

Class 12

Economics

Set 2 with Solutions

Time Allowed: 3 Hours

Maximum Marks: 80

General Instructions:

This question paper contains two sections:

Section A – Macro Economics

Section B – Indian Economic Development

This paper contains 20 Multiple Choice Questions type questions of 1 mark each.

This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 80 words.

This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 100 words.

This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 150 words.

Section – A (40 Marks)

Macro Economics

Question 1.

Cheques are [1]

(Choose the correct alternative)

- (a) Fiat money
- (b) Fiduciary money
- (c) Credit money
- (d) Commodity money

Answer:

- (b) Fiduciary money

Explanation:

Fiduciary money refers to money backed up by trust between the payer and payee. Cheques are fiduciary money as these are accepted as a means of payment on the basis of trust and not on basis of any order of the government.

Related Theory

Fiat money is defined as the money which is under the order from the government to act as money. It must be accepted for all debts.

Credit money is the creation of monetary value through the establishment of future claims, obligations or debts.

Commodity money is the money whose value comes from a commodity which it is made.

Question 2.

The ratio of total deposits that a commercial bank has to keep with Reserve Bank of India is called: [1]

(Choose the correct alternative)

- (a) Statutory liquidity ratio
- (b) Currency deposit ratio
- (c) Cash reserve ratio
- (d) None of these

Answer:

- (c) Cash Reserve Ratio

Explanation:

Cash reserve ratio is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. Cash reserve ratio is set according to the guidelines of the central bank i.e., Reserve Bank of India.

Related Theory

Statutory liquidity ratio is the minimum percentage of deposits that a commercial bank has to maintain in the form of liquid cash, gold or other securities. It is basically the reserve requirement that the banks are expected to keep before offering to customers.

Currency deposit ratio shows the amount of currency that people hold as a proportion of aggregate deposits.

Question 3.

Disinvestment is a [1]

(Choose the correct alternative)

- (a) Capital expenditure
- (b) Revenue expenditure
- (c) Capital receipt
- (d) Revenue receipt

OR

The government budget shows the government's

- (a) Actual receipts and expenditures
- (b) Estimated receipts only
- (c) Estimated expenditure only
- (d) Estimated receipts and expenditures

Answer:

- (c) Capital receipt

Explanation:

Disinvestment is the action of the government selling or liquidating an asset or subsidiary. It refers to sale from the government partly or fully of a government owned enterprise. It is a capital receipt as it is received by selling of assets by the government.

Related Theory

The different disinvestments are minority disinvestment, majority disinvestment and complete disinvestment

OR

- (d) Estimated receipts and expenditures

Explanation:

Budget is an annual statement of the estimated receipts and expenditures of the government during a financial year.

Related Theory

The two broad divisions of government budget are:

Revenue budget

Capital budget

Question 4.

From the statements given in column I and II choose the correct pair of statements: [1]

(Choose the correct alternative)

Column 1

Column II

(I) Income from tourists	(A) Invisible items
(II) Exports of goods	(B) Credit side of BOP
(III) Investment from abroad	(C) Balance of payment
(IV) Systematic record of all transactions	(D) Visible goods

- (a) (I) – A
 (b) (II) – B
 (c) (III) – C
 (d) (IV) – D

Answer:

- (a) (I) – (A)

Explanation:

Income from tourists is an invisible item and will be recorded on the credit side of current account;

Export of goods is a visible item and recorded on the credit side of current account;

Investment from abroad is a unilateral transfer and shown on the credit side of current account;

Balance of payments records all transactions and reflect the deficit or surplus in BOP.

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Question 5.

Fiscal deficit is estimated as: [1]

(Choose the correct alternative)

- (a) Total expenditure (revenue + capital) – Total receipts
 (b) Total expenditure (revenue + borrowings) – Total receipts
 (c) Total expenditure (total receipts + capital) – Revenue
 (d) Total expenditure (borrowings + capital) – Total receipts

Answer:

- (a) Total expenditure (revenue + capital) – Total receipts

Explanation:

Fiscal deficit refers to the excess of total expenditure over the sum of revenue and capital receipts excluding borrowings.

Related Theory

Fiscal deficit reflects the borrowing requirements of the government to meet its budget expenditure.

Question 6.

