

# **SAMPLE QUESTION PAPER - 1**

**Economics (030)**

**Class XII (2024-25)**

**Time Allowed: 3 hours**

**Maximum Marks: 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. **Statement I:** External Assistance, e.g. Government Aid, Inter-governmental, Multilateral and Bilateral Loans is a component of capital account of BOP. **[1]**

**Statement II:** Current Account Surplus signifies that the nation is a lender to the rest of the world.

a) Statement I is true and statement II is false.      b) Both the statements are false.

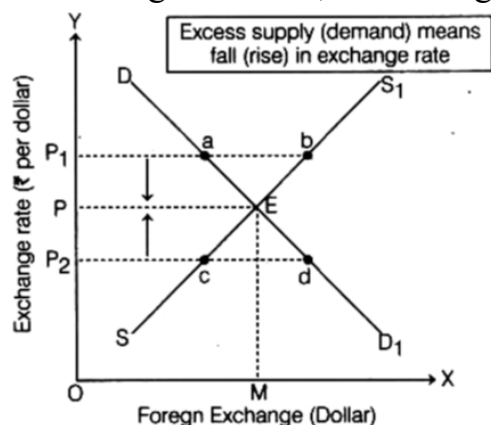
c) Both the statements are true.      d) Statement II is true and statement I is false.

2. Which one is the Bank of the Public? **[1]**

a) Commercial Bank      b) Central Bank  
c) Both commercial and central bank      d) SBI

3. With the increase in income, autonomous expenditure \_\_\_\_\_. [1]
- a) will increase proportionately      b) will remain unaffected  
c) will decrease      d) will increase
4. Generally, the value of currency of a country is expressed in terms of \_\_\_\_\_. [1]
- a) Pound Sterling      b) US Dollar  
c) Euro      d) Japanese Yen
5. If saving function of an economy is given as:  $S = -40 + 0.4(Y)$ , then MPC is: [1]
- a) 0.6      b) 1  
c) 8      d) 0.4
6. Deficient demand leads to: [1]
- a) low level of employment      b) deflationary gap  
c) excess capacity      d) all of these
7. Complete the flow  $\Delta I \rightarrow \Delta Y \rightarrow \Delta C \rightarrow$  \_\_\_\_\_. [1]
- a)  $\Delta D$       b)  $\Delta C$   
c)  $\Delta S$       d)  $\Delta Y$
8. Food processor used by the households in their kitchen is an example of: [1]
- a) consumption goods      b) intermediate goods  
c) Investment goods      d) capital goods
9. Credit creation depends on amount of initial deposit and \_\_\_\_\_. [1]
- a) margin requirement      b) legal reserve ratio  
c) all of these      d) bank rate

10. In the diagram below, at exchange rate  $OP_1$ , there is [1]



- a) Equilibrium  
b) Either Excess demand and Excess supply  
c) Excess demand  
d) Excess supply
11. Discuss briefly the three components of **operating surplus**. [3]
12. What is meant by economic transactions? How can they be categorised? [3]

OR

Explain why there is a rise in demand for foreign exchange when its price falls.

13. State briefly the effect of excess demand on output, employment and price? [4]
14. Does an excess of AD over AS always imply a situation of inflationary gap? Explain. [4]

OR

In an economy, an increase in investment leads to doubling of the national income. Calculate the Marginal Propensity to Consume (MPC) for the given economy.

15. Explain, using a numerical example, how an increase in reserve deposit ratio affects the credit creation power of the banking system. [4]
16. **Answer the following questions:** [6]

- (i) i. Calculate National Income from the following data. [3]

S.no.	Contents	(Rs. in Crores)
(i)	Private Final Consumption Expenditure	900

S.no.	Contents	(Rs. in Crores)
(ii)	Net domestic fixed capital formation	180
(iii)	Government Final Consumption Expenditure	400
(iv)	Net Indirect Taxes	100
(v)	Gross Domestic Capital Formation	250
(vi)	Change in Stock	50
(vii)	Net Factor Income from Abroad	(-) 40
(viii)	Consumption of Fixed Capital	20
(ix)	Net Imports	30

