

**CLASS-XII (2022-23)**

**SAMPLE QUESTION PAPER - 3**

**TIME: 3 HOURS**

**ECONOMICS (030)**

**M.M. – 80**

**GENERAL INSTRUCTIONS:**

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

**SECTION A – MACRO ECONOMICS**

1. Disguised unemployment refers to a situation which is characterised by \_\_\_\_\_ [1]  
a) people with no jobs                      b) unemployment occurring at certain seasons  
c) more people employed for a job which less can accomplish      d) people not willing to work
2. When aggregate demand is greater than the aggregate supply, inventories \_\_\_\_\_ [1]  
a) first fall than rise                      b) rise  
c) fall    d) do not change
3. Which of the following is not included in the capital account balance? [1]  
a) Flow of gold                              b) Flow of banking capital  
c) Loans                                      d) Gifts and donations
4. What does the term ceteris paribus mean? [1]  
a) other things remaining equal              b) with the view that  
c) things are different                      d) in reference to

OR

With the increase in income, autonomous expenditure \_\_\_\_\_.

- a) will increase proportionately
- b) will remain unaffected

- c) will decrease d) will increase
5. Wealth is a [1]
- a) Stock concept b) Flow concept

- c) Non economic concept d) Hypothetical concept
6. If the expected flow of goods and services in the economy is less than their expected demand, then: [1]
- a) Aggregate Supply = Aggregate Demand b) None of these
- c) Aggregate Supply < Aggregate Demand d) Aggregate Supply > Aggregate Demand

OR

If initial investment increases by ₹ 400 crore, and income increases by ₹ 2,000 crore, the value of multiplier will be:

- a) 3 times b) 4 times
- c) 2 times d) 5 times
7. If the value of the investment multiplier increases, it would mean that [1]
- a) MPC has decreased b) Taxes have increased
- c) MPC has increased d) MPS has increased

8. Which is not a cause for disequilibrium in Balance of Payments? [1]
- a) Political instability b) Change in taste and fashion
- c) Large imports d) Low domestic prices

OR

An account indicating a systematic record of all economic transactions between residents of a country and residents of foreign countries during a period of account is called \_\_\_\_\_ Account.

- a) Balance of Payment b) Government budget
- c) Balance of Trade d) None of these
9. **Assertion (A):** Banks serve as an important agent of investment. [1]
- Reason (R):** In the absence of a banking system bulk of savings would have failed to reach the shareholders.
- a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

10. **Assertion (A):** Since the exchange rate is fixed by the government, supply, and demand forces are not allowed to operate. [1]

**Reason (R):** Exchange rate in the international money market may not be the equilibrium exchange rate.

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

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

11. Explain the meaning of balance of payments deficit. [3]

OR

Giving two examples, explain the relation between the rise in the price of a foreign currency and its demand.

12. Define GNP at factor cost. [3]

13. Explain, how the Reverse Repo Rate helps in correcting Excess Demand in an economy? [4]

14. Explain the role of the following in correcting the deflationary gap in an economy: [4]

- i. Open market operations
- ii. Margin requirements
- iii. Bank rate

15. What are open market operations? What is their effect on availability of credit? [4]

OR

Explain the role of cash reserve ratio in controlling credit creation.

16. Answer the following questions: [6]

- (i) In a single day Raju, the barber, collects ₹ 500 from haircuts; over this day, his equipment depreciates in value by ₹ 50. Of the remaining ₹ 450, Raju pays sales tax worth ₹ 30, takes home ₹ 200 and retains ₹ 220 for improvement and buying of new equipment. He further pays ₹ 20 as income tax from his income. Based on this information, complete Raju's contribution to the following measures of income:

- a. Gross Domestic Product
- b. NNP at market price
- c. NNP at factor cost
- d. Personal income
- e. Personal disposable income

- (ii) From the following data, calculate Net Value Added at Factor Cost.