Which of the following is a component of current account of BOP? [1]

(Choose the correct alternative)

- (a) Foreign loan
 (b) Errors and omissions
 (c) Unilateral transfers
 (d) Foreign investment

Answer:

- (c) Unilateral transfers

Explanation:

Components of Current Account:

Export and import of visible items

Export and import of invisible items

Unilateral transfer to and from rest of the world.

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Question 7.

Read the following statements carefully: [1]

Statement 1: GDP as an index of welfare may underestimate or overestimate the welfare.

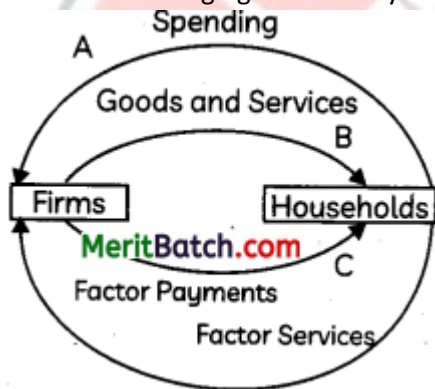
Statement 2: It does not consider the non-monetary exchanges and does not take into consideration the positive or negative aspects associated with an economic activity.

Alternatives:

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

OR

Read the following figure carefully:



..... is the payment made by the firms to the households for the services provided by the latter.

- (a) Consumption expenditure
- (b) Factor payment
- (c) Factor services
- (d) None of the above

Answer:

- (c) Both the statements 1 and 2 are true.

OR

- (b) Factor payment

Explanation:

Payment made to a factor of production in return for rendering productive (or factor) service is called factor payment (or factor income)

This is reward or compensation to factors of production for productive services rendered by them in the production process and for them these are factor income.

Question 8.

The following information is given: [1]

Sr. no.	Contents	Rs. (in Lakh)
1	Interest	700

2	Compensation of employees	3000
3	Net Direct Taxes	500
4	Rent and profit	700
5	Transfer payments by governments	10

From the above information, the value of NDP at factor cost will be :

- (a) 4000 crores
- (b) 4800 crores
- (c) 4400 crores
- (d) 4200 crores

OR

Suppose, following data is presented.

Sr. no.	Contents	Rs. (in Lakh)
1	Fixed capital goods with a life span of 5 years	15
2.	Raw materials	6
3	sales	25
4	Net change in stock	(-2)
5	Taxes on production	1

Identify, what is the value of Net Value added at market price from the following data of a firm?

- (a) 14
- (b) 10
- (c) 12
- (d) 16

Answer:

- (c) 4400 crores

Explanation:

$$\begin{aligned} \text{Net Domestic Product at Factor Cost (NDPFC)} &= \text{Compensation of Employees} + \text{Interest} + \text{Rent and Profit} \\ &= 3,000 + 700 + 700 \\ &= \text{Rs. 4,400 crore} \end{aligned}$$

OR

- (a) 14

Explanation:

$$\begin{aligned} \text{Net Value Added at Market Price (NVA) MP} &= \text{Sales} + \text{Net Change in Stock} - \text{Raw Materials} - \text{Depreciation on Fixed Capital Good} \\ &= 25 + (-2) - 6 - 3 = \text{Rs. 14 lakh} \end{aligned}$$

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Question 9.

Read the following statements carefully: [1]

Statement 1: Imputed value of owner- occupied lands is a part of both domestic income and national income.

Statement 2: Factors of production are bound to give its services regardless of the fact that it is giving its services to

the owner or an outsider.

Alternatives:

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

Answer:

- (c) Both the statements 1 and 2 are true.

Explanation:

Factor of production always gives its services regardless of its owner. So, while calculating national income we should include its market value to get actual estimation of production in the economy.

Question 10.

Read the following statements carefully: [1]

Statement 1: Money received from the sale of second hand car will be considered while estimating national income.

Statement 2: Their value is already included and it does not contribute to the current flow of goods and services.

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

Answer:

- (b) Statement 2 is true and statement 1 is false.

Explanation:

Money received from the sale of second hand car will not be considered while estimating national income as the value of second hand goods has already been accounted during the year of their production (when these were initially produced and purchased by the final users).

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Question 11.

State the important elements in the determination of an investment? [3]

Answer:

Following are the three elements important in the determination of an investment:

Expected Returns or Revenue: An investment is undertaken on the basis of expected demand or expected returns to the producers.

