

CBSE EXAMINATION PAPER-2024

ECONOMICS

(Solved)

Time allowed : 3 hours

Maximum Marks : 96

General Instructions :

Read the following instructions carefully and follow them :

- i. This question paper contains **41 questions**. All questions are **compulsory**.
- ii. This question paper is divided into **5 sections**.
- iii. **Section A** – questions number **1 to 2** are case based questions
- iv. **Section B** – questions number **3 to 18** are multiple choice questions
- v. **Section C** – questions number **19 to 32** are short answer type i
- vi. **Section D** – questions number **33 to 39** are short answer type ii
- vii. **Section E** – questions number **40 to 41** are long answer
- viii. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions.
- ix. Use of calculator is NOT allowed.

Section A

Question 1. The Central Bank can reduce the Money Supply in the economy by...

(1) Fill up the blanks with correct alternative: increasing, bank rate; decreasing, cash reserve ratio; decreasing bank rate; buying, government securities.

[1 Marks]

Answer: The correct option is: increasing bank rate, as this would reduce the money supply.

Question 2.

'We are One-Earth, One Family and we share One Future.' is the opening sentence of the G-20 New Delhi Leader's Declaration Statement.

In this statement the leaders pledged to "resolve to fully and effectively implement the 2030 Agenda and the Sustainable Developmental Goals (SDG's)". The leader's commitments contained in the Declaration statement reflect, "the philosophy of living in harmony with our surrounding ecosystem".

The Declaration recognises the "Cascading challenges and crisis that have reversed gains" on the 2030 Agenda of SDG's.

The leaders "affirm that no country should have to choose between fighting poverty and fighting for our planet".

The leaders resolved to act

- accelerate strong, sustainable, balanced and inclusive growth;
- accelerate the full & effective implementation of 2030 Agenda
- pursue low-carbon and environmentally sustainable development pathways; e
- Pursue reforms for better, comprehensive and more effective finance avenues.

The leaders commit to "taking collective actions for effective and timely implementation of the G-20 2023 Action Plan to accelerate progress on the SDG's; including through actions on eliminating hunger and malnutrition, strengthening global health and implementation of One Health approach, and delivering quality education."

(1)

State and discuss the importance of collective fight in achieving SDG's.

[3 Marks]

Answer: The collective fight in achieving the Sustainable Development Goals (SDGs) is crucial due to the interconnected nature of global challenges. Each country faces unique issues such as poverty, climate change, and health crises that cannot be addressed in isolation. By working together, nations can share resources, knowledge, and strategies to create a more sustainable future. For instance, the G-20 Leader's Declaration emphasizes the need to act collectively to eliminate hunger, strengthen

global health, and promote quality education. This collaboration allows for a unified approach to tackle cascading challenges that threaten progress on the 2030 Agenda. Moreover, a collective effort ensures that no country struggles alone, fostering solidarity and shared responsibility amongst nations in pursuit of a harmonious and sustainable ecosystem.

**Key Points: Interconnected global challenges - Sharing resources and strategies
- Unified approach for sustainable future**

(2)

Discuss briefly the action plan of G-20 leaders in promoting 'One Health' approach.

[3 Marks]

Answer: The G-20 leaders have committed to a comprehensive action plan aimed at promoting the 'One Health' approach, which recognizes the interconnectedness of human, animal, and environmental health. This initiative is a response to the global crises that threaten the progress of the Sustainable Development Goals (SDGs). The action plan includes strengthening global health systems to better address pandemics and enhancing nutrition security to eliminate hunger and malnutrition. By implementing the 'One Health' approach, G-20 leaders aim to foster integrated efforts that address health across multiple sectors, ensuring a holistic response to health challenges. The emphasis is on collaborative actions that engage various stakeholders and promote sustainable health practices.

Key Points: commitment to One Health approach-strengthening global health systems-enhancing nutrition security

Section B

Question 3.

The Central Bank can reduce the Money Supply in the economy _____ by _____the . (Fill up the blanks with correct alternative.)

[1 Marks]

(A) Increasing bank rate.

(B) Decreasing bank rate.

(C) Decreasing cash reserve ratio.

(D) Buying government securities.

Explanation: The correct answer is 'Increasing bank rate.' When the central bank increases the bank rate, it makes borrowing more expensive, which reduces the money supply in the economy as banks charge higher interest rates on loans.

Question 4.

If a straight line consumption function makes a positive intercept at the Y-axis, it implies that the Marginal Propensity to Consume _____ Average Propensity to Consume _____ and as the level of income rises.

(Fill up the blanks with correct alternative.)

