का है। इनके उत्तर सामान्यतः 80-100 शब्दों से अधिक नहीं होने चाहिए।
- v. प्रश्न संख्या 16 - 17 और 33 - 34 दीर्घउत्तरीय प्रश्न हैं जिनमें से प्रत्येक 6 अंक का है। इनके उत्तर सामान्यतः 100-150 शब्दों से अधिक नहीं होने चाहिए।
- vi. उत्तर संक्षिप्त और सारगर्भित होना चाहिए और जहां तक संभव हो उपरोक्त शब्द सीमा के अन्दर दिया जाना चाहिए।

SECTION-A: MACRO ECONOMICS
अनुभाग -अ :समष्टि अर्थशास्त्र

Q.1	<p>1.मौद्रिक नीति आम तौर पर यह सुनिश्चित करने का लक्ष्य रखती है.....</p> <p>a) अर्थव्यवस्था में मूल्य स्थिरता b) देश में रोजगार सृजन। ग) स्थिर विदेशी संबंध। घ) सरकार के लिए अधिक कर संग्रह।</p> <p>The monetary policy generally targets to ensure-</p> <p>a) Price stability in the economy b) Employment generation in the country. c) Stable foreign relations. d) Greater tax collections for the government.</p>	1
Q.2	<p>निम्नलिखित कथन पढ़ें - दावा (ए) और कारण (आर)। नीचे दिए गए सही विकल्पों में से एक चुनें:</p> <p>दावा (ए) : सरकार द्वारा ऋण की वसूली एक राजस्व प्राप्ति है। कारण (आर) : विनिवेश सरकार की पूंजीगत प्राप्ति है।</p> <p>विकल्प:</p> <p>A. दावा (ए) और कारण (आर) दोनों सत्य हैं और कारण (आर) दावा (ए) का सही स्पष्टीकरण है बी. दावा (ए) और कारण (आर) दोनों सत्य हैं और कारण (आर) दावे (ए) का सही स्पष्टीकरण नहीं है C. दावा (ए) सत्य है लेकिन कारण (आर) गलत है। D. दावा (ए) गलत है लेकिन कारण (आर) सच है।</p> <p>Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion (A): Recovery of loan by the government is a revenue receipt. Reason (R): Disinvestment is a capital receipt of the government. Alternatives:</p>	1

	<p>A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)</p> <p>C. Assertion (A) is true but Reason (R) is false.</p> <p>D. Assertion (A) is false but Reason (R) is true.</p>	
Q.3	<p>जब $C= 200+0.7 Y$ और $I=5,500$ तब आय का संतुलन स्तर है:</p> <p>When $C= 200+0.7 Y$ and $I=5,500$ equilibrium level of income is:-</p> <p>A) 4050 B) 5500 C) 19000 D) 8500</p>	1
Q.4	<p>अंतिम उपाय के ऋणदाता का अर्थ है:</p> <p>A. सरकार गरीब किसानों की मदद के लिए आगे आ रही है।</p> <p>B. वित्तीय संकट के समय केंद्रीय बैंक अन्य बैंकों की मदद के लिए आगे आ रहा है।</p> <p>C. वाणिज्यिक बैंक छोटे औद्योगिक बैंकों के बचाव में आ रहे हैं।</p> <p>D. इनमें से कोई नहीं</p> <p>The lender of last resort means:</p> <p>A. The government coming to the rescue of poor farmers.</p> <p>B. Central bank coming to the rescue of other banks in times of financial crisis.</p> <p>C. Commercial bank coming to the rescue of small industrial banks.</p> <p>D. None of these</p>	1
Q.5	<p>निम्नलिखित में से कौन सा स्टॉक वैरिएबल है?</p> <p>A. बचत</p> <p>B. उत्पादन</p> <p>C. स्थिर पूंजी का उपभोग</p> <p>D. पूंजी</p> <p>Which of the following is a stock variable?</p> <p>A. Savings</p> <p>B. Production</p> <p>C. Consumption of Fixed Capital</p> <p>D. Capital</p>	1
Q.6	<p>भारत में R_{s1} मुद्रा नोट जारी करने के लिए निम्नलिखित में से कौन सी एजेंसी जिम्मेदार</p>	1

	<p>है?</p> <p>A. भारतीय रिजर्व बैंक (RBI)</p> <p>B. भारत का योजना आयोग</p> <p>C. वित्त मंत्रालय</p> <p>D. इनमें से कोई नहीं</p> <p>Which of the following agency is responsible for issuing Rs 1 currency note in India?</p> <p>A. Reserve bank of India (RBI)</p> <p>B. Planning commission of India</p> <p>C. Ministry of Finance</p> <p>D. None of these</p>	
Q.7	<p>नकद आरक्षित अनुपात में कमी से</p> <p>A. कुल मांग में गिरावट</p> <p>B. कुल मांग में कोई परिवर्तन नहीं</p> <p>C. कुल मांग में वृद्धि</p> <p>D. सामान्य मूल्य स्तर में गिरावट</p> <p>Reduction in cash reserve ratio will lead to.....</p> <p>A. Fall in aggregate demand</p> <p>B. No change in aggregate demand</p> <p>C. Rise in aggregate demand</p> <p>D. Fall in general price level</p>	1
Q.8	<p>निम्नलिखित कथन पढ़ें - दावा (ए) और कारण (आर)। नीचे दिए गए सही विकल्पों में से एक चुनें:</p> <p>दावा (ए) : भुगतान संतुलन दुनिया के बाकी हिस्सों के साथ देश के आर्थिक लेनदेन की बेहतर तस्वीर का प्रतिनिधित्व करता है।</p> <p>कारण (आर) : भुगतान संतुलन दृश्य और अदृश्य दोनों वस्तुओं के आदान-प्रदान को ध्यान में रखता है।</p> <p>विकल्प:</p> <p>A. दावा (ए) और कारण (आर) दोनों सत्य हैं और कारण (आर) दावा (ए) का सही स्पष्टीकरण है</p>	1