- ii. a. Define **value of output**. How is it different from **value addition**? [3]
- b. Calculate the value of **Mixed Income of Self-Employed** from the following data:

S.No	Particulars	Amount (₹ in crores)
(i)	Compensation of Employees	17,300
(ii)	Interest	1,200
(iii)	Consumption of Fixed Capital	1,100
(iv)	Mixed Income of Self-Employed	?
(v)	Subsidies	750
(vi)	Gross Domestic Product at Market Price	27,500
(vii)	Indirect Taxes	2,100
(viii)	Profits	1,800
(ix)	Rent	2,000

(ii) **OR**

- i. Calculate the Net National Product at Market Price from the given details. [3]

S.no.	Contents	(Rs. in Crores)
(i)	Mixed income of self-employed	8,000
(ii)	Depreciation	200

S.no.	Contents	(Rs. in Crores)
(iii)	Profit	1,000
(iv)	Rent	600
(v)	Interest	700
(vi)	Compensation of employees	3,000
(vii)	Net indirect taxes	500
(viii)	Net factor income to abroad	60
(ix)	Net exports	(-) 50
(x)	Net current transfers to abroad	20

ii. Calculate Intermediate consumption from the following data :

[3]

		(₹ Lakh)
(i)	Value of output	200
(ii)	Net value added at factor cost	80
(iii)	Sales tax	15
(iv)	Subsidy	5
(v)	Depreciation	20

17. Answer the following questions:

[6]

(i) From the following data, calculate Fiscal deficit and Primary deficit:

[3]

S.No.	Particulars	Amount (in ₹ crore)
i.	Capital receipts (excluding borrowings)	95
ii.	Revenue expenditure	100
iii.	Interest payments	10
iv.	Revenue receipts	80
v.	Capital expenditure	110

(ii) From the following data about a government budget, find out the following:

[3]

i. Revenue deficit

iii. Primary deficit

## SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. If a person is absent from her duty due to maternity leave, will she be considered a worker? [1]
- a) No    b) Cannot say
- c) Yes    d) Not always.
19. Common success of India and Pakistan except [1]
- a) Rise in GDP per capita                      b) Dismal fiscal management
- c) Self-sufficiency in food production                      d) Reduction in poverty
20. The major policy initiatives in agriculture sector were \_\_\_\_\_ and \_\_\_\_\_. These initiatives helped India to become self-sufficient in food grains production. [1]
- a) Equity; Growth                                      b) All of these
- c) Land reforms; Green revolution                      d) Modernisation; Self-reliance
21. Which scheme provides adequate and timely support from the banking system to the farmers for their cultivation needs in a flexible manner [1]



- a) KBC
- b) KCC
- c) KMM
- d) KMC

22. **Assertion (A):** The WTO agreements cover trade in services to facilitate international multilateral trades only through removal of tariff and non-tariff. [1]

**Reason (R):** The WTO agreements cover trade in goods as well as services to facilitate bilateral and multilateral international trade.

- 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.

23. The Government of India enacted the **Right to Education** as a fundamental right for all children in the age group of \_\_\_\_\_ years. [1]

- a) 5 - 13
- b) 6 - 12
- c) 6 - 14
- d) 5 - 14

24. Mixed economic system is followed in \_\_\_\_\_. [1]

- a) Pakistan
- b) India
- c) China
- d) India as well as Pakistan

25. Environment and economy are \_\_\_\_\_ and need of each other. [1]

- a) interdependent
- b) dependent
- c) independent
- d) complimentary

26. **Statement I:** More than Half of India's Foreign trade was restricted to Britain. [1]

**Statement II:** Britain maintained Monopoly control on India's Import and Export.

- a) Both the statements are true.                      b) Statement I is true, but statement II is false.
- c) Statement II is true, but statement I is false                      d) Both the statements are false.