S.no.	Contents	Rs. (in Crores)
(i)	Purchase of Intermediate Goods	500
(ii)	Sales	750
(iii)	Import of Raw Materials	50
(iv)	Depreciation	60
(v)	Net Indirect Taxes	100
(vi)	Change in Stock	(-) 30
(vii)	Exports	20

17. Answer questions (i) & (ii) OR questions (iii) & (iv). [6]

- (i) What is a tax? State its two main features.
- (ii) Explain the "redistribution of income" objective of Govt. Budget.
- (iii) From the following data about a government budget, find out the following:
  - i. Revenue deficit
  - ii. Fiscal deficit
  - iii. Primary deficit

	(Rs. Arab)
(i) Capital receipt net of borrowings	95
(ii) Revenue expenditure	100
(iii) Interest payments	10
(iv) Revenue receipts	80
(v) Capital expenditure	110

- (iv) Why is payment of interest a revenue expenditure?

### SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. An economy based on barter system is also called as: [1]

- a) D-D economy
- b) M-M economy
- c) C-C economy
- d) B-B economy

19. Imports fast growing imports are due to [1]

- a) Heavy imports of petroleum products
- b) All of these
- c) Economic reforms 1991
- d) Heavy imports of capital goods

OR

Who is considered to be the architect of Indian planning?

- a) Dadabhai Naroji R. C. Desai      b) Willian Digby  
c) P. C. Mahalanobis      d) R. C. Desai

20. Which factor led to the breaking up of the stagnation of agriculture? [1]

- a) Land ceiling      b) Buffer stocks  
c) Land reforms      d) Green revolution

OR

Small scale industries was given protection by the government due to

- a) To keep a check on private Sector      b) None of these  
c) They are more suitable in rural development      d) They cannot compete with large industries

21. Organic farming uses [1]

- a) All of these      b) Bio-fertilisers  
c) Organic pesticides      d) Organic manure

22. TRIPS stands for: [1]

- a) Trade Related Intellectual Property Rights      b) Trade related Indian Property Rights.  
c) Tariff and Revenue for Indian Policies for Stabilization      d) Tariff and Revenue for Indian Policy Strategy

23. Which was not the strategy of economic planning during Five Year Plans? [1]

- a) Self-reliance      b) Liberalisation  
c) Import substitution      d) Balanced growth

24. When was a UN Conference on climate change held in Kyoto in Japan? [1]

- a) 1998      b) 1997  
c) 1993      d) 1996

OR

Central Pollution Control Board (CPCB) has identified \_\_\_\_\_ categories of large and medium industries as polluting industries.

- a) 17      b) 13  
c) 19      d) 15

25. What percent of GDP was recommended by the Education Commission (1964-66) [1] to be spent on the education sector?

26. **Assertion (A):** Railways contributed to the colonial exploitation of the Indian economy. [1]

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

- Reason (R):** The farmers gradually shift from subsistence farming to commercial farming.

OR

29. India has abundant natural resources. Substantiate the statement. [3]

<b>GDP%</b>	<b>India</b>	<b>China</b>
1991-2000	5.7	10.4
2001-2005	6.3	9.5
2017-2018	6.7	6.4

31. Answer first two questions (i & ii) OR answer the last question (iii): [4]



32. State whether the following statements are true/false, with valid arguments: [4]

- (i) Human capital formation causes a higher rate of participation.
- (ii) Economic growth affects human capital formation.

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

**The Impact of COVID-19 on South Asian Economies - Pakistan**

**EARLY IMPACT OF THE PANDEMIC** On February 26, 2020, Pakistan confirmed its first two cases of COVID-19. The pandemic could not have come at a worse time: the economy was growing at a tepid rate, jobs were hard to come by, and high inflation continued to erode the purchasing power of millions of households. As the case count grew, fear that the virus would spread rapidly across the country led to a vociferous “lockdown versus livelihoods” debate. Khan made a public case for protecting livelihoods and argued against a countrywide lockdown. Nevertheless, provincial governments began to issue their own lockdown orders, shutting down all nonessential businesses. The enforcement of these orders brought Pakistan’s economy to a standstill by the end of March.