	<p>B. दावा (ए) और कारण (आर) दोनों सत्य हैं और कारण (आर) दावे (ए) का सही स्पष्टीकरण नहीं है</p> <p>C. दावा (ए) सत्य है लेकिन कारण (आर) गलत है।</p> <p>D. दावा (ए) गलत है लेकिन कारण (आर) सच है।</p> <p>Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion (A): Balance of payments represents a better picture of a country's economic transactions with rest of the world. Reason (R): Balance of payments takes into account the exchange of both visible and invisible items. 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.</p>	
Q.9	<p>. मुद्रा की आपूर्ति से तात्पर्य से है।</p> <p>A. जनता के पास मौजूद मुद्रा</p> <p>B. भारतीय रिजर्व बैंक (RBI) द्वारा रखी गई मुद्रा</p> <p>C. जनता द्वारा रखी गई मुद्रा, वाणिज्यिक बैंकों के पास मांग जमा और आरबीआई के पास अन्य जमा।</p> <p>D. सरकारी खाते में रखी गई मुद्रा</p> <p>Supply of money refers to-</p> <p>A. Currency held by the public</p> <p>B. Currency held by Reserve Bank of India (RBI)</p> <p>C. Currency held by the public, demand deposits with commercial banks and other deposit with the RBI.</p> <p>D. Currency held in the government account</p>	1
Q.10	<p>गलत कथन पहचानें:</p> <p>A. अतिरिक्त मांग उस स्थिति को संदर्भित करती है जहां कुल मांग संसाधनों के पूर्ण रोजगार के लिए आवश्यक कुल मांग से अधिक है</p> <p>B. अतिरिक्त मांग उत्पादन और रोजगार स्तर को प्रभावित नहीं करती है।</p> <p>C. अतिरिक्त मांग से उत्पादन और रोजगार स्तर में वृद्धि होती है।</p>	1

	<p>D. इनमें से कोई नहीं.</p> <p>Identify the wrong statement:</p> <p>A. Excess demand refers to the situation where aggregate demand is more than the aggregate demand required for full employment of resources</p> <p>B. Excess demand does not affect the output and employment level.</p> <p>C. Excess demand leads to rise in the output and employment level.</p> <p>D. None of these.</p>	
Q.1 1	<p>वास्तविक जीडीपी और नाममात्र जीडीपी के बीच अंतर बताएं।</p> <p>Distinguish between real GDP and nominal GDP.</p>	3
Q.1 2	<p>भुगतान संतुलन खाते की स्वायत्त और समायोजनकारी मदों के बीच अंतर स्पष्ट करें।</p> <p>Distinguish between autonomous and accommodating items of balance of payments account</p>	3
Q.1 3	<p>एक अर्थव्यवस्था संतुलन में है। इसका उपभोग फलन $C=300 + 0.8Y$ है और निवेश 700 है।</p> <p>(A) आय के संतुलन स्तर की गणना करें।</p> <p>(B) . संतुलन स्तर पर उपभोग व्यय।</p> <p>An economy is in equilibrium. Its consumption function is $C=300 + 0.8Y$ and investment is 700.</p> <p>(A) Calculate equilibrium level of income.</p> <p>(B) Consumption expenditure at equilibrium level</p>	4
Q.1 4	<p>.एक संख्यात्मक उदाहरण का उपयोग करके समझाएं कि आरक्षित जमा अनुपात में कमी बैंकिंग प्रणाली की ऋण निर्माण शक्ति को कैसे प्रभावित करती है।</p> <p>Explain using a numerical example how a reduction in reserve deposit ratio affects the credit creation power of the banking system.</p> <p>OR</p> <p>बताएं कि निम्नलिखित में से कौन सा कथन सत्य या असत्य है। वैध कारण बताएं।</p> <p>A. रोजगार के कीनेसियन सिद्धांत के अनुसार किसी अर्थव्यवस्था में अल्परोजगार की स्थिति कभी नहीं हो सकती।</p> <p>B. दो-क्षेत्रीय अर्थव्यवस्था में, यदि आय शून्य है, तो उपभोग करने की औसत प्रवृत्ति भी शून्य होगी।</p> <p>State which of the following statements are true or false. Give valid reasons.</p>	4

