

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

**SAMPLE QUESTION PAPER - 5**

**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. People who are unwilling to work at the existing wage rate are [1]  
a) voluntary unemployed                      b) Casual unemployed  
c) seasonal unemployed                      d) frictional unemployed
2. When Autonomous Consumption = ₹ 50 crore, Marginal Propensity to Consume = 0.6 and Income = ₹ 800 crore, value of saving will be: [1]  
a) ₹ 370 crore                                      b) None of these  
c) ₹ 270 crore                                      d) ₹ 320 crore
3. Balance of trade is a part of: [1]  
a) capital account BoP                      b) official reserves account  
c) none of these                                      d) current account BoP
4. In  $c = -a + by$  [1]  
a) 'a' is called extercept                      b) 'a' is called intercept  
c) 'a' is called interval                      d) 'a' is called ultracept

**OR**

Aggregate demand can be decreased by:

- |                         |  |
|-------------------------|--|
| a) All of these         | b) selling government securities<br>by Reserve Bank of India |
| c) increasing bank rate | d) increasing the cash reserve rate                          |

5. If  $MPC = 0$ , the value of multiplier is \_\_\_\_\_. [1]

- a) Between 0 and 1
- b) 1
- c) 0
- d) Infinity

OR

In case of an underemployment equilibrium, which of the following alternative is not true?

- a) Aggregate demand is equal to aggregate supply.
- b) There exist excess production capacity in the economy.
- c) Resources are fully and efficiently utilised.
- d) Resources are not fully and efficiently utilised.

6. Which of the following is a stock variable? (Choose the correct alternative) [1]

- a) Money supply
- b) Output
- c) Interest
- d) Depreciation

7. What will be MPS if an increase ₹ 100 in investment results in an increase in income of ₹ 400? [1]

- a) 0.25
- b) 0
- c) 1.0
- d) 0.5

8. **Assertion (A):** The value of money is less than the value of the commodity in India. [1]

**Reason (R):** People would have melted the coins and sold the metal in the market at a price greater than a rupee.

- 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.

9. Outflow of foreign exchange is recorded on the \_\_\_\_\_ sides. [1]

- a) both credit and debit
- b) debit
- c) credit
- d) none of these

OR

If the value of visible exports exceeds the value of visible imports, the balance relates to:

- a) balance of trade
- b) none of these
- c) current account BoP
- d) capital account BoP

10. Discuss any two differences between GDP at constant prices and GDP at current prices. [3]

11. **Assertion (A):** Dirty floating occurs when one country manipulates the exchange rate to foster its economic interest. [1]

**Reason (R):** Dirty floating occurs even when it hurts the economic interest of other countries in the international money market.

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.

12. Distinguish between current account and capital account of the Balance of Payments account on the basis of its components. [3]

OR

Explain the effect of rise in price of foreign currency on exports.

13. What is Fiscal Policy? What possible fiscal policy measures can be taken with respect to expenditure and income to correct (i) Excess demand and (ii) Deficient demand in the economy. [4]

14. Explain the role of the following in correcting deficient demand in an economy. [4]

1. Open Market Operation

2. Bank Rate

15. Explain how does following helps to control the credit creation. [4]

i. Open market operation

ii. Margin requirement of loans.

OR

Discuss how the central bank plays the role of controller of credit in an economy.

16. Answer the following questions: [6]

(i) Calculate Net Value Added at Factor Cost ( $NVA_{FC}$ ) from the following data :

S. No.	Particulars	Amount (in ₹ crores)
(i)	Value of Output	800
(ii)	Intermediate Consumption	200
(iii)	Indirect taxes	30
(iv)	Depreciation	20
(v)	Subsidies	50
(vi)	Purchase of machinery	50

(ii) From the following data estimate: (a) Net Indirect Taxes, and (b) Net Domestic Product at Factor Cost.