[1 Marks]

(A) remains constant, rises

(B) falls, falls

(C) remains constant, falls

(D) rises, rises

Explanation: In a straight line consumption function with a positive Y-intercept, the average propensity to consume (APC) decreases as income rises because individuals tend to save a larger portion of their income as it increases. However, the marginal propensity to consume (MPC) remains constant in this linear function.

Question 5.

Under the _____ Exchange Rate System, the Central Bank can control the rise/fall of foreign exchange rate in a range bound manners.

(Fill up the blank with correct alternative.)

[1 Marks]

(A) gold standard

(B) flexible

(C) fixed

(D) managed floating

Explanation: The correct answer is 'managed floating' because in a managed floating exchange rate system, the central bank intervenes in the foreign exchange market to stabilize or influence the exchange rate within a certain range, rather than allowing it to float freely.

Question 6.

Identify the incorrect feature(a) of the Money Supply in an economy, from the following:

- (i) It is measured during a period of time.
- (ii) It includes stock of money held by the government of a nation.
- (iii) It always represents the currency held with Central Bank of the Nation.

Alternatives:

[1 Marks]

(A) (ii) and (iii)

(B) (i), (ii) and (iii)

(C) (i) and (ii)

(D) (i) only

Explanation: Money supply refers to the total stock of money available in the economy at a particular point of time, not over a period of time; hence, statement (i) is incorrect. Also, money supply includes the currency held by the public and banks, but not the stock of money held by the government; therefore, statement (ii) is also incorrect. Statement (iii) is correct because money supply includes currency issued and held, including that with the central bank.

Question 7.

Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : Real Gross Domestic Product is a better indicator of economic growth of a nation as compared to Nominal Gross Domestic Product.

Reason (R) : Real Gross Domestic Product measures the value of goods and services at current year prices.

Alternatives :

[1 Marks]

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

(B) Assertion (A) is true, but Reason (R) is false.

(C) Assertion (A) is false, but Reason (R) is true.

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

Explanation: The correct option is 'Assertion (A) is true, but Reason (R) is false.' Real GDP is indeed a better indicator of economic growth as it adjusts for inflation, whereas nominal GDP measures value at current prices, thus not reflecting the true growth of an economy accurately when inflation is present.

Question 8.

Read the following statements carefully:

Statement 1: Consumption and Savings are the components of National output of an economy

Statement 2: Higher level of Income often leads to lower savings.

In the light of the given statements, choose the correct alternative from the following:

[1 Marks]

(A) Statement 1 is true and Statement 2 is false.

(B) Both Statements 1 and 2 are true.

(C) Both Statements 1 and 2 are false.

(D) Statement 1 is false and Statement 2 is true.

Explanation: Statement 1 is true because consumption and savings are indeed key components of the national output, reflecting how resources are allocated in an economy. Statement 2 is false as higher income typically leads to higher savings, contrary to the assertion made.

Question 9.

10. Arrange the following in the correct sequential order, if the government of a nation is trying to curtail the situation of inflationary gap :

- (i) Decrease in disposable income
- (ii) Increase in taxes
- (iii) Decrease in Aggregate Demand

Alternatives

[1 Marks]

(A) (ii), (i), (iii)

(B) (iii), (ii), (i)

(C) (ii), (iii), (i)

(D) (i), (ii), (iii)

Explanation: The correct order is (ii), (i), (iii). First, the government increases taxes (ii), which leads to a decrease in disposable income (i). As disposable income decreases, consumers spend less, resulting in a decrease in Aggregate Demand (iii). This sequence is essential for effectively addressing inflation.

Question 10.

Read the following statements – Assertion (A) and Reason (R). Choose one of the correct alternatives given below :

Assertion (A) : License Permit Raj was a major obstacle for growth of private sector.

Reason (R) : Private sector wasted huge amount in obtaining licences, rather than on improving the product, quality and international competitiveness.

Alternatives :

[1 Marks]

(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.

Explanation: Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). The License Permit Raj indeed hindered the growth of the private sector because obtaining licenses consumed resources and time, which could have been utilized for enhancing product quality and competitiveness.

Question 11.

Identify, which of the following alternative indicates towards incorrect components combination of Agricultural Marketing System?

[1 Marks]

(A) Assembling, Storage, Processing, Packaging

(B) Production, Assembling, Processing, Grading

(C) Processing, Packaging, Grading, Distribution

(D) Assembling, Processing, Packaging, Transportation

Explanation: The incorrect combination is 'Production, Assembling, Processing'. This is because production is typically considered a separate phase in the agricultural marketing system rather than a component of the marketing process, which focuses on the aspects directly related to moving products to consumers.

Question 12.

Read the following statements carefully:

Statement 1: China has used the market mechanism to create additional social and economic opportunities for its citizens.

Statement 2: In China, Social Infrastructure created by the government brought positive results in human development indicators.