	<p>A. According to Keynesian theory of employment a state of underemployment can never exist in an economy.</p> <p>B. In a two -sector economy, if income is zero, average propensity to consume will also zero.</p>									
Q.1 5	<p>.केंद्रीय बैंक के "सरकार के लिए बैंकर" कार्य की व्याख्या करें। Explain the "banker to the government" function of the central bank.</p>	4								
Q.1 6	<p>.कारण बताते हुए निम्नलिखित को राजस्व प्राप्तियों एवं पूंजीगत प्राप्तियों में वर्गीकृत करें। A. ऋण की वसूली ऋण की वसूली B) विनिवेश विनिवेश C) सार्वजनिक क्षेत्र के उपक्रमों से प्राप्त लाभांश D) अंतर्राष्ट्रीय मुद्रा कोष से उधार। Giving reasons, classify the following into revenue receipts and capital receipts a) Recovery of loan b) Disinvestment c) Dividends received from Public sector undertakings d) Borrowings from International Monetary Fund. OR दी गई तालिका से, निम्नलिखित खोजें : From the given table, find the following: (a) Fiscal deficit राजकोषीय घाटा (b) Primary deficit प्राथमिक घाटा (c) Revenue deficit राजस्व घाटा</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>particulars</th> <th>(Rs in crores)</th> </tr> </thead> <tbody> <tr> <td>Revenue expenditure राजस्वव्यय</td> <td>1,30,000</td> </tr> <tr> <td>Borrowings उधारी</td> <td>40,000</td> </tr> <tr> <td>Revenue receipts राजस्व प्राप्तियाँ</td> <td>95,000</td> </tr> </tbody> </table>	particulars	(Rs in crores)	Revenue expenditure राजस्वव्यय	1,30,000	Borrowings उधारी	40,000	Revenue receipts राजस्व प्राप्तियाँ	95,000	6
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Q.1 7	<p>निम्नलिखित आंकड़ों से कारक लागत पर सकल राष्ट्रीय उत्पाद की गणना करें:</p> <p>) ए (आय विधि) बी (व्यय विधि)</p> <p>Calculate Gross national product at factor cost from the following data by:</p> <p>(a) Income method (b) Expenditure method</p> <table border="1"> <thead> <tr> <th>Sl. no.</th> <th>Particulars</th> <th>Rs in cr</th> </tr> </thead> <tbody> <tr> <td>i.</td> <td>Private final consumption expenditure निजी अंतिम उपभोग व्यय</td> <td>3500</td> </tr> <tr> <td>ii.</td> <td>gross domestic capital formation सकल घरेलू पूंजी निर्माण</td> <td>1100</td> </tr> <tr> <td>iii.</td> <td>Compensation of employee कर्मचारी का मुआवजा</td> <td>4000</td> </tr> <tr> <td>iv.</td> <td>Govt. final consumption expenditure सरकारी अंतिम उपभोग व्यय</td> <td>4000</td> </tr> <tr> <td>v.</td> <td>Consumption of fixed capital अचल पूंजी की खपत</td> <td>120</td> </tr> <tr> <td>vi.</td> <td>Mixed income मिश्रित आय</td> <td>1700</td> </tr> <tr> <td>vii.</td> <td>Operating surplus परिचालन अधिशेष</td> <td>3000</td> </tr> <tr> <td>viii.</td> <td>Net factor income from aboard विदेश से शुद्ध आय</td> <td>100</td> </tr> <tr> <td>ix.</td> <td>Net exports निवल निर्यात</td> <td>500</td> </tr> <tr> <td>x.</td> <td>net indirect taxes शुद्ध अप्रत्यक्ष कर</td> <td>300</td> </tr> </tbody> </table>	Sl. no.	Particulars	Rs in cr	i.	Private final consumption expenditure निजी अंतिम उपभोग व्यय	3500	ii.	gross domestic capital formation सकल घरेलू पूंजी निर्माण	1100	iii.	Compensation of employee कर्मचारी का मुआवजा	4000	iv.	Govt. final consumption expenditure सरकारी अंतिम उपभोग व्यय	4000	v.	Consumption of fixed capital अचल पूंजी की खपत	120	vi.	Mixed income मिश्रित आय	1700	vii.	Operating surplus परिचालन अधिशेष	3000	viii.	Net factor income from aboard विदेश से शुद्ध आय	100	ix.	Net exports निवल निर्यात	500	x.	net indirect taxes शुद्ध अप्रत्यक्ष कर	300	6
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<p>SECTION-B: INDIAN ECONOMIC DEVELOPMENT</p> <p>अनुभाग -ब : भारतीय आर्थिक विकास</p>																																			
Q.1 8	<p>भारत में दूसरी औद्योगिक नीति किस वर्ष घोषित की गई?</p> <p>In which year, the second industrial policy in India was declared?</p> <p>A. 1956 B. 1948 C. 1978 D. 1965</p>		1																																
Q.1 9	<p>निम्नलिखित कथन पढ़ें - दावा (ए) और कारण (आर)। नीचे दिए गए सही विकल्पों में से एक चुनें:</p> <p>अभिकथन : छोटे पैमाने के उद्योग बड़े पैमाने के उद्योगों की तुलना में अधिक रोजगार पैदा करते हैं।</p> <p>कारण : लघु उद्योग अधिक 'पूंजी गहन उद्योग' हैं। इसलिए अधिक रोजगार पैदा करें।</p> <p>A. A और R दोनों सत्य हैं लेकिन R, A की सही व्याख्या है।</p>		1																																