Early estimates predicted that the economy would lose between 12 and 18 million jobs during the lockdown. The World Bank predicted that the country would enter its first recession in decades. Consequently, on March 24, 2020, Khan announced a stimulus package to prop up the economy and pave the way for a quick recovery. Totalling Rs.1.2 trillion (about 3 percent of GDP), the stimulus included an Rs.200 billion fund to protect laborers, Rs.150 billion to expand the country’s existing cash transfer program to poor families, and another Rs. 100 billion for pandemic-related emergencies.

The biggest success of the stimulus was the rapid expansion of the country’s cash transfer mechanism. More than 15 million families received funds through the program, ensuring that millions of citizens did not fall into extreme poverty. The State Bank also played a key role in supporting the economy, extending credit to small- and medium-sized businesses and protecting millions of jobs in the formal economy. The cumulative support provided by the central bank reached Rs. 1.3 trillion by October 2020. It also sharply cut interest rates from 13.25 percent to 9 percent in April 2020 and pushed them down to 7 percent by the end of June.

As its domestic economy struggled, Pakistan had to pause its USD 6 billion fiscal stabilization program (which had started in 2019) and seek emergency relief from the IMF. By mid-April, the IMF also approved a USD 1.39 billion loans to alleviate the economic pain from the pandemic. In the following months, the World Bank provided USD 505 million in low-interest, soft loans; the Asian Development Bank approved a USD 500 million emergency loan; and the Asian Infrastructure Investment Bank approved a USD 250 million loans. Nevertheless, by December 2020, debt relief program talks with the IMF stalled as the Khan government resisted the demands and restrictions posed by the IMF. These included demands to increase energy tariffs and to sustainably reduce debt in the power sector, among others.

**Questions:**

- i. Discuss the projected impact of the countrywide lockdown on Pakistan's economy.
- ii. Analyse the implications of the pandemic on the domestic economy of Pakistan.

34. Answer first 3 questions (i, ii, iii) OR last 2 questions (iv, v): [6]

- (i) Mention any two non-farm activities which should be developed in rural areas.
- (ii) What is the support price?
- (iii) 'India has a comparative advantage in organic farming'. Comment.
- (iv) If farmers who borrowed from cooperative banks could not pay back loan due to crop failure and other reasons, their loans should be waived off else they might commit suicide. Do you agree? Explain.
- (v) How does organic farming promote sustainable development?



# SOLUTION

## SECTION A – MACRO ECONOMICS

1. (c) more people employed for a job which less can accomplish

**Explanation:** Disguised unemployment is a situation where the number of workers engaged in a job is much more than actually required to accomplish it. If some of them are withdrawn from that job, the total production will not fall.

2. (c) fall

**Explanation:** If  $AD > AS$  then inventory fall.

3. (d) Gifts and donations

**Explanation:** Gifts and donations are unilateral payments. These are recorded in the current account.

4. (a) other things remaining equal

**Explanation:** other things remaining equal

OR

- (b) will remain unaffected

**Explanation:** If income increases then autonomous expenditure will remain unaffected.

5. (a) Stock concept

**Explanation:** Wealth is accumulated at a point of time.

6. (d) Aggregate Supply > Aggregate Demand

**Explanation:** Aggregate Supply > Aggregate Demand

OR

- (d) 5 times

**Explanation:** 5 times

7. (c) MPC has increased

**Explanation:** MPC has increased

8. (d) Low domestic prices

**Explanation:** Low domestic prices promote exports of the country. Hence, it is not the cause of disequilibrium in a BOP.

OR

- (a) Balance of Payment

**Explanation:** Balance of Payment

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

**Explanation:** Banks serve as an important agent of investment because in the absence of a banking system bulk of savings would have failed to reach the investors.

10. (b) Both A and R are true but R is not the correct explanation of A.

**Explanation:** Since the exchange rate is fixed by the government, supply, and demand forces are not allowed to operate. The exchange rate in the international money market may not be the equilibrium exchange rate.