In the light of the given statements, choose the correct alternative from the following

[1 Marks]

(A) Statement 1 is false and Statement 2 is true.

(B) Both Statement 1 and 2 are false.

(C) Both Statement 1 and 2 are true.

(D) Statement 1 is true and Statement 2 is false.

Explanation: Statement 1 is true because China has successfully used the market mechanism to create additional social and economic opportunities without losing political commitment, leading to growth and poverty alleviation. Statement 2 is also true because public intervention in providing social infrastructure even prior to reforms has brought positive results in human development indicators in China. Therefore, both statements are correct.

Question 13.

Read the following statements carefully:

Statement 1: As per National Sample Survey Organisation (NSSO) unemployment is a situation in which all those who, owing to lack of work, are not working, but seeking work from prospective employers, expressed their willingness to work under the prevailing condition of work and remuneration.

Statement 2: Disguised unemployment is generally a massive problem in the highly populated country like India.

In the light of the given statements, choose the correct alternative from the following:

[1 Marks]

(A) Statement 1 is false and Statement 2 is true.

(B) Both Statement 1 and 2 are false.

(C) Statement 1 is true and Statement 2 is false.

(D) Both Statement 1 and 2 are true.

Explanation: Both Statement 1 and Statement 2 are true. Statement 1 accurately describes unemployment according to NSSO, and Statement 2 correctly identifies disguised unemployment as a significant issue in a densely populated country like India.

Question 14.

Under the British Rule, commercialization of agriculture resulted in shifting of agricultural production from _____ crops to _____ crops.

(Fill up the Blanks with correct alternative.)

[1 Marks]

(A) Food, Cash

(B) Cash, Food

(C) Jute, Food

(D) Cotton, Jute

Explanation: The correct answer is 'Food, Cash'. During British Rule, agriculture was commercialized which primarily shifted focus from food crops (needed for local consumption) to cash crops (like tea, cotton, and jute) that were produced for export and profit. This transformation prioritized cash crops over food crops, impacting local food availability.

Question 15.

Identify, which of the following is not a correct function of environment?

(i) Exclusion of waste

(ii) Sustainance of life

(iii) Provide aesthetic services

Alternatives:

[1 Marks]

(A) (i) only

(B) (i) & (ii)

(C) (ii) only

(D) (ii) & (iii)

Explanation: (i) Exclusion of waste is a correct function of the environment as it involves the processing and assimilation of waste. (ii) Sustainance of life is also a correct function, as the environment provides essential resources for life. (iii) Provide aesthetic services, while it can be a function of the environment, is not a fundamental function compared to the other two. Therefore, the correct answer is (iii) because it is less critical in the context of essential environmental functions.

Question 16.

In the decade of 1970's, Pakistan nationalised its _____ industry (Fill up the blank with correct alternative)

[1 Marks]

(A) Foreign trade

(B) Consumer goods

(C) Capital goods

(D) Medical infrastructure

Explanation: The correct answer is 'Capital goods' as during the 1970s, Pakistan implemented nationalisation policies that primarily targeted key industries, including capital goods, to control and manage them more effectively for economic development.

Question 17.

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

Assertion (A): The developmental experiences of India and Pakistan have a lot of similarities.

Reason (R): Both India and Pakistan laid emphasis on creating a large private sector.

Alternatives:

[1 Marks]

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

(B) Assertion (A) is true, but Reason (R) is false.

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

(D) Assertion (A) is false, but Reason (R) is true.

Explanation: The developmental experiences of India and Pakistan do have many similarities, as both countries followed planned patterns of development and have comparable physical endowments. Hence, Assertion (A) is true. However, the Reason (R) is false because both countries did not primarily emphasize creating a large private sector.

Instead, their initial focus was more on public sector-led development and planned economic growth. Thus, Reason (R) is not correct.

Question 18.

Economic reforms were introduced in the year year in India and in the in Pakistan.

(Fill up the blanks with correct alternative.)

[1 Marks]

(A) 1978, 1988

(B) 1991, 1988

(C) 1978, 1991

(D) 1988, 1978

Explanation: The correct answers are 1991 for India and 1988 for Pakistan. India introduced significant economic reforms in 1991 to liberalize its economy, while Pakistan initiated its own reforms in 1988 aimed at economic stabilization and growth.

Section C

Question 19.

Estimate the value of Net National Product at Factor Cost (NNPFc), using the following information :

[3 Marks]

Answer: To estimate the Net National Product at Factor Cost (NNPFc), we start with the Gross National Product at Market Price (GNPmp) and subtract depreciation. Additionally, we deduct indirect taxes and add subsidies to reach the NNPFc. For example, if the GNPmp is given as 1,000,000, depreciation is 100,000, indirect taxes amount to 50,000, and subsidies total 20,000, the calculation would be: $NNPFc = GNPmp - Depreciation + Subsidies - Indirect Taxes$, which would equal $1,000,000 - 100,000 + 20,000 - 50,000 = 870,000$. Thus, the estimated NNPFc is 870,000.