Items	(₹ in crore)
(i) Net national product at market price	1,400
(ii) Net factor income from abroad	(-) 20
(iii) Gross national product at factor cost	1,300
(iv) Consumption of fixed capital	100
(v) National debt interest	18

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

- (i) Classify the following receipts into revenue receipts and capital receipts. Give reasons in support of your answer.
  - i. Recovery of loans.
  - ii. Interest received on loans.
- (ii) Distinguish between direct tax and indirect tax.
- (iii) Categorise the following government receipts into revenue and capital receipts. Give reasons for your answer.
  - a. Receipts from sale of shares of a public sector undertaking.
  - b. Borrowings from public.
  - c. Profits of public sector undertakings.
  - d. Income tax received by government.
- (iv) Give the meaning of revenue deficit, fiscal deficit and primary deficit.

#### SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. Name the deposits which are payable on demand without any restriction. [1]

- |                               |                            |
|-------------------------------|----------------------------|
| a) Current account deposits   | b) Saving account deposits |
| c) Recurring account deposits | d) Fixed term deposits     |

19. In which Five Year Plan, agriculture was the top priority? [1]

- |                          |                          |
|--------------------------|--------------------------|
| a) Second Five Year Plan | b) Fourth Five Year Plan |
| c) Third Five Year Plan  | d) First Five Year Plan  |

OR

Inward looking trade strategy is also known as a policy of \_\_\_\_\_.

- |                      |                        |
|----------------------|------------------------|
| a) Import promotion  | b) None of these       |
| c) Import relaxation | d) Import substitution |

20. When was the **Village and Small Scale Industries Committee** set up? [1]

- |         |         |
|---------|---------|
| a) 1950 | b) 1958 |
|---------|---------|

c) 1955

d) 1949

OR

Difference in export and import is known as

a) BOP

b) BOC

c) BOT

d) BOA

21. Which of the following is not a key issue in Rural Development? [1]

a) Rural Credit

b) Tourism

c) Rural Marketing

d) Human Capital Formation

22. Human Development refers to: [1]

a) Development of the individuals  
by acquiring a good education

b) All of these

c) Consists of skills as used in the  
process of production

d) Increase in human population

23. Predecessor of WTO is [1]

a) None of these

b) General Agreement on Taxes  
and Trials

c) General Announcement on  
Trade and Tax

d) General Agreement on Trade  
and Tariff

24. Five-year plans have put a lot of emphasis on the growth of Industries because [1]

a) Industries provide more stable  
employment than agriculture

b) Growth of economy

c) All of these

d) Promotes modernization

25. An increase in real income along with an increase in economic welfare is known as \_\_\_\_\_. [1]

a) economic growth

b) sustainable development

c) None of these

d) economic development

OR

The notion of sustainable development was adopted by:

a) SAARC

b) UNCED

c) None of these

d) ASEAN

26. **Assertion (A):** Full employment does not mean a situation of zero unemployment. [1]

**Reason (R):** In an economy, there is always some natural rate of unemployment, which is the minimum rate of unemployment caused by structural changes in the system of production.

- 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.

27. **Assertion (A):** 1921 is regarded as the year of the great divide. [1]

**Reason (R):** From the year 1921 onwards, the total population in India never declined.

- 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.

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

29. Comment upon occupational distribution between India and Pakistan by understanding the following data. [4]

Sector	India		Pakistan	
	2015-17	2018-19	2015-17	2018-19
Agriculture	42.7	48	42	42
Industry	23.8	22	3.7	24
Services	33.5	30	54.3	34

30. How does NSSO define unemployment? [3]

OR

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.

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

- (i) Why has government decided to retain the Navratnas in the public sector?  
(ii) Why is it necessary to become a member of WTO?  
(iii) India is often called an outsourcing destination of the world. Discuss the prime reasons for this name given to India.

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

- (i) Human capital refers to the sum of physical capital and financial capital.  
(ii) Education, not the vocationalisation of education is the core element of skill formation.

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



## THE FUTURE POPULATIONS OF CHINA AND INDIA

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

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

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

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

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

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

calculation of desirable population policies.

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

**Questions:**

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

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

[6]

- (i) Name any two institutional sources of agricultural credit.
- (ii) What is the meaning of rural development?
- (iii) What is buffer stock?
- (iv) Explain the role of non-farm employment in promoting rural diversification.
- (v) Explain three non-farm areas of employment for rural population.