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Q.2 0	<p>किस वर्ष में सरकार ने 6-14 वर्ष के आयु वर्ग के लिए निःशुल्क और अनिवार्य शिक्षा प्रदान की।</p> <p>In the year----- the government made free and compulsory education for age group of 6-14years.</p> <p>A. 2001</p> <p>B. 2009</p> <p>C. 2007</p> <p>D. 2015</p>	1										
Q.2 1	<p>From the set of statements given in Column-I and Column-II, Choose the correct pair of statements-</p> <table border="1" data-bbox="391 1480 1259 1854"> <thead> <tr> <th>Column-I</th> <th>Column-II</th> </tr> </thead> <tbody> <tr> <td>A. Financial sector reforms</td> <td>i. Reforms in revenue as expenditure policy of government.</td> </tr> <tr> <td>B. Fiscal sector reforms</td> <td>ii. Reforms in FDI and FII.</td> </tr> <tr> <td>C. Devaluation</td> <td>iii. Lowering the value of domestic currency in relation to currencies of other countries.</td> </tr> <tr> <td>D. Foreign investment</td> <td>iv. Banking and non-banking institutions.</td> </tr> </tbody> </table> <p>(A). A-I (B). B-ii (C). C-iii (D). D-iv</p> <p>कॉलम -I और कॉलम -II में दिए गए कथनों के सेट में से, कथनों के सही जोड़े का</p>	Column-I	Column-II	A. Financial sector reforms	i. Reforms in revenue as expenditure policy of government.	B. Fiscal sector reforms	ii. Reforms in FDI and FII.	C. Devaluation	iii. Lowering the value of domestic currency in relation to currencies of other countries.	D. Foreign investment	iv. Banking and non-banking institutions.	1
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<p>Q.2 3</p>	<p>एगमार्क का संबंध है :</p> <p>A. सरकारी फार्मों में कृषि उत्पादन</p> <p>B कृषि उपज की मानक गुणवत्ता</p> <p>C बिक्री के लिए</p> <p>D. उपरोक्त में से कोई नहीं</p> <p>AGMARK is related with :</p> <p>A. Agricultural production in government farms</p> <p>B. Standard quality of agricultural produce</p> <p>C. For sale</p> <p>D. None of the above</p>	<p>1</p>										
<p>Q.2 4</p>	<p>निम्नलिखित घटनाओं को कालानुक्रमिक क्रम में व्यवस्थित करें और दिए गए विकल्पों में से सही उत्तर चुनें:</p> <p>i. पीपुल्स रिपब्लिक ऑफ चाइना की स्थापना</p> <p>ii. पाकिस्तान का निर्माण</p> <p>iii. भारत की प्रथम पंचवर्षीय योजना</p> <p>iv. चीन की प्रथम पंचवर्षीय योजना</p> <p>Arrange the following events in chronological order and choose the correct answer from the given alternatives:</p> <p>i. Establishment of people's republic of china</p> <p>ii. Creation of Pakistan</p> <p>iii. First five-year plan of India</p> <p>iv. First five-year plan of china</p> <p>Alternatives:</p> <p>A. (i),(iv),(ii),(iii)</p> <p>B. (iii),(ii),(i),(iv)</p> <p>C. (ii),(i),(iii),(iv)</p> <p>D. (iv),(iii),(ii),(i)</p>	<p>1</p>										
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Q.2 6	<p>निम्नलिखित में से किस देश ने एक बच्चे की नीति अपनाई? (A). भारत (B) .चीन (C).पाकिस्तान (D). नेपाल Which of the following country has adopted one child policy? (A). India (B) China (C) Pakistan (D). Nepal</p>	1										
Q.2 7	<p>आप एक कारखाने के मालिक हैं और आपने 400 श्रमिकों को रोजगार दिया है। यदि आपके द्वारा 10 श्रमिकों को उत्पादन हानि के बिना बर्खास्त कर दिया जाता है तो इस स्थिति का वर्णन इस प्रकार किया जाएगा:</p> <p>i आकस्मिक बेरोजगारी ii प्रच्छन्न बेरोजगारी iii. संरचनात्मक बेरोजगारी iv. मौसमी बेरोजगारी</p> <p>You are a factory owner and have given employment to 400 workers if 10 workers are dismissed by you without loss of production then this situation will be described as:</p> <p>i. Casual unemployment ii. Disguised unemployment iii. Structural unemployment iv. Seasonal unemployment</p>	1										
Q.2 8	<p>स्वतंत्रता-पूर्व भारत में कृषि क्षेत्र स्थिर क्यों रहा? तीन कारण लिखिए। Why agricultural sector in pre-independence India did remain stagnant? Write three reasons. OR भारत में हस्तशिल्प उद्योग का विनाश ब्रिटेन में औद्योगिक क्रांति के साथ हुआ। क्या</p>	3										

	<p>यह महज़ संयोग था?</p> <p>The destruction of handicraft industry in India coincided with the industrial revolution in Britain. Was it a mere coincidence?</p>	
Q.2 9	<p>शिक्षा पर सरकारी व्यय को किस प्रकार व्यक्त किया जाता है? आपकी राय में कौन सा बेहतर उपाय है?</p> <p>How is the government expenditure on education expressed? Which in your opinion is a better measure?</p>	3
Q.3 0	<p>सततविकास क्या है? सतत विकास की परिभाषा में अंतरपीढ़ीगत समानता की प्रासंगिकता स्पष्ट करें।</p> <p>4)</p> <p>What is sustainable development? Explain the relevance of intergenerational equity in the definition of sustainable development.</p>	4
Q.3 1	<p>आजादी के समय, साहूकारों और व्यापारियों ने छोटे और सीमांत किसानों और भूमिहीन मजदूरों को उच्च ब्याज दरों पर ऋण देकर और खातों में हेरफेर करके उन्हें कर्ज के जाल में फंसाकर उनका शोषण किया। 1969 के बाद एक बड़ा बदलाव आया जब भारत ने ग्रामीण ऋण की जरूरतों को पर्याप्त रूप से पूरा करने के लिए सामाजिक बैंकिंग और बहु एजेंसी दृष्टिकोण अपनाया। नैतिक बैंकिंग की संस्थागत संरचना में आज बहु-एजेंसी संस्थानों, अर्थात् वाणिज्यिक बैंकों का एक समूह शामिल है। क्षेत्रीय ग्रामीण बैंक. सहकारी समितियाँ और भूमि विकास बैंक। उनसे सस्ती दरों पर पर्याप्त ऋण देने की उम्मीद की जाती है। हाल ही में, औपचारिक ऋण प्रणाली में अंतर को भरने के लिए स्वयं सहायता समूह उभरे हैं। स्वयं सहायता समूहप्रत्येक सदस्य के न्यूनतम योगदान से छोटे अनुपात में बंट जाते हैं। एकत्रित धन से, जरूरतमंद सदस्यों को उचित ब्याज दरों पर छोटी किस्तों में चुकाने योग्य ऋण दिया जाता है। मई 2019 तक, भारत में लगभग 6 करोड़ महिलाएँ 54 लाख महिला SHG में सदस्य बन चुकी हैं। आय सृजन के लिए स्व-रोज़गार अपनाने के लिए नवीकरण निधि के हिस्से के रूप में सामुदायिक निवेश सहायता निधि के रूप में प्रति एसएचजी को लगभग 10-15,000 रुपये प्रदान किए जाते हैं।</p> <p>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 moral 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</p>	1+1+1 +1