Costs: It has three components viz. cost of purchase of equipment, cost of maintenance of equipment (depreciation) and Cost of funds borrowed for investment.

Business Expectation: Bullish expectations attract more investment. Bearish expectations cause low investment.

Question 12.

Explain the components of $C = C^{aut} + bY$. [3]

OR

From the following data, calculate investment expenditure:

- (A) Equilibrium level of income = ₹ 30,000
- (B) Marginal propensity to save = 0.4
- (C) Autonomous consumption = ₹ 1500.

Answer:

The equation $C = C^{aut} + bY$ represents the consumption function. Consumption function defines the relationship between consumption and income where consumption value can be derived at each level with the income value.

In the equation, $C = C^{aut} + bY$

C is the consumption function;

C^{aut} is the autonomous consumption:

b is marginal propensity to consume and Y is income.

Autonomous consumption is the consumption expenditure that occurs when income levels are zero. Certain goods need to be purchased regardless of income. Marginal propensity to consume (MPC) is represented by b which is the proportion of change in consumption to change in income $MPC (b) = \frac{\Delta C}{\Delta Y}$

OR

Given,

Marginal Propensity to Save (MPS) = 0.4 Income (Y) = ₹ 30,000,

Autonomous consumption (C^{aut}) = ₹ 1500

We know that, $MPC = 1 - MPS = 1 - 0.4 = 0.6$

At equilibrium level,

$Y = C + I$

Therefore, $30,000 = [1500 + (0.6) 30,000] + I$

$30,000 = 19,500 + I$

$I = 30,000 - 19,500 = 10,500$ Hence, Investment Expenditure is equal to ₹ 10,500.

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Question 13.

How does currency deposit ratio impact the supply of money in the economy? [4]

OR

What are the different forms of money?

Answer:

Currency deposit ratio refers to the ratio between the money held by the people in terms of cash in hand to that held by them in terms of demand deposits. It is expressed as:

$\frac{CU}{DD} = CDR$

Where CU is cash in hand with people, DD is demand deposit of the people and CDR is currency deposit ratio.

It reflects liquidity preference of the people. Higher this ratio, greater the preference for liquidity (cash in hand) implying lower flow of cash in the banking system and accordingly, lower cash reserves of the commercial banks. Lower cash reserves imply lower credit creation capacity of the banks, consequently, supply of money (in terms of DD) tends to shrink.

Conversely, if banking habits of the people are significantly sound, cash in hand is less in relation to deposits with the banks. This enhances cash reserves of the banks, and accordingly their capacity to create credit implying greater supply of money in terms of demand deposits.

OR

The different forms of money are as follows:

Fiat money: The money issued by the legal authorities of an economy, such as coins and currency notes are termed as fiat money.

Full bodied money: The money in terms of coins, whose commodity value is equal to the monetary value, is termed as full bodied money.

Fiduciary money: The money which is backed by the trust between the two parties /i.e., payer and payee, is termed as fiduciary money. Eg: Promissory notes, cheque issued by one party to another.

Credit money: Credit money is any form of a financial tool that cannot be repaid immediately. Credit money is a monetary value created out of a future obligation.

Question 14.

What is revenue deficit? Explain its implications on a government budget. [4]

Answer:

Revenue deficit refers to the excess of revenue expenditure over the revenue receipts of the government in a fiscal year.

Revenue deficit = Revenue expenditure – Revenue receipts

The implications of revenue deficit are as follows:

It implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure.

It implies that government will have to borrow not only to finance its investment but also its consumption requirements.

It implies that the government is living beyond its means to conduct day to day operations. It implies that the government has to cover up the revenue deficit through sale of assets.

In case of revenue deficit, capital receipts are used to finance consumption of the government which lead to inflationary situations in the economy.

It implies a repayment burden on the government in the future as large borrowings to meet revenue deficit will increase debt burden due to repayment of liability and interest payment.

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Question 15.