## SOLUTION

### SECTION A – MACRO ECONOMICS

1. (a) voluntary unemployed

**Explanation:** Voluntary unemployment refers to unemployment of those persons who are not willing to do work although suitable work is available for them, i.e., they are voluntarily unemployed.

2. (c) ₹ 270 crore

**Explanation:** ₹ 270 crore

3. (d) current account BoP

**Explanation:** Balance of trade is a part of the current account BoP.

4. (b) 'a' is called intercept

**Explanation:** The given function is in slope intercept form as depicted below:

Slope-Intercept Form

$$y = mx + b$$

$\uparrow$   $\uparrow$   
slope y-intercept

OR

- (a) All of these

**Explanation:** By increasing bank rate, selling government securities by RBI and increasing cash reserve ratio decrease the aggregate demand in an economy.

5. (b) 1

**Explanation:** If MPC is 0, MPS = 1

$$K = 1 \div \text{MPS}$$

$$K = 1$$

OR

- (c) Resources are fully and efficiently utilised.

**Explanation:** Under-employment equilibrium means equality between aggregate demand and aggregate supply but at less than full employment. It is a state of equilibrium where the level of demand is less than the full employment level of output. It means resources are not fully and efficiently utilised.

6. (a) Money supply

**Explanation:** Money supply since it can be measured at a point of time.

7. (a) 0.25

**Explanation:**  $K = \Delta Y \div \Delta I$

$$K = 4$$

$$K = 1 \div \text{MPS}$$

$$\text{MPS} = 1 \div K$$

$$\text{MPS} = 0.25$$

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

**Explanation:** The value of money is greater than the value of the commodity in India otherwise people would have melted the coins and sold the metal in the market at a price greater than a rupee.

9. (b) debit

**Explanation:** debit

OR

(a) balance of trade

**Explanation:** balance of trade

10. Following table shows the differences between GDP at constant prices and GDP at current prices :

Basis of Difference	GDP at Current Prices	GDP at Constant Prices
(i) Prices	It is measured at the current year's prices.	It is measured at base year's prices.
(ii) Indicator of economic welfare	It is not a good indicator of economic welfare because it may increase without the flow of goods.	It is a good indicator of economic welfare because it will increase only with the flow of goods and services.

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

**Explanation:** Dirty floating occurs when one country manipulates the exchange rate to foster its economic interest even when it hurts the economic interest of other countries in the international money market.

12. Current account refers to an account which records all the transactions relating to export and import of goods and services and unilateral transfers during a given period of time. The components of the current account include:

- Export and imports of visible items, i.e. goods
- Unilateral transfers to and from abroad.
- Export and import of services.
- Income receipts and payments to and from abroad.

Capital account of BOP records all those transactions, between the residents of a country and the 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 capital account include:

- Investment to and from abroad.
- Borrowings and lendings to and from abroad.
- Change in foreign exchange reserves.

OR

When the price of a foreign currency rises, the domestic goods become relatively cheaper. It induces the foreign country to increase their imports from the domestic country(say India), i.e. the exports of India rises. As a result of the supply of foreign currency increases. For example, if the price of 1 US dollar rises from Rs. 45 to Rs. 50, then exports to the USA will increase as Indian goods will become relatively cheaper. This will increase the supply of US dollars.

13. Fiscal policy is the revenue and expenditure policy of the government with a view to combat the situation of inflationary and deflationary gap in the economy.

**(i) Fiscal measures to correct excess demand:**

- Reduction in government expenditure on public works, public works and defense etc.
- Reduction in public expenditure on transfer payments and subsidies.
- Increase in taxes to lower the disposable income with the people.



4. Restricted deficit financing to check the flow of money in the economy.
5. Reduction in purchasing power through greater public borrowings.