27. Write the correct sequence of alternatives given in Column II by matching them with respective terms in Column I: [1]

Column I	Column II
(a) Growth	(i) Adoption of new technology to increase the production of goods and services.
(b) Modernisation	(ii) Avoiding imports of those goods which could be produced in India itself.
(c) Self-reliance	(iii) Every Indian should be able to meet his/her basic needs such as food, a decent house, education and health, and inequality in the distribution of wealth should be reduced.
(d) Equity	(iv) Increase in the country's capacity to produce the output of goods and services within the country.

- a) (a) - (ii), (b) - (iv), (c) - (i), (d) - (iii)                      b) (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)
- c) (a) - (iii), (b) - (i), (c) - (iv), (d) - (ii)                      d) (a) - (iv), (b) - (i), (c) - (ii), (d) - (iii)

28. State any two advantages of **sustainable development**. [3]

OR

How population growth is the cause of depletion of natural resources?

29. Discuss the two main forms of wage employment. [3]

30. Explain briefly the common goals of five year plans in India. [4]



31. Explain the changing role of state in Indian economy since introduction of reforms. [4]

OR

i. The real motive behind infrastructural development in India was to strengthen the British interests.

Do you agree with the given statement? Justify your answer with valid arguments.

ii. Navratna policy has facilitated the maintenance, promotion and disinvestment of Public Sector Undertakings (PSUs). Justify the given statement with valid explanation.

32. Explain how health and expenditure on information are a source of human capital formation. [4]

33. Answer the following questions: [6]

(i) i. Write a short note on 'Operation Flood'. [3]

ii. Why is it being considered necessary to replace the private moneylenders by institutional sources of credit? [3]

(ii) OR

i. The debate over farm subsidies in India is enraged at different platforms. Discuss any two arguments in against farm subsidies. [3]

ii. Discuss the problems of fishing community and give some suggestions. [3]

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

#### SINO-PAK FRIENDSHIP CORRIDOR

The China-Pakistan Economic Corridor (CPEC) relationship between the two nations. But it has also sparked criticism for burdening Pakistan with mountains of debt and allowing China to use its debt strategic assets of Pakistan.

The foundations of CPEC, part of China's Belt and Road Initiative, were laid in May 2013. At the time, Pakistan was reeling under weak economic growth. China committed to play an integral role in supporting Pakistan's economy.

Pakistan and China have a strategic relationship that goes back decades. Pakistan turned to China at a time when it needed a rapid increase in external financing to meet critical investments in hard infrastructure, particularly power plants and highways.

CPEC's early harvest projects met this need, leading to a dramatic increase in Pakistan's power generation capacity, bringing an end to supply-side constraints that had made rolling blackouts a regular occurrence across the country.

Pakistan leaned into CPEC, leveraging Chinese financing and technical assistance in an attempt to end power shortages that had paralyzed its country's economy. Years later, China's influence in Pakistan has increased at an unimaginable pace.

**China As Pakistan's Largest Bilateral Creditor:** China's ability to exert influence on Pakistan's economy has grown substantially in recent years, mainly due to the fact that Beijing is now Islamabad's largest creditor. According to documents released by Pakistan's finance ministry, Pakistan's total public and publicly guaranteed external debt stood at USD 44.35 billion in June 2013, just 9.3 percent of which was owed to China. By April 2021, this external debt had ballooned to USD 90.12 billion, with Pakistan owing 27.4 percent —USD 24.7 billion — of its total external debt to China, according to the International Monetary Fund (IMF).

Additionally, China provided financial and technical expertise to help Pakistan build its road infrastructure, expanding north-south connectivity to improve the efficiency of moving goods from Karachi all the way to Gilgit-Baltistan (POK). These investments were critical in better integrating the country's ports, especially Karachi, with urban centers in Punjab and KhyberPakhtunkhwa provinces.

Despite power asymmetries between China and Pakistan, the latter still has tremendous agency in determining its own policies, even if such policies come at the expense of the longterm socioeconomic welfare of Pakistani citizens.

### **Questions:**

- i. Outline and discuss any two economic advantages of China Pakistan Economic Corridor (CPEC) accruing to the economy of Pakistan.
- ii. Analyse the implication of bilateral 'debt-trap' situation of Pakistan vis-à-vis the Chinese Economy.