“Increase in interest rate in the domestic economy leads to an appreciation of domestic currency”. Comment. [4]

Answer:

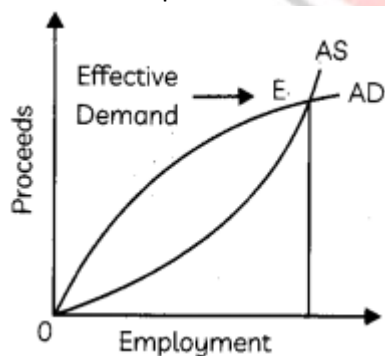
An increase in interest rate in the domestic economy leads to an increase in demand for domestic currency in the international market as more and more people from foreign countries start investing in the domestic currency. An increase in the demand for domestic currency lead to an appreciation of domestic currency. There is an inverse relationship between interest rate in the domestic economy and the rate of exchange and a fall in exchange rate implies depreciation of the domestic currency.

Question 16.

Explain the principle of effective demand. Use diagram. [6]

Answer:

Effective demand refers to the willingness and ability of consumers to purchase goods at different prices. In the Keynesian theory, it is assumed that price level remains fixed or constant in the short run. It is also assumed that aggregate supply is perfectly elastic i.e, producers are willing to supply whatever amount is demanded by the consumers at the given fixed price. The importance of Keynes’ view is that effective demand may be insufficient to achieve full employment due to unemployment and workers without income to produce unsold goods. So, when aggregate supply (AS) is assumed to be constant, equilibrium is solely determined by aggregate demand (AD), it is called it Principle of effective demand.i



From the above diagram, it is clear that point E represents effective demand as at this point aggregate demand and aggregate supply are equal.

Question 17.

(A) Study the table : [6]

	Particulars	₹ in crores
(i)	Opening stock	600
(ii)	Closing stock	1000
(iii)	Purchase of raw material	1200
(iv)	Sales	4500
(v)	Corporate tax	500
(vi)	Undistributed profit	100
(vii)	Dividend	200
(viii)	Rent	600
(ix)	Depreciation	300
(x)	Indirect taxes	300
(xi)	Subsidies	200
(xii)	Wages and salaries	800
(xiii)	Interest	100

Calculate:

(i) Value of output at MP

(ii) GVAMP

(iii) NVAMP

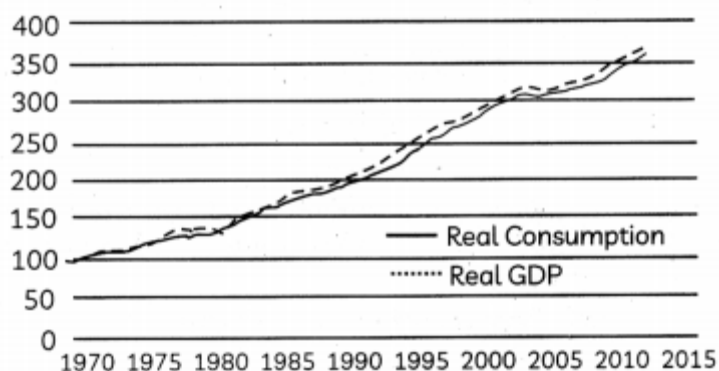
(iv) NVAFC

(B) Why is sum of factor income known as domestic income?

OR

Study the following graph and discuss how GDP still cannot be considered an appropriate measure of economic well-being.

Figure 1 : Cumulative growth in consumption and GDP since 1970



Answer:

(A) (i) Value of output at MP = Sales + Change in stock
= 4500 + (1000 – 600)
= ₹ 4,900 crores

(ii) GVAMP = Value of output – Intermediate consumption (purchase of raw material)
= 4900 – 1200
= ₹ 3,700 crores

(iii) NVAMP = GVAMP – Depreciation
= 3700 – 300
= ₹ 3,400 crores

(iv) NVAPc = NVAMP – Net indirect taxes
= 3400 – (300 – 200)
= ₹ 3,300 crores

(B) Factor income includes incomes like rent, profits, wages, and interest. Also, according to the income method, factor incomes i.e. compensation of employees, operating surplus and mixed income of self-employed is equal to domestic income.

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OR

The figure shows cumulative growth in real broadly defined consumption (the sum of personal consumption expenditures plus government consumption expenditures) since 1970.

The series has risen by roughly three-and-one-half fold over the 48-year period shown. The figure also shows that cumulative growth in real GDP (depicted by the red dashed line) has been about the same over this period—suggesting that GDP, even with its conceptual differences, is not a bad proxy for broadly defined consumption.