	<p>adequate credit at cheaper rates. Recently, self-help groups have emerged to fill the gap in the formal credit system. The SHGs 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 installments 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.</p> <p>(i). ग्रामीण वित्तपोषण प्रणाली में -----की स्थापना 1982 सभी संस्थानों की गतिविधियों के समन्वय के लिए एक शीर्ष निकाय के रूप में की गई थी।) आरबीआई/नाबार्ड(-----was set up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system. (RBI/NABARD)</p> <p>(ii). यह ऋण प्रणाली में बड़े बदलावों का अग्रदूत था क्योंकि इससे उत्पादन-उन्मुख ऋण देने की दिशा में ग्रामीण ऋण के पोर्टफोलियो का विविधीकरण हुआ। (ए (हरित क्रांति) बी (स्वर्ण क्रांति) सी (श्वेत क्रांति) (डी (इनमें से कोई नहीं।</p> <p>There 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.</p> <p>(a) Green Revolution (b) Golden Revolution (c) White revolution (d) None of these.</p> <p>(iii). हाल ही में, औपचारिक ऋण प्रणाली में अंतर को भरने के लिए स्वयं सहायता समूह उभरे हैं। ऐसे क्रेडिट प्रावधानों को आम तौर पर कहा जाता है (ए (मैक्रो क्रेडिट कार्यक्रम) बी (माइक्रो क्रेडिट कार्यक्रम) सी (ए' और 'बी' दोनों (डी (इनमें से कोई नहीं</p> <p>Recently, Self Help Groups have emerged to fill the gap in the formal credit system. Such credit provisions are generally referred to as</p> <p>(a) Macro credit programmes (b) Micro credit programmes (c) Both 'a' and 'b' (d) None of these</p> <p>(iv). निम्नलिखित में से कौन सा भाग आज ग्रामीण बैंकिंग की संस्थागत संरचना का हिस्सा नहीं है? (ए (वाणिज्यिक बैंक। (बी (क्षेत्रीय ग्रामीण बैंक। (सी (गैर-बैंकिंग वित्त कंपनियां। (डी (भूमि विकास बैंक</p> <p>Which of the following part is not a part of the institutional structure of rural banking today?</p> <p>(a) Commercial banks. (b) Regional rural banks. (c) Non- banking finance companies. (d) Land development banks</p>	
Q.3 2	भारत और पाकिस्तान ने अपने-अपने विकास पथों के लिए कौन सी समान	4

	<p>विकासात्मक रणनीतियों का पालन किया है?</p> <p>What similar developmental strategies have India and Pakistan followed for their respective developmental paths?</p> <p>OR</p> <p>चीन की तीव्र औद्योगिक वृद्धि का पता 1978 में उसके सुधारों से लगाया जा सकता है। क्या आप सहमत हैं? स्पष्ट करें।</p> <p>China's rapid industrial growth can be traced back to its reforms in 1978. Do you agree? Elucidate.</p>	
Q.3 3	<p>A. भारत में ब्रिटिश की विदेश व्यापार नीति की संक्षिप्त व्याख्या करें। Explain briefly the foreign trade policy of British in India.</p> <p>B. भारत में पंचवर्षीय योजना के विभिन्न उद्देश्यों पर चर्चा कीजिए। Discuss the various objective of five year planning in India.</p>	(3+3)
Q.3 4	<p>क्या आपको लगता है कि पिछले 60 वर्षों में देश में उत्पन्न रोजगार भारत में सकल घरेलू उत्पाद है अनुरूप के वृद्धि की ? कैसे?</p> <p>Do you think that in the last 60 years, employment generated in the country is commensurate with the growth of GDP in India? How?</p> <p>OR</p> <p>क्या आपको लगता है कि कृषि विपणन में सुधार के लिए सरकार द्वारा उठाए गए विभिन्न उपाय पर्याप्त हैं? चर्चा करें।</p> <p>Do you think the various measures taken by the government to improve agriculture marketing are sufficient? Discuss.</p>	6

**MARKING SCHEME - SAMPLE QUESTION PAPER 2023-24
CLASS XII ECONOMICS (030)**

SECTION- A [MACRO ECONOMICS]

Q. 1	(A) price stability in the economy	1
Q. 2	(D) Assertion (A) is false but Reason (R) is true.	1
Q. 3	(C) 19000	1
Q. 4	(B) Central bank coming to the rescue of other banks in times of financial crisis	1
Q. 5	(D) Capital	1

Q. 6	(C) Ministry of Finance		1
Q. 7	(C) Rise in aggregate demand		1
Q. 8	(A). Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)		1
Q. 9	(C) currency held by the public and demand deposits with commercial banks		1
Q. 10	(C) Excess demand leads to rise in the output and employment level.		1
Q. 11	Nominal GDP	Real GDP	3
	(1). It is the market value of the final goods and services produced within the domestic territory of a country during an accounting year, as estimated using the current year prices.	(1). It is the market value of the final goods and services produced within the domestic territory of a country during an accounting year, as estimated using the constant year prices.	
	(2). It can increase if prices level risen even when there is no increase in the flow of goods and services in the economy.	(2). It can increase only when the flow of goods and services increase in the economy.	
	(3) It is known as GDP at current year prices.	(3) It is known as GDP at constant prices.	
	(4). It is not a good measure of welfare of people.	(4). It is a good measure of welfare of people.	
Q. 12	Autonomous items	Accommodating Items	3
	1. Autonomous Items refer to such BOP transactions which are done for earning profit	Accommodating items are free from profit motive.	
	2. These items can cause BOP imbalance	These items are meant to correct BOP imbalance	
	3. Autonomous Items may involve the movement of goods and services	Accommodating items do not involve and services	
	4. Autonomous items are classified as "above the line" Items in BOP	Accommodating items are classified as below the line items of BOP	
Q. 13	(A) Calculate equilibrium level of income. $Y=5000$ (B) Consumption expenditure at equilibrium level. $C=4300$		4
Q. 14	Explanation, schedule OR A. False, With explanation B. False, With explanation.		2+2

Q. 15	RBI works as banker, agent, and advisor to the government of India and state governments. RBI provides short term loan to government to fulfill the temporary gap between public expenditure and public receipts. RBI maintains accounts of Government of India and state governments. RBI collects receipts and makes payments on behalf of the government. <u>Importance of this function:</u> - Easy management of accounts of government. RBI sells and buys securities on behalf of government. RBI provides advice to the government related to economic Matters. RBI provides loans to the government.	4
Q. 16	a) Recovery of loan- Capital receipt b) Disinvestment - Capital receipt c) Dividends received from Public sector undertakings - Revenue receipt d) Borrowings from International Monetary Fund. - Capital receipt And reason OR (a) Fiscal deficit 40,000 (b) Primary deficit 30,000 (c) Revenue deficit 35,000	1.5+1.5 5 +1.5+ 1.5 2+2+2
Q. 17	. formula, calculation, value GNP at factor cost= 8900 cr.	6
<u>[SECTION-B [INDIAN ECONOMIC DEVELOPMENT]</u>		
Q. 18	(A) 1956	1
Q. 19	(c) A is true but R is false	1
Q. 20	(B) 2009	1
Q. 21	(C). C-iii	1
Q. 22	(a) A-(i)	1
Q. 23	(A) Agricultural production in government farms	1
Q. 24	(c) (ii),(i),(iii),(iv)	1
Q. 25	B-(ii)	1
Q. 26	d. Both(b) and (c)	1
Q. 27	(iii) Structural unemployment	1
Q.	Causes of stagnation of agricultural sector during colonial period are:-	3