11. Disequilibrium in BOP of a country may be either in the form of a deficit or surplus. When the receipts of the country on account of autonomous transactions are less than the payments of the country on account of autonomous transactions, then this difference is termed as a deficit in balance of payments. So, BoP deficit =  $R < P$ , where  $R$  = Receipts of the country and  $P$  = Payments of the country. e.g. If the

receipts of the country are Rs. 200 crore and the payments are Rs. 250 crore, then BoP deficit will be 50 (250-200) crores. Unfavourable Balance of Payment cannot be met out of favourable Balance of Trade. Deficit in balance of payments may be caused due to economic factors, political factors or social factors.

OR

The relation between the rise in price of foreign currency and its demand is explained by the following reasons :

- i. The imports become costlier when the price of a foreign currency rises. So, the value of imports will fall with time, hence the demand for foreign exchange will fall.
  - ii. A resident of a country finds it costlier to travel abroad when the price of foreign currency rises. So, the number of foreign travellers decrease, and consequently, the demand for foreign currency also decreases.
12. It refers to the gross money value of all the final goods and services produced by normal residents of a country during a period of one year.  
GNP at factor cost = GNP at market price - net indirect taxes.  
It can also be calculated by another method.  
GNP at factor cost = GDP at Factor cost + Net factor income from abroad.
13. Reverse Repo rate is the rate of interest at which commercial banks can park their excess reserve or surplus funds with the central bank, for a relatively shorter period of time. To deal with the situation of excess demand this rate may be increased by the central bank. It may encourage the commercial bank to park their surplus funds with Central Bank. As a result, the availability of creating credit with the commercial bank will be reduced and the money supply tends to reduce so it will reduce the availability of money from the economy. Consequently, consumption expenditure and investment expenditure may get reduced, implying a reduction in Aggregate Demand.
14. i. Open market operations refer to the sale and purchase of securities in the open market by the RBI on behalf of the government. Open market operations affect the volume of cash reserves with the commercial banks and, thus, the overall availability of credit. The sale of government securities by the central bank to commercial banks reduces the cash reserves with the banks resulting in a decline of credit. The purchase of securities by the central bank increases the cash reserves with commercial banks and, thus credit. During the phase of deficient demand, the central bank purchases government securities from commercial banks which motivates the commercial banks to create more credit.
- ii. The margin requirement is one method of qualitative credit control. A margin means the difference between the amount of loan and the market value of the security offered by the borrower against the loan. By changing the margin requirements the central bank can alter the number of loans made against securities by the banks. During the deflationary gap, the purpose of the central bank will be to promote investment and consumption. Hence, there will befall in the margin requirement which will result in an expansion in the borrowing power of the security and traders.
- iii. Bank rate means the rate of interest at which the central bank lends to the commercial banks. Any change in bank rate affects credit creation by commercial banks. A decline in bank rate leads to a decline in commercial banks' lending rates



of interest. As a result, credit becomes cheaper because the rate of interest is the cost of credit. A decline in bank rate encourages commercial banks in borrowing from the central bank. Thus, during the phase of deficient demand, the central bank declines the bank rate.

15. Open market operations refer to buying and selling of government securities by the central bank from/to the public and commercial banks.

Sale of securities by central bank reduces the reserves of the commercial banks. This adversely affects the bank's ability to create credit and this decreases the money supply in the economy. Purchase of securities by central bank increases the reserves and raises the bank's ability to give credit.

OR

The cash reserve ratio refers to that proportion of the aggregate deposits which the commercial banks are required to keep with the Reserve Bank of India. CRR is an important quantitative tool in controlling credit creation in the country. When the Central Bank wants to decrease the level of credit creation in the economy, it increases the CRR. As the CRR increases, the loanable deposits left with the commercial bank decreases. This reduces the lending powers of the bank and as a result, the process of credit creation falls. If on the other hand, the Central Bank wants to increase the level of credit creation in the country, it lowers the CRR. As the CRR decreases, the loanable deposits left with the commercial bank's increases. This increases the lending powers of the banks and as a result, the level of credit creation in the country rises. The current CRR is 4%. If RBI cuts CRR in its next monetary policy review then it will mean banks will be left with more money to lend or to invest. So, more money can be released into the economy which may spur economic growth.