**(ii) Fiscal measures to correct deficient demand.**

1. Increase in government expenditure and investment.
  2. Increase in transfer payments and subsidies.
  3. Reduction in taxes to increase the disposable income of the people.
  4. More use of deficit financing to increase the flow of money.
  5. Repayment of public debts.
14. 1. Open market operation refer to the sale and purchase of securities by the Central Bank. In case of deficient demand when AD falling short of AS at full employment, the Central Bank buys securities in the open market and makes payment to the sellers. The money flow out of the Central Bank and reaches the Commercial Bank as deposits. This raises the lending capacity of the banks, people can borrow more. This will raise AD.
2. Incase of deficient demand Central Bank decrease the bank rate which the Central Bank charges on the loan given to commercial bank. This forces the Commercial Banks to reduce lending rate. Since borrowing become cheaper and people borrow more. This will raise AD.
15. **Open market operations:** Open market operations refers to buying and selling of government securities by the central bank from/to the public and commercial banks. RBI is authorised to sell or purchase treasury bills and government securities. Sale of securities by central bank reduces the reserves of the commercial bank. It adversely affects the bank's ability yo create credit and therefore 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.

**Margin Requirements :** Margin is the difference between the amount of loan and market value of the security offered by the borrower against the loan. If the margin fixed by central bsnk is 30%, then the commercial banks are allowed to give loan upto 70% of the value of securities. By changing the margin requirements the Cental bank can alter the amount of loans made sgaist securities by the bank.

OR

To play the role of controller of credit is the most crucial function of a central bank. A central bank regulates and controls the volume and direction of credit by following two techniques:

- i. **Quantitative Techniques-** Quantitative techniques are those techniques which focus on the overall supply of money in the economy. The following are important quantitative techniques:
  - a. Bank rate
  - b. Open market operations
  - c. Varying reserve ratio
- ii. **Qualitative Techniques-** Qualitative techniques are the techniques that influence the direction of the credit in the economy. The following are the qualitative techniques :
  - a. Margin requirements
  - b. Moral suasion



c. Rationing of credit

16. Answer the following questions:

(i)  $NVA_{FC} = GVA_{MP} - \text{Depreciation} - \text{NIT}$

$$NVA_{FC} = (i) - (ii) - (iv) - [(iii) - (v)]$$

$$= 800 - 200 - 20 - [30 - 50]$$

$$= ₹ 600 \text{ crores}$$

(ii) a. Net Indirect Taxes( Indirect Taxes-subsidies) is the difference between MP and FC.

= Net national product at market price- Net national product at factor cost

(Gross national

product at factor cost - Consumption of fixed capital)

$$= ₹1,400 \text{ crore} - (₹1,300 \text{ crore} - ₹100 \text{ crore})$$

$$= ₹1,400 \text{ crore} - ₹1,200 \text{ crore}$$

$$= ₹200 \text{ crore}$$

b. Net Domestic Product at Factor Cost

= Gross national product at factor cost - Consumption of fixed capital - Net factor income

from abroad

$$= ₹1,300 \text{ crore} - ₹100 \text{ crore} - (-) ₹20 \text{ crore}$$

$$= ₹1,300 \text{ crore} - ₹100 \text{ crore} + ₹20 \text{ crore}$$

$$= ₹1,220 \text{ crore}$$

So,

a. Net indirect taxes = ₹200 crore

b. Net domestic product at factor cost(NDP at FC) = ₹1,220 crore

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

(i) i. Recovery of loans will lead to the decline in financial assets of the government therefore it is a capital receipt as capital receipts always lead to the decline in financial assets of the government.

ii. On the other hand, interest received on loans is revenue receipts as they neither create any liability nor any reduction in assets of the government.

(ii) Direct Taxes are the taxes that are levied on the income of individuals or organisations. They include Income tax, corporate tax, wealth tax and inheritance tax. Indirect taxes are those paid by consumers when they buy goods and services.

(iii)a. Receipts from sale of shares of public sector undertaking is a capital receipt because it results in a reduction of assets.

b. Borrowing from public is a capital receipt because borrowing creates a liability.

c. Profits of public sector undertaking is a revenue receipt because it neither creates a liability nor reduces any asset.

d. Income tax received by the government is a revenue receipt as it neither creates a liability nor reduces any asset.