The one important conceptual shortcoming of GDP as a measure of economic well-being that cannot be resolved through series already in the standard national income accounts is GDP's exclusion of (most) non-market activities that create welfare for households. Trends in the importance of non-market activities could lead to a widening gap between household welfare and GDP such that changes in measured GDP may not proxy for changes in well-being over the longer run.

For example, the surge of women into the labor force in the 1970s, 1980s, and 1990s would have boosted GDP even if newly employed women were previously producing the same amount outside of the marketplace—a case in which the increase in GDP would have overstated the increase in welfare. However, some more recent trends would go in the opposite direction.

For example, the internet has made it easier for people to arrange for travel directly instead of going through a travel agent. These personal efforts to book travel are not counted in GDP but the services of a travel agent would be counted, leading GDP growth to understate the increase in welfare. (In this case, at least the travel purchased shows up in GDP. In our section on “free goods” we discuss the degree to which services consumed more broadly via the internet are showing up in GDP.)

SECTION – B (40 Marks)
Indian Economic Development

Question 18.

Under the Industrial Policy of 1991, the number of industries reserved for the public sector has been reduced from 17 to: [1]

- (a) 6
- (b) 8

(c) 3

(d) 7

Answer:

(b) 8

Explanation:

Under the industrial policy of 1991, the number of industries reserved for the public sector were reduced from 17 to only 8, which were considered to be of strategic importance.

Related Theory

Industries reserved for public sector are classified as follows:

Arms and ammunition

Atomic energy

Coal and lignite

Mineral oils

Mining of iron ore

Mining of copper, lead

Minerals specified in the schedule to the atomic energy

Rail transport

Question 19.

..... means removing all unnecessary controls and restrictions imposed by the government Like quotas, Licenses etc. [1]

(a) Privatisation

(b) Globalisation

(c) Liberalisation

(d) License Raj

Answer:

(c) Liberalisation

Explanation:

Liberalisation refers to the process of making policies less constraining of economic activity and also reduction of tariff or removal of non-tariff barriers.

Related Theory

Globalisation refers to the expansion of economic activities across political boundaries of nation states.

Privatisation refers to the transfer of ownership of property or business from a government to a privately owned entity.

License Raj was the elaborate system of licenses, regulations and accompanying red tape that were required to set up and run businesses in India between 1947 and 1990.

Question 20.

Arrange the following events of China and Pakistan in chronological order and choose the correct alternative: [1]

(I) Great Leap Forward

(II) Nationalisation of capital goods in Pakistan

(III) Introduction of reforms in China

(IV) Pakistan's First five year plan Alternatives:

(a) (I), (II), (III), (IV)

- (b) (II), (III), (IV), (I)
- (c) (IV), (I), (II), (III)
- (d) (IV), (III), (II), (1)

Answer:

- (c) (IV), (I), (II), (III)

Explanation:

The Great Leap Forward (GLF) campaign initiated in 1958 in China aimed at industrialising the country on a massive scale.

In the 1970s, nationalisation of capital goods industries took place in Pakistan.

Introduction of reforms in China took place in 1978. China introduced reforms in phases. In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors.

Pakistan announced its first five year plan, now called the Medium Term Development Plan, in 1956.

Question 21.

Which country among these is not a member of BRICS? [1]

- (a) Brazil
- (b) Russia
- (c) India
- (d) Sweden

OR

Commune system of farming was adopted by:

- (a) India
- (b) Pakistan
- (c) China
- (d) None of these

Answer:

- (d) Sweden

Explanation:

The BRICS brings together 5 countries: Brazil, Russia, India, China and South Africa.

Related Theory

SAARC, European Union, ASEAN, G-8, G-20 are some of the initiatives through which nations have been primarily trying to adopt various means which will strengthen their own domestic economies.

OR

- (c) China

Question 22.

Read the following Statement-Assertion (A) and Reason (R). Choose one of the correct alternatives given below: [1]

Assertion (A): The ozone layer present in the upper atmosphere of Earth is beneficial for sustaining life on Earth.

Reason (R): Montreal Protocol, is an international treaty designed to protect ozone layer by phasing out the production of numerous substances that are responsible for ozone depletion.

Alternatives:

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

Answer:

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

Explanation:

Montreal Protocol was adopted to protect ozone layer which is beneficial for sustaining life on Earth.

Question 23.