28	<p>a) Exploitative land settlement system under the British raj leading exploitation of the tillers of the soil.</p> <p>b) Forced commercialization of agriculture leading to uncertainties of farm income</p> <p>c) Gulf between the owners of the soil and the tillers of the soil</p> <p style="text-align: center;">Or</p> <p>No, it was not mere coincidence.</p> <p>a) The success of industrial revolution depended on</p> <ol style="list-style-type: none"> i. Growth of Indian market for the British products, and ii. Export of raw material from India to Britain. <p>b) Achievement of both these objectives (largely through discriminatory trade policy) led to the destruction of Indian handicrafts.</p>	3
Q. 29	<p>Government expenditure on education can be expressed in two ways:</p> <ol style="list-style-type: none"> i. As a percentage of total government expenditure, ii. As a percentage of gross domestic product (GDP). <p>The measure as a percentage of GDP is a better measure since, it sets fixed targets rather than variable government expenditure</p>	3
Q. 30	<p>Sustainable development aims at maximizing the welfare of both present and future generations. It does not mean hindering the existing pace of economic growth but refers to a judicious or optimum utilization of resources in such a manner that pace of economic growth sustains with intergenerational equity.</p> <p>Sustainable development in itself makes it obligatory for the development process to be such that the basic needs of not only the present generation but also of the future generations are taken care of. It becomes the moral duty of this generation to hand over the earth to the future generation in good form. Therefore, if the resources are overused or misused, they will deplete so fast that the production capacity of the future generations would not be sustainable.</p> <p>Sustainable development aims at maximizing the welfare of both present and future generations. It does not mean hindering the existing pace of economic growth; but refers to a judicious or optimum utilization of resources in such a manner that pace of economic growth sustains with inter-generational equity.</p>	1+1+1 +1
Q. 31	<p>(i) NABARD (ii) Green Revolution (iii) Micro credit system (iv) Non banking finance companies.</p>	1+1+1 +1
Q. 32	<p>India and Pakistan both have followed following similar developmental strategies:</p> <ol style="list-style-type: none"> 1. Five-year plans (India in 1951 & Pakistan in 1956). 2. Both of them have followed the path of mixed economy. 3. Major role assigned to public sector for growth and development. 4. Import substitution. 5. Green revolution. 6. Shift from primary to service sector. 7. Both of them introduced economic reforms to strengthen their economies. India in 1991 & Pakistan in 1988. (At least four points) 	1+1+1 +1

केन्द्रीय विद्यालय संगठन, क्षेत्रीय कार्यालय पटना

KENDRIYA VIDYALAYA SANGTHAN, REGIONAL OFFICE PATNA

नमूना प्रश्न पत्र SAMPLE QUESTION PAPER

कक्षा बारहवीं अर्थशास्त्र (030) CLASS XII ECONOMICS (030)

समय: 3 घंटे एमएम-80

TIME: 3 HOURS

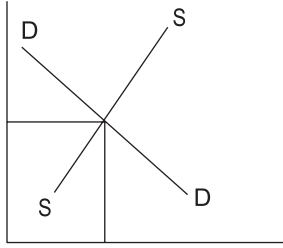
MM-80

General instructions:

- i. All the questions in both the sections are compulsory. Marks for questions are indicated against each question.
- ii. Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each. They are required to be answered in one word or one sentence each.
- iii. Question number 11 - 12 and 28 - 29 are short-answer questions carrying 3 marks each. Answers to them should not normally exceed 60-80 words each.
- iv. Question number 13 - 15 and 30 - 32 are also short-answer questions carrying 4 marks each. Answers to them should not normally exceed 80-100 words each.
- v. Question number 16 - 17 and 33 - 34 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100-150 words each.
- vi. Answer should be brief and to the point and the above word limit be adhered to as far as possible.

Q NO	QUESTIONS	MARKS
1.	The proportion of deposits kept by commercial banks as reserves is (a) Currency deposit ratio (b) Reverse repo rate (c) Cash reserve ratio (d) Statutory liquidity ratio	1
2.	Foreign exchange reserves are maintained by a country to manage the fluctuations of balance of payments. The reserves increases if: (Choose the correct alternative) (a) Government increase taxes	1

	<p>(b) Export increase and import remains the same</p> <p>(c) Imports increase and exports remain the same</p> <p>(d) (a)and(b)above</p>	
3	<p>Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A) – Full employment refers to absence of involuntary unemployment.</p> <p>Reason (R) - Under full employment situation, all willing and able bodied people get employment at prevailing wage rate.</p> <p>Alternatives</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion(A).</p> <p>(b) Both Assertion (A)and Reason(R) are true and Reason(R) is not the correct explanation of Assertion(A).</p> <p>(c) Assertion(A)is true, but Reason(R)is false</p> <p>(d) Assertion(A) is false, but Reason(R)is true</p>	1
4	<p>Read the following statements—Assertion(A)and Reason (R). Choose one of the correct alternatives given below</p> <p>Assertion(A): There is a positive relation ship between saving and income.</p> <p>Reason(R):Savings are positive even at zero level of National Income.</p> <p>(d) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion(A).</p> <p>(e) Both Assertion(A)and Reason(R)are true and Reason(R) is not the correct explanation of Assertion(A).</p> <p>(f) Assertion(A) is true, but Reason (R) is false</p> <p>(g) Assertion(A) is false, but Reason (R)is true</p> <p>Or</p> <p>..... refers to the ratio of change in the consumer's expenditure due to the change in disposable income.</p> <p>(a)MPS (b)MPC</p> <p>(c) APC (d)APS</p>	1
5	<p>Read the following statements - Assertion (A) and Reason (R).Choose one of the correct alternatives given below:</p> <p>Assertion (A): Purchase of second-hand machinery from abroad is not recorded in a BOP.</p> <p>Reason(R): The sale and purchase of second-hand machinery from abroad is not included in the estimation of national income</p>	1