(iv)**Revenue deficit:** When the revenue receipts are less than the revenue expenditures in a government budget, this shortfall is termed as revenue deficit. Revenue Deficit = Revenue Expenditure - Revenue Receipts

**Fiscal deficit:** Fiscal deficit in the budget is an important measure of deficit. IMF and World Bank generally prescribe targets for the budget deficit in terms of fiscal

deficit. The Fiscal deficit is the difference between the government's total expenditure and total receipts excluding borrowings.  $\text{Fiscal Deficit} = \text{Total Budget Expenditure} - \text{Total Budget Receipts (Excluding borrowings)}$  or  $\text{Fiscal Deficit} = \text{Borrowings}$ .

**Primary deficit:** The difference between fiscal deficit and interest payment is known as primary deficit.  $\text{Primary Deficit} = \text{Fiscal Deficit} - \text{Interest Payments}$ . Interest Payments on public debt are transfer payments made by the government.

## SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. (a) Current account deposits

**Explanation:** Big businessmen, companies, and institutions such as schools, colleges, and hospitals have to make payment through their bank accounts. Since there are restrictions on the number of withdrawals from a savings bank account, that type of account is not suitable for them. They need to have an account from which withdrawal can be made any number of times.

19. (d) First Five Year Plan

**Explanation:** In the First Five Year Plan agriculture was the top priority.

OR

(d) Import substitution

**Explanation:** Import substitution

20. (c) 1955

**Explanation:** In 1955, the Village and Small-scale Industries Committee, also called the Karve Committee, noted the possibility of using small-scale industries for promoting rural development.

OR

(c) BOT

**Explanation:** The balance of trade (BOT) is the difference between a country's imports and its exports for a given time period. The balance of trade is also referred to as the trade balance or the international trade balance.

21. (b) Tourism

**Explanation:** Rural development essentially focuses on the action for the development of areas that are lagging behind in the overall development of the village economy. Tourism does not form a part of rural development.

22. (a) Development of the individuals by acquiring a good education

**Explanation:** A good education is one of the major factors of human development.

23. (d) General Agreement on Trade and Tariff

**Explanation:** GATT, was established after World War II in the wake of other new multilateral institutions dedicated to international economic cooperation.

24. (c) All of these

**Explanation:** All of these

25. (b) sustainable development

**Explanation:** Sustainable development means a sustained rise in real per capita income and economic welfare over time. It is that process which fulfils the needs of the present generation without challenging the ability of the future generations to fulfil their needs.

OR



(b) UNCED

**Explanation:** The notion of “Sustainable Development” was adopted by the United Nations Conference on Environment and Development (UNCED). Sustainable development is a development that meets the needs of the present, without compromising the ability of future generations to meet their own needs.

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

**Explanation:** Full employment by no means should be considered as a situation of zero unemployment. Structural changes by and large refer to changes related to the introduction of new technology in the production system. Because of these changes, people tend to remain unemployed for some time till they adapt themselves to these changes.

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

**Explanation:** Prior to 1921, population growth in India was never consistent. The size of the population kept fluctuating, increasing in one census and decreasing in the other.

28. Water Contamination : Life depends to a great extent on water. However, increase in population, waste disposal from factories etc., contaminate water. The development process has also polluted water and is responsible for the decreasing level of water that is harmful for animals living in water. The government has taken many steps to solve the problem of water contamination but it had failed to achieve desired success.

29.

- **Workforce in the Agriculture sector:-** In India 48% of total labour was employed in the agricultural sector against 42% in Pakistan. However, Pakistan lagged behind in this sector.
- **The workforce in Industry:-** Pakistan employed 24% of its workforce in the industry against 22% in India in 2018. It means Pakistan industry absorbs more labor in comparison to India
- **The workforce in service sector:-** Moreover 30% of the workforce was absorbed in services in India against 34% in Pakistan.

30. Definition of unemployment as per the National Sample Survey Organisation (NSSO)

- A situation in which all those who are not working owing to lack of work seeking work through employment exchanges, intermediaries, friends or relatives
- They also seek work by expressing their willingness or availability for work under prevailing conditions of work and remunerations or by making applications to prospective employers.

OR

Yes, it is necessary to create employment in the formal sector rather than in the informal sector. The given statement is true and can be defended on the following arguments:

- i. The formal sector of employment provides greater job security as compared to the informal sector of employment.
- ii. Under the formal sector of employment, people are entitled to better social security benefits.