Read the following Statement-Assertion (A) and Reason (R). Choose one of the correct alternatives given below: [1]

Assertion (A): India announced the New Economic Policy in 1991 consisting of wide range of economic reforms.

Reason (R): World Bank and International Monetary Fund (IMF) granted \$ 7 billion to manage the economic crisis in late 1980, with conditionalities.

Alternatives:

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

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

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

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

Answer:

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

Explanation:

The New Economic Policy was introduced by the Government of India in 1991 under the conditionalities of World Bank and International Monetary Fund (IMF)

Question 24.

If new computers are being installed in a company and some employees are fired from the job due to lack of computer knowledge, then what kind of unemployment will it be called? [1]

(a) Disguised unemployment

(b) Structural unemployment

(c) Hidden unemployment

(d) Frictional unemployment

OR

Which of the following is the main source of employment for majority of workers in India?

(a) Primary sector

(b) Secondary sector

(c) Tertiary sector

(d) All of the above

Answer:

(b) Structural unemployment

Explanation:

It is an unemployment that happens because of a mismatch between the skilled workers and the jobs that are actually available.

OR

(a) Primary sector

Question 25.

Read the following statements carefully: [1]

Statement 1: Economic activity means production activity.

Statement 2: There is difference between production activity and economic activity. It is like this, economic activity relates to the use of scarce of resources.

(a) Statement 1 is true and statement 2 is false.

(b) Statement 2 is true and statement 1 is false.

(c) Both the statements 1 and 2 are true.

(d) Both the statements 1 and 2 are false.

Answer:

(b) Statement II is true and statement I is false

Explanation:

An economic activity is an activity of providing, making, buying or selling commodities or services by people. It includes any activity that deals with the manufacturing, distributing or utilising of products or services.

Question 26.

Read the following statements carefully: [1]

Statement 1: Urban unemployment is a spillover of rural unemployment.

Statement 2: Owing to the lack of opportunities of employment, people in the rural areas are compelled to migrate to the urban areas in search of livelihood.

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

Answer:

(c) Both the statements 1 and 2 are true.

Question 27.

Vaccination, proper diet, promotion of food supply, sanitation, maternal and child healthcare, provision of essential drugs, etc. health services are provided by in India. [1]

- (a) primary healthcare system
- (b) secondary healthcare system
- (c) tertiary healthcare system
- (d) All of the above

Answer:

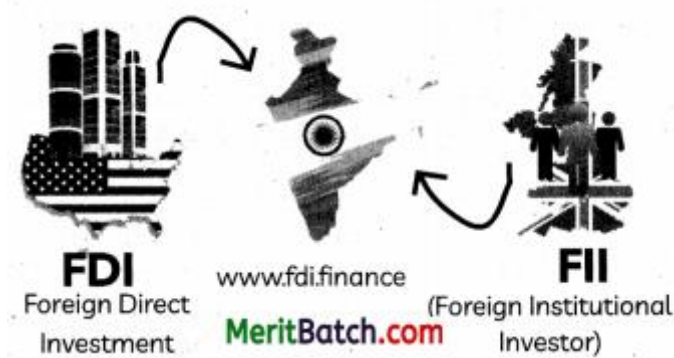
(a) primary healthcare system

Question 28.

Interpret the following image and discuss the effect of these two factors on Indian economy. [3]

FDI INDIA

Foreign Direct Investment vs Foreign Institutional Investor



Answer:

The following picture depicts the contribution of FDI and FII into the Indian economy. The opening up of the economy after 1991 has led to rapid increase in foreign direct investment and foreign exchange reserves. The foreign investment, which includes foreign direct investment (FDI) and foreign institutional investment (FII), has increased from about US \$ 100 million in 1990-91 to US \$ 467 billion in 2012-13.

There has been an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$ 304 billion in 2013-14. India is one of the largest foreign exchange reserve holders in the world.

Question 29.

Which taxes at the Centre and State level are being subsumed into GST?