**Solution**  
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**SECTION A – MACRO ECONOMICS**

1.  
(c) Both the statements are true.  
**Explanation:**  
Both the statements are true.
2. (a) Commercial Bank  
**Explanation:**  
A commercial bank is a financial institution that **accepts deposits from the public** and gives loans for the purposes of consumption and investment to make a profit so, the commercial bank is the bank of the public.
3.  
(b) will remain unaffected  
**Explanation:**  
If income increases then autonomous expenditure will remain unaffected.
4.  
(b) US Dollar  
**Explanation:**  
Under fixed exchange rate, the most used currency for pegging was US Dollar.
5. (a) 0.6  
**Explanation:**  
0.6
6.  
(d) all of these  
**Explanation:**  
Deficient demand refers to the situation when aggregate demand (AD) is short of aggregate supply (AS) corresponding to full employment in an economy.
7.  
(d)  $\Delta Y$   
**Explanation:**  
Since we know that MPC is given by  $MPC = \frac{\Delta C}{\Delta Y}$   
Now, MPC is a function of change of consumption and multiplier is a function of MPC as

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

So, change in consumption would lead to a change in income via the multiplier process.

8. **(a) consumption goods**

**Explanation:**

Consumption goods are the goods which are ready for use by their final users and consumers are their final users.

9.

**(b) legal reserve ratio**

**Explanation:**

Credit multiplier =  $1 / \text{LRR}$

Demand deposits that can be created = credit multiplier  $\times$  cash reserves (initial deposits).

10.

**(d) Excess supply**

**Explanation:**

At exchange rate OP, there is more supply of foreign currency than demand, this represents the situation of excess supply.

11. The components of operating surplus are -

- Rent is a factor income earned by the owners for lending their services such as land, building etc.
- Royalty is the income earned by a person/institution for lending Intellectual Property Rights and rights of sub soil assets.
- Interest is the factor income earned by the owners for lending capital for production process.
- Profit is a factor income earned for entrepreneurship.

12. **Economic Transactions**

Economic transactions refer to those transactions which involve transfer of the title or ownership of goods, services, money and assets. They are broadly categorised as under:

- i. **Visible Items:** These include all types of physical goods which are exported and imported. These are called 'visible items' as they are made of some matter or material and can be seen, touched and measured. The movement of such items is open and can be verified by the custom officials.
- ii. **Invisible Items:** Invisible items of trade refer to all types of services like shipping, banking, insurance etc., which are given and received. These are called invisible items as they cannot be seen, felt, touched or measured.

- iii. **Unilateral Transfers:** Unilateral transfers include gifts, personal remittances and other 'one-way transactions'. Since these transactions do not involve any claim for repayment, they are also known as unrequited transfers.
- iv. **Capital Transfers:** Capital transfers relate to capital receipts (through borrowings or sale of assets) and capital payments (through capital repayments or purchase of assets).

OR

When price of a foreign currency falls, imports from that foreign country become cheaper. So, imports increase and hence, the demand for foreign currency rises. For example, if price of 1 US dollar falls from ₹ 79 to ₹ 77, then imports from USA will increase as American goods will become relatively cheaper. It will raise the demand for US dollars.

13. 1. EFFECT OF EXCESS DEMAND OVER:

2. OUTPUT

1. It does not affect the level of output because economy is already operating at full employment level.

3. EMPLOYMENT

1. There will be no change in the level of employment as the economy is already operating at full employment level.

4. PRICES

1. Excess demand causes rise in prices because extra demand exerts (puts) extra pressure on the same output.

14. Yes, Inflationary gap is a consequence of excess demand. Excess demand is a situation in which actual AD is more than the AD required at full employment level of equilibrium. (AD is more than AS corresponding to full employment level of equilibrium.)