16. Answer the following questions:

(i) As per question,

Indirect taxes = 30,

Depreciation = 50,

Retained earnings or Undistribute profit or savings from non private corporate sector = 220

a.  $GDP_{MP} = ₹ 500$  [Barber collects from haircut]

b.  $NNP_{MP} = GDP_{MP} - Depreciation$

$= 500 - 50$

$= ₹ 450$

c.  $NNP_{FC} = NNP_{MP} - Sales\ tax\ (GST)$

$= 450 - 30$

$= ₹ 420$

d. Personal Income or  $PI = NNP_{FC} - Retained\ earnings$

Here  $NNP_{FC} = 420$

Retained earnings = 220

Therefore, Personal Income is

$= 420 - 220$

$= ₹ 200$



e. Personal Disposable Income or PDI = PI – Income tax

Putting values of PI and Income Tax we get PDI is

$$= 200 - 20$$

$$= ₹ 180$$

(ii) **Net Value Added at Factor Cost**

Value of output = Sales + Change in stock.

$$= 750 + (-30)$$

$$= 720.$$

GVA<sub>mp</sub> = Value of output - Intermediate cost.

$$= 720 - 500$$

$$= 220.$$

NVA<sub>mp</sub> = GVA<sub>mp</sub> - Depreciation.

$$= 220 - 60.$$

$$= 160.$$

NVA<sub>fc</sub> = NVA<sub>mp</sub> - Net indirect taxes.

$$= 160 - 100$$

$$= 60.$$

17. Answer questions (i) & (ii) OR questions (iii) & (iv).

(i) A tax is a compulsory payment to the government without expectation of any direct return or benefits to the taxpayer.

Following are the two main features of a tax:

i. A tax is a compulsory contribution from the people to the government. A taxpayer will have to pay it otherwise the government would take legal action against the defaulter.

ii. Mere payment of tax does not entitle the taxpayer to get certain benefits from the government. There is no direct quid- pro- quo between the taxpayers and the public authority.

(ii) Government budget shows its comprehensive exercise on the taxation and subsidies. The government uses these fiscal instruments with a view to improve the distribution of income and wealth in the economy, e.g. in India progressive tax structure is followed (i.e. tax rate increases with increase in income) to redistribute income from rich to poor.

(iii) i. **Revenue Deficit:**

Revenue deficit = Revenue expenditure - Revenue receipts

Revenue expenditure = 10

Revenue receipts = 80

Revenue Deficit = 100 - 80 = Rs 20 arab

ii. **Fiscal deficit:**

Fiscal deficit = Revenue Expenditure + Capital Expenditure - Revenue Receipts  
- Capital Receipts net of Borrowings

$$= 100 + 110 - 80 - 95 = Rs 35 arab$$

iii. **Primary Deficit:**

Primary deficit = Fiscal deficit - Interest payment

$$= 35 - 10 = Rs 25 arab.$$

(iv) **Payment of interest is a recurring annual expenditure and is treated as a revenue expenditure because:**

- i. It does not reduce the liability of the payer.
- ii. It does not add assets of the payer.

### SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. (c) C-C economy

**Explanation:** C-C economy is a commodity economy. In this economy, Commodities are exchanged for commodities. In such an economy, the barter system prevails for the fulfilment or satisfaction of wants.

19. (b) All of these

**Explanation:** Due to economic reforms liberalisation in 1991 countries nowadays imports huge amount of capital and petroleum goods.

OR

(c) P. C. Mahalanobis

**Explanation:** The Second Plan, a landmark contribution to development planning in general, laid down the basic ideas regarding the goals of Indian planning; this plan was based on the ideas of Mahalanobis. In that sense, he can be regarded as the architect of Indian planning.

20. (d) Green revolution

**Explanation:** Green revolution

OR

(d) They cannot compete with large industries

**Explanation:** They cannot compete with large industries

21. (a) All of these

**Explanation:** All of these

22. (a) Trade Related Intellectual Property Rights

**Explanation:** The Agreement on Trade-Related Intellectual Property Rights (TRIPS) is an international legal agreement between all the member nations of the World Trade Organization (WTO)

23. (b) Liberalisation

**Explanation:** Liberalisation not the strategy of economic planning during Five Year Plans.

24. (b) 1997

**Explanation:** A UN Conference on Climate Change, held in Kyoto, Japan, in 1997, resulted in an international agreement to fight global warming .