	<p>(a) Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion(A).</p> <p>(b) Both Assertion(A)and Reason (R) are true and Reason (R) is not the correct explanation of Assertion(A).</p> <p>(c) Assertion(A)is true, but Reason (R) is false</p> <p>(d) Assertion(A)is false, but Reason(R)is true</p>											
6.	<p>Identify the situation in the given diagram.</p> <p>The exchange rate</p>  <p>The amount of foreign exchange</p> <p>(a) The Exchange rate</p> <p>(b) The amount of foreign exchange</p> <p>(c) Equilibrium under flexible exchange rate</p> <p>(d) Effect of an increasing demand on exchange rate</p>	1										
7	<p>If nominal GDP is 240 and the value of GDP deflator is 120, find the value of real GDP.</p> <p>(A). 0.5 (B). 2 (C). 20 (D). 288</p>	1										
8	<p>From the set of statements given in Column-I and Column-II, Choose the correct pair of statements-</p> <table border="1" data-bbox="403 1344 1259 1684"> <thead> <tr> <th>Column-I</th> <th>Column-II</th> </tr> </thead> <tbody> <tr> <td>A. Underemployment equilibrium</td> <td>i. No unemployment in the economy.</td> </tr> <tr> <td>B. Involuntary unemployment</td> <td>ii. No excess capacity in the economy.</td> </tr> <tr> <td>C. Problem of unemployment</td> <td>iii. Problem of involuntary unemployment</td> </tr> <tr> <td>D. Full Employment</td> <td>iv. A situation of zero unemployment.</td> </tr> </tbody> </table> <p>(A). A-I (B). B-ii (C). C-iii (D). D-iv</p>	Column-I	Column-II	A. Underemployment equilibrium	i. No unemployment in the economy.	B. Involuntary unemployment	ii. No excess capacity in the economy.	C. Problem of unemployment	iii. Problem of involuntary unemployment	D. Full Employment	iv. A situation of zero unemployment.	1
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D. Full Employment	iv. A situation of zero unemployment.											
9	<p>Read the table given below:</p> <table border="1" data-bbox="470 1915 896 2004"> <tbody> <tr> <td>Initial deposit</td> <td>400</td> </tr> <tr> <td>Reserve requirements</td> <td>?</td> </tr> </tbody> </table>	Initial deposit	400	Reserve requirements	?	1						
Initial deposit	400											
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	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Total deposit</td> <td>4000</td> </tr> </table> <p>Under the given situation the value of reserve requirements would be</p> <p>(Fill up the blank with correct alternative)</p> <p>(a)0.01 (b)1 (c)0.1 (d)0.4</p>	Total deposit	4000													
Total deposit	4000															
10	<p>In case of an underemployment equilibrium, which of the following is not true?</p> <p>(a) Aggregate demand is equal to aggregate supply. (b) There exist excess production capacity in the economy. (c) Resources are not fully and efficiently utilised. (d) Resources are fully and efficiently utilised.</p>	1														
11.	<p>“Pradhanmantri Kaushal Vikas Yojana was launched by the Government to increase working efficiency.” Analyze its impact on Gross Domestic Product(GDP)and welfare of the people.</p> <p style="text-align: center;">Or</p> <p>Calculate Net value added at factor cost with the given data:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Particulars</th> <th>₹ in crores</th> </tr> </thead> <tbody> <tr> <td>NIT</td> <td>20</td> </tr> <tr> <td>Purchase of machine</td> <td>300</td> </tr> <tr> <td>Purchase of intermediate product</td> <td>120</td> </tr> <tr> <td>Sales</td> <td>250</td> </tr> <tr> <td>Depreciation</td> <td>20</td> </tr> <tr> <td>Change in stock</td> <td>30</td> </tr> </tbody> </table>	Particulars	₹ in crores	NIT	20	Purchase of machine	300	Purchase of intermediate product	120	Sales	250	Depreciation	20	Change in stock	30	3
Particulars	₹ in crores															
NIT	20															
Purchase of machine	300															
Purchase of intermediate product	120															
Sales	250															
Depreciation	20															
Change in stock	30															
12	Distinguish between autonomous and accommodating items of balance of payments..	3														
13	Saving curve can be derived from consumption curve or not. Justify your answer with a hypothetical diagram.	4														
14	<p>Calculate investment expenditure from the following data about an economy, which is in equilibrium.</p> <p>Autonomous consumption = 100 National income=1000 Marginal propensity to save=0.20 OR</p>	4														