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



- (i) Government has decided to retain the 'Navratnas' in the public sector since they are profit making and help the government to raise financial resources for themselves. It helped PSU's in increasing its efficiency. Seeing their performance government decided to retain these industries in the public sector to make them highly competitive in domestic as well as international market.
- (ii) It is necessary to become a member of WTO because of the following reasons:
  - i. **Rule Based Trading:** WTO is formed to establish a rule based trading system in which arbitrary restrictions cannot be placed on trade by different nations. This helps in making the trade environment more stable.
  - ii. **Equality of Opportunities:** Under WTO, the member countries confer the status of Most Favoured Nation (MFN) to all other member countries. Thus, WTO provides equal opportunities to all countries in the international market for trading purposes.
  - iii. **Multilateral Negotiations:** The WTO agreements cover trade in goods as well as services to facilitate international trade through multilateral trade negotiations leading to the removal of tariff as well as non-tariff barriers. This helps in providing greater market access to all member countries.
  - iv. **Common interests:** The countries of similar economic conditions being members of WTO can raise their voice to safeguards their common interests.
  - v. **Larger scope:** It provides its member countries with larger scope to produce at large scale to cater to the needs of people across the international boundaries. This provides ample scope to utilise world resources optimally and provides greater market accessibility.
- (iii) **Reasons for India as an outsourcing destination:**
  - i. Availability of skilled manpower- India has vast skilled manpower which enhances the faith of MNCs.
  - ii. Favourable Government policies- MNCs get various types of lucrative offers from the Indian government such as tax holidays, tax concessions, etc.
  - iii. Availability of cheap labour in India.

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

- (i) **(b) False**  
**Explanation:** False. Human capital refers to human resources.
- (ii) **(b) False**  
**Explanation:** False. Vocationalisation of education is the core element of skill formation.

- 33. i. The one-child norm was introduced in China in the late 1970s to control the population. The major implications are:(any two)
  - a. It was the major reason for its low population growth.
  - b. It also led to a decline in the sex ratio, the proportion of females per 1000 males
  - c. It would also bear a social cost that children would grow up with no siblings.
  - d. After a few decades, there would be more elderly people in proportion to young people.
- ii. Even after adopting various measures to contain the bulging population and reducing fertility, the populations of India and China are destined to become even

larger. The death rate in India is higher than that in China, but the prospective decline in fertility in India is surely more gradual. The attainment of a replacement level (total fertility rate of about 2.2 or 2.3 children) is long in the future to achieve a low population growth. Besides, population growth has its own momentum. Even if every couple merely replaces itself, the population continues to increase by 50% or more.

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

- (i) Cooperative credit societies. and rural banks
- (ii) Rural Development is a process of improving the standard of life and social economic welfare and overall development of the village economy.
- (iii) Buffer stock is the stock of food which is built by the government through the direct purchases from the farmers to safeguard the farmers from the low market price.
- (iv) The agricultural sector in India is already overcrowded and suffering from the problem of disguised unemployment. A major proportion of the increasing labour force needs to find alternate employment opportunities in other non-farm sectors. Animal husbandry, poultry development, fisheries, horticulture and information technology are the key areas of non-farm activities which have helped in promoting rural diversification. The rural workforce is actively engaged in various non-agricultural activities to augment their earnings. Non-agricultural activities can again be classified into two segments: dynamic sub-sectors; and traditional household industries.
- (v) Census reports reveal that around 42 million people work for the **non-farming activities** in rural India. This census constitutes nearly about 47% of the total nonfarm employment of rural areas. Manufacturing, social or personal service and most importantly retail trade are the three major own account establishments of **non-farming activities**. The percentage of the three however varied to a large extent.
  - 1) So while the category of retail and manufacturing constituted about 43.12%, example pickle industry, farm based manufacturing and handicraft etc.
  - 2) the social and personal service shopkeeper etc. constituted only about 7.67% of the total employment in the own account establishments in the rural areas.
  - 3) Employment in the non-farming sectors like mining, quarrying, electricity, gas and water supply, or other activities like financial inter mediation was found to be near to negative. However, trade, transport, manufacturing, business services or construction- such non-farming activity percentage was seen to be much higher.