OR

We know that, Investment Multiplier (K) is;

$$K = \frac{\Delta Y}{\Delta I}$$

$$\text{Also, } K = \frac{1}{1-MPC}$$

$$\text{Given; } K = \frac{\Delta Y}{\Delta I} = 2$$

$$2 = \frac{1}{1-MPC}$$

$$2 MPC = 1$$

$$MPC = \frac{1}{2} = 0.5$$

15. Reserve deposit ratio is the minimum reserves that a commercial bank must maintain as per the instructions of the central bank. Credit creation is inversely related to the reserve deposit ratio.

For Ex. suppose the legal Reserve Ratio is 0.4 and initial deposit is ₹ 1000 Total Credit

$$\text{Created} = \frac{1}{\text{RR}} \times \text{initial deposits} = \frac{1}{0.4} \times 1000 = ₹ 2,500$$

Whereas, suppose Legal Reserve ratio is 0.8 and initial deposit is ₹ 1,000

$$\text{Total Credit Created} = \frac{1}{\text{RR}} \times \text{initial deposits} = \frac{1}{0.8} \times 1000 = ₹ 1,250$$

Thus, increase in reserve deposit will decrease the credit creation power of the banking system.

16. Answer the following questions:

(i) i. By using Expenditure Method:

National Income ( $\text{NNP}_{\text{FC}}$ )

$$\begin{aligned} &= \text{Private Final Consumption Expenditure} + \text{Government Final Consumption} \\ &\quad \text{Expenditure} + \text{Gross Domestic Capital Formation} - \text{Net Imports} - \text{Net Indirect Taxes} - \\ &\quad \text{Consumption of Fixed Capital} + \text{Net Factor Income from Abroad} \\ &= 900 + 400 + 250 - 30 - 100 - 20 + (-40) \\ &= 1,550 - 190 \\ &= \text{Rs. 1,360 crore.} \end{aligned}$$

National Income includes the production of only normal residents of the country even if they are outside the domestic territory of the country.

ii. i. Value of output is the market value of goods and services produced by a firm during an accounting year. value addition is different from value of output because it reduces the value of intermediate consumption from value of output.

ii.  $\text{NDP}_{\text{FC}} = \text{GDP}_{\text{MP}} - \text{depreciation} - \text{NIT}$

$$\text{NDP}_{\text{FC}} = 27,500 - 1,100 - (2,100 - 750)$$

$$\text{NDP}_{\text{FC}} = 25,050$$

$$25,050 = 17,300 + 1,200 + \text{mixed income} + 1,800 + 2,000$$

$$\text{Mixed income} = 25,050 - 22,300 = 2,750$$

(ii) OR

i. Net Domestic Product at Factor Cost ( $\text{NDP}_{\text{FC}}$ )

$$\begin{aligned} &= \text{Compensation of Employees} + \text{Rent} + \text{Interest} + \text{Profit} + \text{Mixed Income of Self} \\ &\quad \text{Employed} \\ &= 3,000 + 600 + 700 + 1,000 + 8,000 \\ &= \text{Rs. 13,300 crores} \end{aligned}$$

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**Net National Product at Market Price ( $\text{NNP}_{\text{MP}}$ )**

$$= \text{NDP}_{\text{FC}} - \text{Net Factor Income to Abroad} + \text{Net Indirect Taxes} = 13,300 - 60 + 500$$

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= Rs. 13,740 crores

ii. Intermediate consumption

$GVA_{mp} = \text{Value of output} - NVA_{FC} - \text{NIT} - \text{Depreciation}$  ( Here NIT= IT-S)

= 200 - 80 - (15 - 5) - 20

= 200 - 80 - 10 - 20

= ₹ 90 Lakh.

17. Answer the following questions:

(i) **Fiscal Deficit**

= (100 + 110) - (95 + 80)

= ₹ 35 crore

**Primary Deficit** = Fiscal Deficit - iii

= 35 - 10

= ₹ 25 crore

(ii) 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.

## SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(c) Yes

**Explanation:**

Taking maternity leave is her right as as an employee and does not exclude her from being employed.

19.

(b) Dismal fiscal management

**Explanation:**

Must be able to plan the work-unit's budget and manage income and expenditure, through responsible implementation of policies, practices and decisions in order to achieve unit objectives effectively and efficiently.

20.