OR

(a) 17

**Explanation:** The central pollution control board was set up in 1974, followed by similar boards at the state level to address the major environmental concerns in India.

25. (d) 6%

**Explanation:** More than 50 years ago, The Education Commission (1964-66) had recommended that at least 6% of the GDP be spent on education so as to make a noticeable rate of growth in educational achievements.

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

**Explanation:** Railways contributed to the colonial exploitation of the Indian



economy. Because primary goods (raw material) could then be easily transported from the fields and farms to the ports for the purpose of exports to the British economy.

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

**Explanation:** A substantial rise in output has started generating a handsome marketable surplus in agriculture which in turn leads to rising in the disposable income of the farmers. This has prompted farmers to gradually shift from subsistence farming to commercial farming. This is a sign of transformation in the agricultural sector of the economy.

28. The three major sectors of the economy i.e. primary, secondary and tertiary collectively are known as occupational structure of an economy. The primary sector includes agriculture, forestry, fishing, mining, etc. The secondary sector consists of manufacturing and construction activities. Tertiary sector includes various services like transport, communication, trade, etc. Primary sector is the prime source of employment for the majority of the workers in India. Its contribution is the source of employment for the majority of the workers in India. Its contribution is as high as 57.3% of our total workforce, About 17.6% and 25.1% of the total workforce is employed in the secondary and the service sector respectively. People living in the urban areas are largely engaged in secondary and tertiary sectors and those in the rural areas are involved basically in primary sectors. Also, the tertiary sector is taking a lead over the secondary sector as a source of employment and increasing share in India's GDP. As far as the distribution of male and female is considered, a high percentage of total female workforce are engaged in the primary sector than in the secondary and tertiary sector.

OR

Self-employment accounts for more than 50 percent of the workforce and hence, is the major source of livelihood for both men and women. A casual wage job is the second major source for both men and women, more. It accounts for 32 and 37 percent of the male and female workforce respectively. In the case of regular salaried employment, men are found to be more engaged. While the male workforce forms 18 percent, the female workforce forms only 10 percent.

29. India is fortunate enough to have abundant natural resources. It comprises of rich and fertile soil, plenty of rivers and tributaries, green forests, mineral deposits, mountains, etc. The Indo-Gangetic plains are the most fertile, densely populated and cultivated plains in the world. It stretches from the Arabian Sea to the Bay of Bengal. The black soil of the Deccan Plateau is suitable for the cultivation of cotton in the country. India's lush green forests serve as a natural cover for the majority of the population. India holds more than 20 % of the world's total iron ore reserves. There are mountain ranges that facilitate the operation of the mini hydel plants. It also has a vast variety of flora of 15,000 species of plants. The country is also endowed with numerous minerals that are found under the earth's surface like coal, natural gas, copper, diamonds, etc. However, the developmental activities in India have resulted in pressure on its finite natural resources, besides creating impacts on human health and well being.

30. After independence in 1947, India and Pakistan embarked upon planned development programmes. They relied largely on the public sector to spearhead the process of



growth and development.

Undoubtedly, China is the leader in the economic growth rate. Its growth has crossed 9% whereas India has crossed 5% growth rate up to 2005. The table shows that the growth rate of GDP between 1991-2000 was higher in comparison to India. But during the period 2001-05, this difference reduced to some extent. Even the GDP in China was almost higher than that of India. But in 2017-18 the GDP growth rate of India was higher than that of China.