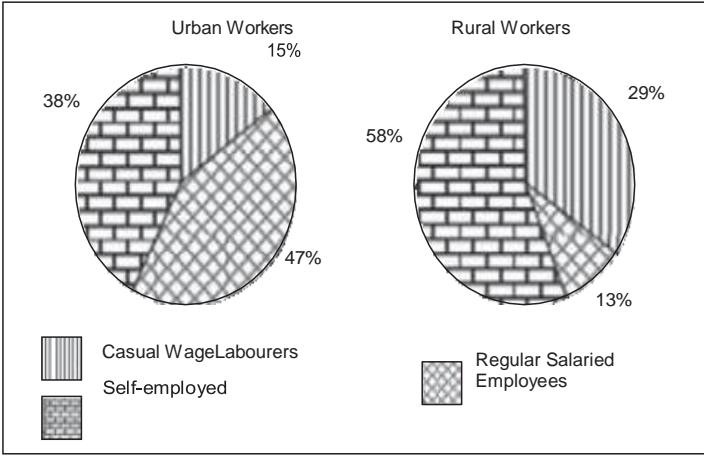
	Calculate investment expenditure from the following data about an economy which is in equilibrium National Income – 10000. MPS – 0.25. Autonomous Consumption – 2000	
15	Explain any two functions of central bank.	4
16	(A) “ Through the budgetary policy government allocates resources in accordance with requirement of the country.” Do you agree with the given statement? Justify your answer with valid reason. (B) “By borrowing, the government transfers the burden of reduced consumption on future generations”. Justify. OR (A) Distinguish between Revenue Receipt and Capital Receipt. (B) Define Revenue Deficit and Fiscal Deficit.	6
17	Giving reason, explain, how should the following be treated in estimation of national income: (A) Expenditure by a firm on payment of fees to a chartered accountant (B) Payment of corporate tax by a firm (C) Purchase of refrigerator by a firm for own use.	6

PART -B
INDIAN ECONOMIC DEVELOPMENT

Q.NO	QUESTIONS	MARKS
18	"Growth with social justice" is the primary objective of: (a) Economic planning (b) Economic development (c) Economic growth (d) Economic infrastructure	1
19	One child norm in China was introduced in the year (Choose the correct alternative) (a)1958 (b)1988 (c)1970 (d)1968	1
20	In 1978, reforms were introduced in (Choose the correct alternative) (a) Pakistan (b) China (c) India	1

	(d) None of these	
21	<p>Read the following statements—Assertion (A) and Reason (R). Choose one of the correct alternatives given below:</p> <p>Assertion (A): The portion of agricultural produce which is sold by the farmers in the market by the farmers is called marketed surplus</p> <p>Reason (R): The Green revolution refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p> <p>(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).</p> <p>(c) Assertion (A) is true, but Reason (R) is false</p> <p>(d) Assertion (A) is false, but Reason (R) is true</p>	1
22	<p>Read the following Assertion (A) and Reason (R), choose one of the correct alternative given below.</p> <p>Assertion (A)- Human capital formation increase productivity of physical capital</p> <p>Reason (R) – Larger the number of skilled and trained personnel, lesser possibilities of innovation and technical improvements in the area of production.</p> <p>Alternatives:</p> <p>(A). Both Assertion (A) and Reason (R) are true and reason is the correct explanation of Assertion.</p> <p>(B). Both Assertion (A) and Reason (R) are true and reason is not the correct explanation of Assertion.</p> <p>(C). Assertion is false but Reason is true.</p> <p>(D). Assertion is true but Reason is false.</p>	1
23	<p>Read the following statements carefully and choose the correct alternatives given below:</p> <p>Statement 1: Health is not only absence of disease but also the ability to realize one's potential as well as yardstick of one's wellbeing.</p> <p>Statement 2 : Health is the holistic process related to the overall growth and development of the nation.</p> <p>(a) Statement 1 is true but statement 2 is false.</p> <p>(b) Statement 2 is false but statement 1 is true.</p> <p>(c) Both statements 1 and 2 are true.</p> <p>(d) Both statements 1 and 2 are false.</p> <p>Or</p> <p>Human Development Index measures..... in an economy.</p> <p>(Fill up the blank with correct alternative)</p> <p>(a) Death rate</p> <p>(b) Birth rate</p>	1

	(c) Quality of life (d) Quality of education	
24	Which of the following is not needed to achieve sustainable development? (Choose the correct alternative) (a) Limiting the human population (b) Restricted extraction of renewable resources (c) Control on pollution (d) Input consuming technological progress	1
25	There are two statements given below, marked as Assertion (A) and Reason (R). Read the statements and choose the correct option Assertion (A): Micro-credit can help empower women and make them financially independent. Reason (R): Micro-credit involves small loans provided at reasonable interest rates that can help people start their own ventures. A. A is true but R is false. B. A is false but R is true. C. Both A and R are true and R is the correct explanation of A. D. Both A and R are true but R is not the correct explanation of A.	1
26	In China all the national resources were under the control and command of? (a) Private sector (b) State (c) Partnership between public and private (d) None of the above	1
27	In China commune system was related with ? (a) Agriculture (b) Industry (c) Service (d) Informal	1
28	"Ravya was initially working as an office clerk in a firm. In the pursuit to attain higher position and income, she attended a few on-the-job training sessions. These sessions one-child policy that led to arrest in the population contributed positively to her skills and expertise." Explain the impact of Ravya's decision on human capital formation.	3
29	Explain the functions of the environment. OR Mention the salient features of unemployment in India.	3
30	In your opinion, what are the advantages of privatisation of the economy? OR "Growth with equity" is more rational and desirable objective of economic planning of a nation." Explain with reasons	4

31	<p>“Analyze and compare the distribution of work force in rural and urban areas.</p>  <p>The figure consists of two pie charts. The left chart is titled 'Urban Workers' and shows a total of 15% for the category 'Casual Wage Labourers' (represented by vertical lines). The 'Self-employed' category (represented by a brick pattern) accounts for 38%, and 'Regular Salaried Employees' (represented by a cross-hatch pattern) account for 47%. The right chart is titled 'Rural Workers' and shows 29% for 'Casual Wage Labourers', 58% for 'Self-employed', and 13% for 'Regular Salaried Employees'. A legend at the bottom identifies the patterns: vertical lines for Casual Wage Labourers, brick pattern for Self-employed, and cross-hatch for Regular Salaried Employees.</p>	4
32	<p>Explain the Great Leap Forward campaign of China as initiated in 1958. Also, state the problems which GLF.</p>	4
33	<p>Explain the need and type of land reforms implemented in the agriculture sector in India.</p> <p style="text-align: center;">OR</p> <p>Critically appraise some of the shortfalls of the industrial policy pursued by the British colonial rule</p>	6
34	<p>A) Define agricultural diversification ? B) State the meaning of organic farming? Discuss How does it help in sustainable development?</p>	2 4