(c) Land reforms; Green revolution

**Explanation:**

Land reforms; Green revolution

21.

(b) KCC

**Explanation:**

KCC stands for Kisan Credit Card scheme in which this card is issued to the farmers who otherwise eligible for short term credit.

22.

(d) A is false but R is true.

**Explanation:**

A is false but R is true.

23.

(c) 6 - 14

**Explanation:**

6 - 14

24.

(d) India as well as Pakistan

**Explanation:**

India as well as Pakistan adopted a mixed economic system in which major economic decisions are taken by the central government authority as well as are left to the free play of the market forces.

25. (a) interdependent

**Explanation:**

interdependent

26. (a) Both the statements are true.

**Explanation:**

Both the statements are true.

27.

(d) (a) - (iv), (b) - (i), (c) - (ii), (d) - (iii)



**Explanation:**

(a) - (iv), (b) - (i), (c) - (ii), (d) - (iii)

28. Sustainable development is the process of growth that fulfills the needs of the present generation without challenging the ability of future generations to fulfill their needs. Its advantages are:
- a. It protects natural resources by recycling waste materials like paper or plastic instead of disposing them in landfills.
  - b. It ensures a better life for present and future generations.

OR

Population growth is the cause of the depletion of natural resources. More the number of people, more the demand for goods and services needed to satisfy wants. As the population increases, more natural resources are required to produce goods and services and also the demand for land for housing and agriculture increases. Increasing population has led to more extraction of natural resources from the environment thus resulting in depleting these resources.

One of the largest environmental effects of human population growth is the problem of global warming. Some scientists fear that global warming will lead to rising sea levels and extreme weather conditions in the future. In order to support the growing population, forests are being destroyed at an alarming rate. Humans also continue to put a great demand on the natural resources of our planet. Many non-renewable resources are being depleted due to the unrestrained use of fuel and energy. Many parts of the world also suffer from a shortage of food and water.

29. Wage employment is of two types:
- i. Regular Workers;
  - ii. Casual Workers.
30. The common goals of five year plans in India are: growth, modernisation, self-reliance and equity. Description of these goals are as follows:
- i. **Growth:** It refers to increase in the country's capacity to produce the output of goods and services within the country. It implies either a larger stock of productive capital, or a larger size of supporting services (like transport, banking, etc.), or an increase in the efficiency of productive capital and services.
  - ii. **Modernisation:** Modernisation refers to adoption of new technology to increase the output of goods and services. It also refers to changes in social outlook such as the recognition that women should have the same rights as men.

- iii. **Self-reliance:** Self reliance means avoiding import of those goods which could be produced in India itself. The first seven five year plans gave importance to self reliance.
- iv. **Equity:** In addition to growth, modernisation and self-reliance, equity is important. The benefits of economic prosperity should reach the poor sections as well instead of being enjoyed by the rich. Every Indian should be able to meet his/her basic needs such as food, house, education and health care; and inequality in the distribution of wealth should be reduced.

31. The changing role of state is reflected in the eighth five year plan which mentioned that the planning in India will be indicative increasingly. In order to give some correctness to the changing role of state the eighth five year plan has identified the principles governing public sector. These are :

1. The public sector must withdraw from the areas where no public sector is served by its presence.
2. State should make investments only in those areas where investment is of main infrastructural nature where private sector is not likely to come forth to an adequate extent within a reasonable time perspective.

After that we saw a major shift in the Indian economy and the role of state has been changing from a controller, regulator and participator to that of a facilitator, observer and guide. The changes that took place in the role of state since 1991 are as under:

- a. Before economic reforms, government had its share in all sectors of the economy. It was producing bread, butter, biscuits, milk, running hotels and many of these were actually not required to be in public sector. Government withdrew herself from these sectors through delicensing, deregulation and disinvestment.
- b. As a regulator, during 1947-1990, Government regulated all activities with the laws and acts. But after 1991, except some basic and strategic goods and services, decisions were made to be market driven. For this purpose, regulatory authorities were set up for different sectors.
- c. Since 1991, Government has focused its attention on development of social sector like education, health, defence, law and order.