31. Answer first two questions (i & ii) OR answer the last question (iii):

- (i) Battling the economic crisis of 90's, the Government of India initiated a series of economic reforms in July 1991.
- (ii) Following measures of privatisation have been adopted by the Indian government:
  - i. **Productive Assets-** The government ownership of productive assets have been transferred to the private sector.
  - ii. **Disinvestment-** The government has sold a part of equity holdings held by the government in any public sector undertakings to a private investor. Disinvestment has been done to provide fiscal support to the government and to improve the efficiency and accountability of public enterprises.
  - iii. **Role of Private Sector-** The number of industries exclusively reserved for the public sector has been reduced from 17 to 3. The scope of the public sector has been restricted. The New Industrial Policy has scrapped the various restrictions relating to production capacity and investment.
- (iii) Following were the changes made in the industrial policy under economic reforms:
  - i. **Industrial Licensing-** Industrial licensing was abolished for all industries except five industries viz., alcohol, cigarettes, hazardous chemicals, industrial explosives and defence equipment.
  - ii. **Public sector-** Almost the whole of the economy was left open to the private sector. The number of industries exclusively reserved for the public sector has been reduced to three e.g., defence equipment, atomic energy and rail transport.
  - iii. **Small scale sector-** The investment limit of small scale industries has been increased to one crore with a view to modernise them.
  - iv. **Competition Act-** MRTP Act was replaced by the competition Act which scrapped the threshold limit of assets in delicensed industries. Mergers and acquisitions were allowed.

32. State whether the following statements are true/false, with valid arguments:

(i) (a) True

**Explanation:** True, Human capital formation causes a higher rate of participation.

(ii) (a) True

**Explanation:** True, economic growth affects human capital formation.

33. ANS

- i. The pandemic hit Pakistan at a worse time when it was already struggling with a slow economic growth rate, low jobs, and high inflation. The government issued lockdown orders of shutting down all nonessential businesses when the cases began to grow rapidly. This led to a vociferous “lockdown versus livelihoods” debate. The enforcement of these orders brought Pakistan’s economy to a standstill



by the end of March. Early estimates predicted that the economy would lose between 12 and 18 million jobs during the lockdown. The World Bank predicted that the country would enter its first recession in decades. Consequently, the economy was in bad shape and the government had to rope in the stimulus package for its recovery.

- ii. The internal economic condition of Pakistan was grappled with a cash crunch which compelled the government to pause its USD 6 billion fiscal stabilization program (which had started in 2019) and seek emergency relief from the IMF. By mid-April, the IMF also approved a USD 1.39 billion loan to alleviate the economic pain from the pandemic. Later, other loans were accrued from various other sources, for instance, the World Bank provided USD 505 million in low-interest, soft loans; the Asian Development Bank approved a USD 500 million emergency loan, and the Asian Infrastructure Investment Bank approved a USD 250 million loans.

34. Answer first 3 questions (i, ii, iii) OR last 2 questions (iv, v):

- (i) There are many traditional household-based industries in rural areas which can be developed as non-farm activities. The two non-farm activities which should be developed in rural areas are

- (i) Handicrafts
- (ii) Pottery

- (ii) The support price is a guaranteed minimum price at which government procures (purchases) the specified goods from the farmers.

- (iii) India has comparative advantage in organic farming because

- Organic farming involves a labour intensive process.
- There is an abundance of labour places in India. Thus due to more labour requirement in organic farming, it is an attractive proposition for India.

- (iv) No, we do not agree because:

- i. It has been noticed that 60% of defaulters are wilful defaulters.
- ii. First each case should be seen individually. In cases where crop failure or genuine conditions prevail, we can reduce the rate of interest and extend the time for repayment, reduce the EMI amount instead of waiving off loans.
- iii. The amount of loan being waived off is coming from the pockets of honest tax payers. Transferring the burden of wilful defaulters' loans on honest taxpayers is neither advisable nor justified.

- (v) Organic farming refers to a system of farming that relies on locally produced organic inputs rather than chemical fertilisers, pesticides, etc.

Sustainable development refers to a process of development that does not cause environmental degradation and does not reduce production capacity for future generations.

Organic farming leads to sustainable development. Conventional agricultural farming relies heavily on chemical fertilisers and toxic pesticides which enter the food supply, penetrate the water sources, harm the livestock, deplete the soil and disturbs the natural ecosystems. Organic farming is eco-friendly and enhances the ecological balance. Thus, organic farming promotes sustainable development.