OR

Write a short note on World Trade Organisation (WTO). Also explain any two functions. [3]

Answer:

At the Central level, the following taxes are being subsumed into GST;

Service Tax;

Central Sales Tax;

Additional Excise Duty;

Central Excise Duty;

Additional Customs Duty commonly known as Countervailing Duty, and;

Special Additional Duty of Customs;

At the State level, the following taxes are being subsumed into GST;

Entertainment Tax (other than the tax levied by the Local bodies);

State Sales Tax;

Octroi and Entry Tax;

Purchase Tax;

Luxury Tax;

OR

World Trade Organisation (WTO) was founded in 1995, with 123 nations as members, as the successor organisation to the General Agreement on Trade and Tariff (GATT). GATT was established in 1948, with 23 countries, as the global trade organisation to administer all multilateral trade agreements. WTO is expected to establish a rule-based trading regime in which nations cannot place arbitrary restrictions on trade. Presently 164 nations are the members of WTO. The two functions of WTO are as follows:

Formulation of rules: It sets the rule for the global trading system in which nations cannot place arbitrary restrictions on trade.

Protecting the interest of developing countries: It frames fair global rules, regulations as well as safeguards and advocates the interests of the developing world.

Question 30.

(A) Why are less women found in regular salaried employment? [4]

(B) Analyse the recent trends in sectoral distribution of workforce in India: Trends in Employment Pattern (Sector wise), 1993-2012 (in %)

Sector	1993 – 1994	1999 – 2000	2011 – 2012
Primary	64	60.4	24.3
Secondary	16	15.8	24.3
Services	20	23.8	26.8

Answer:

(A) Lesser women are found in regular salaried employment in India, because;

jobs generally require skills and high level of literacy.

lack of mobility among women in India due to social constraints.

(B) The given data indicates that over the given period, the proportion of workforce in primary sector has gone down from 64% in 1993-94 to 24.3% in 2011-12, this account to nearly a fall of 20% over the years. Whereas, the employment share of both secondary and the services sector has increased in India. The share of secondary sector has gone up by approximately 9% (from 16% in 1993-94 to 24% approximately in 2011-12), the corresponding figure for services sector has gone up by 7% (from 20% in 1993-94 to 27% approximately in 2011-12).

These sectoral changes have been very significant in the growth journey of India, showing the gradual shift of the workforce from primary sector to the secondary and tertiary sector.

Question 31.

“Greater dependence on Public Sector Enterprises is the main cause behind the slow economic growth of Pakistan”. In light of the above statement, explain the reasons behind the slow growth and re-emergence of poverty in Pakistan. [4]

Answer:

The following are the main reasons for the slow growth and re-emergence of poverty in Pakistan:

- (1) Adoption of traditional agricultural practices: The agricultural practices in Pakistan relied heavily on traditional methods and the vagaries of climatic conditions resulting in low productivity. In addition, the agricultural sector was not able to flourish to the extent it was thought of.
- (2) Dependence on foreign loans: There was an increasing dependence on foreign loans for meeting the foreign exchange requirements. Repaying these loans along with the mounting interest obligations increased the difficulty level of Pakistan. The increasing burden of huge foreign loans impeded the economic growth prospects of Pakistan.
- (3) Dependency on the public sector enterprises: Pakistan largely relied on the policy of protection by assigning central role to the public sector enterprises. The operational inefficiencies of Public Sector Enterprises along with the misallocation of scarce resources resulted in dormant economic growth rate.
- (4) Lack of political stability: The lack of political stability demanded huge public expenditure for maintaining law and order in Pakistan.

Question 32.

Write short notes on: [4]

- (A) Global burden of diseases on India
- (B) Reduction of forest coverage

OR

What is the role of rural banking system in the process of rural development in India?

Answer:

(A) India is very high on Global burden of diseases. Global burden of diseases (GBD) is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of 'disability' owing to the disease.

In India, more than half of GBD is accounted for by communicable diseases such as diarrhea, malaria and tuberculosis.

(B) The per capita forest land in the country is only 0.08 hectares. There is an excess felling of about 15 million cubic meter forests over the permissible limit. Indiscriminate felling of trees has led to destruction of forest cover. Once forest have been cut down, essential nutrients are washed out of the soil-altogether. This leads to soil erosion and leads to Leads disastrous flooding since there is no soil to soak up the rain.

OR

Rapid expansion of the banking system had a positive effect on rural farm and non-farm output, income and employment, especially after the green revolution – it helped farmers to avail services and credit facilities and a

variety of loans for meeting their production needs. However, apart from commercial banks, other formal institutions have failed to develop a culture of deposit mobilisation – lending to worthwhile borrowers and effective loan recovery.