Overall, we can say that the role of state has changed from producer to production facilitator.

OR

- i. Yes. Basic infrastructure such as railways, posts and telegraphs developed under the colonial regime. However, the real motive behind this development was not to provide basic amenities to the people of India but to serve various colonial interests. The roads and railways were built primarily to mobilise the army within India, drawing out raw materials

from the countryside to the nearest railway station/port to export. In addition to this, communication tools like telephone and telegraph were introduced to serve the purpose of maintaining law and order.

- ii. In the post-reform period, Government of India devised Navratna Policy for Public Sector Undertakings (PSUs) with an objective to improve efficiency, infuse professionalism and enable them to compete more effectively in the liberalised global environment. Under this policy, the government partly disinvested some PSUs. However, some PSUs were granted greater managerial and operational autonomy and allowed PSUs to raise resources by themselves from financial markets.

32. Health and expenditure on information are a source of human capital formation in the following way:

1. **Expenditure on Information as a Source of Human Capital:** Formation People spend to acquire information relating to the labour market, education and health institutions, etc. Information relating to job opportunities and educational institutes enables people to increase their earning potential. Therefore, it is also a determinant of human capital formation.
2. **Health as a Source of Human Capital Formation:** Health is an important source of human capital formation because only a healthy worker can contribute towards increasing the capital stock of the country. A sick worker, without access to medical facilities is compelled to abstain from work, and there is a loss of productivity.

33. Answer the following questions:

- (i) i. Operation Flood, launched in 1970, was a project of India's national dairy development board, which was the world's biggest dairy development programme. It is a system whereby all the farmers can pool their milk produced according to different grading (based on quality) and the same is processed and marketed to urban centres through cooperatives.  
In this system, farmers are assured of fair price and income from the supply of the milk to urban markets. Gujarat state holds a success story of the efficient implementation of milk cooperatives, which has been followed by many states.
- ii. It has been considered necessary to replace the private moneylenders by institutional sources of credit because:
  - i. The supply of credit was irregular and depended largely on personal relations between the borrower and the lender.
  - ii. Since the borrower was generally illiterate, the moneylender often resorted to downright cheating such as failure to record the repayments in full.

- iii. The moneylenders often took advantage of the ignorance and helplessness of the cultivator to exploit him.
- iv. The landless tenants and farm workers, who had no land to offer as security, found it difficult to borrow. The loans were available on very difficult terms, and the borrowers were often burdened with permanent debt.

(ii) OR

i. Arguments against farm subsidies:

- Benefit to fertilizer industries: It is often argued that farm subsidies have helped the fertilizer industry much more than helping the needy farmers.
- Fiscal burden: Economists argue that subsidies are a huge burden on government's finances.

ii. Fishing community is suffering from:

- a. Acute poverty
- b. Rampant underemployment
- c. Absence of mobility of labour to other sectors
- d. High rate of illiteracy and
- e. Indebtedness
- f. low per capita income

Some of the suggestions to improve the situation are:

- a. We need to spread training and education among fishing community.
- b. We need to provide credit through SHGs at cheap rates to make it affordable for them.

34. i. Economic advantages of China Pakistan Economic Corridor (CPEC) to the economy of Pakistan are:

- a. China provided financial and technical expertise to help Pakistan build its road infrastructure, supporting employment and income in the economy
- b. CPCE has led to a massive increase in power generation capacity of Pakistan. It has brought an end to supply-side constraints in the nation, which had made blackouts a regular phenomenon across the country.

ii. China has become famous for its 'Debt Trap Diplomacy' in recent times. Under this China provides financial and technical expertise/assistance to help various nations to bring them under its direct or indirect influence. The first and the foremost implication of the diplomacy is that Beijing has now become Islamabad's largest creditor. According to documents released by Pakistan's finance ministry, its total public external debt stood at

USD 44.35 billion in June 2013, just 9.3 percent of which was owed to China. By April 2021, this external debt had ballooned to USD 90.12 billion, with Pakistan owing 27.4 percent —USD 24.7 billion — of its total external debt to China, according to the IMF.