The expansion and promotion of the rural banking sector has taken a backseat after 1991 economic reforms. To improve the situation, it is suggested that banks need to change their approach from just being lenders to building up banking relationships with the borrowers. Inculcating the habit of thrift and efficient utilisation of financial resources needs to be enhanced among the farmers too.

Question 33.

Do you think the various measures taken by the government to improve agricultural marketing are sufficient?

Discuss. [6]

OR

Discuss four measures that were initiated to improve the agricultural marketing aspect of the country.

Answer:

To improve the system of agricultural marketing, the government initiated a number of measures such as establishing organisation for the regulation of markets, infrastructural development (cold storage, warehouses, etc.), propagation of market information through agriculture based programmes on radio and television, minimum support price policy, etc.

However, despite various attempts by the government, the system of agricultural marketing in India has only been partly successful. The following are some of the obstacles in the successful agricultural marketing system:

Lack of knowledge of market prices and market conditions forces the farmers to sell their produce at a lower price after harvesting. Also, insufficient storage makes the crops vulnerable to pests and bad weather.

It is found that farmers often fall informed to defecting weighing techniques and misappropriation of accounts.

There is lack of institutional sources of finance which forces the farmers to fall back on moneylenders for obtaining credit.

Transportation facilities are insufficient as result of which the farmers are unable to sell their produce at far off places.

Due to the presence of large number of intermediaries, farmers remain separated from the actual consumers. The intermediaries purchase the produce from the farmers at a very low price and sell them at a much higher price in the market. This implies that the farmers receive a very small share of the actual return of the produce.

OR

The measures that were initiated to improve the agricultural marketing aspect of the country are as follows:

(1) The first step was regulation of agricultural . markets to create orderly and transparent agricultural marketing conditions. This policy of government benefited farmers as well as consumers. However, there is still a need to develop rural periodic markets to realise the full potential of rural markets.

(2) The second step is to make a provision of ' physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing units. The current infrastructure facilities are quite inadequate to meet the growing demand and need to be improved.

(3) The third aspect is Cooperative marketing, means to realise fair prices for farmer's products. The success of milk cooperatives in transforming the social and economic landscape of Gujarat and some other parts of the country is testimony to the role of cooperatives.

(4) The fourth element is the policy instruments like (a) assurance of minimum support prices (MSP) for agricultural products (b) maintenance of buffer stocks of wheat and rice by Food Corporation of India and (c) distribution of food grains and sugar through PDS. These instruments are aimed at protecting the income of the farmers and providing food grains at a subsidised rate to the poor.

Read the following case carefully and answer the given questions:

Some economists, have projected that India will become the third biggest economy in the world a few decades from now. For that to happen, India will have to boost its infrastructure investment. In any country, as the income rises, the composition of infrastructure requirements changes significantly. For low-income countries, basic infrastructure services like irrigation, transport and power are more important.

As economies mature and most of their basic consumption demands are met, the share of agriculture in the economy shrinks and more service related infrastructure is required. This is why the share of power and telecommunication infrastructure is greater in high-income countries. Thus, development of infrastructure and economic development go hand in hand.

Agriculture depends, to a considerable extent, on the adequate expansion and development of irrigation facilities. Industrial progress depends on the development of power and electricity generation, transport and communications. Obviously, if proper attention is not paid to the development of infrastructure, it is likely to act as a severe constraint on economic development.

Question 34.

“Some economists have projected that India will become the third biggest economy in the world a few decades from now. For that to happen, India will have to boost its infrastructure investment.” Explain the importance of infrastructure in the light of this statement. [6]

OR

“The share of power and telecommunication infrastructure is greater in high-income countries.” Why?

Answer:

Infrastructure is critical to rapid economic growth and poverty eradication in the country. Adequate infrastructure in the form of a road and rail transport system, ports, power, airports and their efficiency are also needed to integrate the Indian economy and other world economies. The expansion in infrastructure facilities such as irrigation, rural electrification, roads and road transport will promote agricultural growth and setting up of agroprocessing industries.

OR

In any country, as the income rises, the composition of infrastructure requirements changes significantly. For low-income countries, basic infrastructure services like irrigation, transport and power are more important. As economies mature and most of their basic consumption demands are met, the share of agriculture in the economy shrinks and more service related infrastructure is required. This is why the share of power and telecommunication infrastructure is greater in high-income countries.