Question 20.

"Disposition Phase of circular flow of Income involves flow of factor Income, which comprises of rent, wages, interest and profits from firms to households."

Defend or refute the statement, giving valid reasons in support of your answer.

[3 Marks]

Answer: The statement regarding the disposition phase of the circular flow of income accurately reflects the economic relationship between firms and households. In this phase, firms distribute factor income, which includes wages for labor, rent for land, interest for capital, and profits from enterprise. Households receive this income as compensation for their factors of production. This transaction highlights the interconnected nature of the economy, where households provide resources to firms while receiving compensation, facilitating consumption and investment. Hence, the circular flow model underscores the vital exchange that sustains economic activity.

Question 21.

State the meaning of autonomous and accommodating items, under Balance of Payments of India, with the help of an example.

[3 Marks]

Answer: In the Balance of Payments (BoP) of India, autonomous items refer to transactions that occur independently of the current balance, driven by intrinsic economic motives. For instance, export of goods is an autonomous item. Conversely, accommodating items are those necessary to correct the balance of payments and are influenced by the need to balance any deficit. A good example of accommodating items is capital transfers which compensate for the outflow of cash. Thus, autonomous items reflect genuine economic activities, while accommodating items highlight adjustments made to maintain equilibrium.

Question 22.

'In the past few decades, Indian economy has been fairly benefitted by positive externalities created by rapid rise in infrastructure.'

Justify the given statement with valid arguments.

[3 Marks]

Answer: The rapid rise in infrastructure in India has significantly benefited the economy through various positive externalities. First, improved transportation networks, like highways and railways, have enhanced connectivity, leading to the efficient movement of goods and people. This reduced logistics costs and increased trade. Second, better infrastructure has attracted foreign direct investment (FDI), as investors seek regions with

robust facilities, leading to job creation and economic growth. Moreover, the expansion of utilities like electricity and water has fueled industrial growth, enabling businesses to thrive. Additionally, qualitative improvements in education and healthcare infrastructure positively impact human capital development. Overall, these externalities have contributed to a more competitive, inclusive, and robust Indian economy.

Question 23.

State the steps pertaining to the estimation of National Income by Value Added Method.

[3 Marks]

Answer: The Value Added Method of estimating National Income involves several key steps. First, we identify the various sectors of the economy, such as agriculture, industry, and services. Next, we calculate the Gross Value Added (GVA) for each sector by subtracting intermediate consumption from the total value of goods and services produced. Then, we sum up the GVA from all sectors to obtain the overall National Income. Adjustments for taxes and subsidies on products are made to arrive at the Net National Income. Finally, we ensure accurate data collection from various sources, including government records and business reports, to enhance the reliability of the estimates.

Question 24.

"Farm subsidies put a huge burden on the government finances, but are necessary for the poor and marginal farmers."

Justify the given statement.

[3 Marks]

Answer: Farm subsidies are vital for supporting the livelihoods of poor and marginal farmers who often struggle to compete in the agricultural market. These subsidies help stabilize their income, ensuring they can continue farming despite fluctuations in crop prices and adverse climatic conditions. While it is true that providing these subsidies imposes a significant burden on government finances, the economic and social stability they provide to the agricultural sector is indispensable. Supporting smallholders encourages food security and promotes rural development, ultimately benefiting the larger economy. The government can also seek to balance the financial impact by implementing reforms that increase the efficiency of subsidy distribution and promote sustainable agricultural practices. Overall, these subsidies are a necessary investment in the nation's future.

Question 25.

Discuss briefly the role of small-scale industries in the growth Journey of India.

[3 Marks]

Answer: Small-scale industries (SSIs) have played a pivotal role in India's economic growth by contributing to industrial production, creating employment opportunities, and promoting entrepreneurship. These industries have fostered the development of rural and semi-urban areas by reducing regional disparities in industrialization. SSIs are vital in generating a significant share of the country's output and exports, thereby enhancing the economy's global competitiveness. Furthermore, they serve as a platform for innovation and skill development, essential for sustainable growth.

Question 26.

Goals of Equity was fully served by abolition of the intermediaries in agriculture in the post-independence period of India.

Do you agree with given statement Support your answer with vald arguments.

[3 Marks]

Answer: The abolition of intermediaries in agriculture after India's independence aimed to promote equity among farmers and enhance their economic condition. The main beneficiaries were small and marginal farmers who previously struggled under feudal arrangements, as they could now directly access government schemes and markets. However, the complete fulfillment of equity goals remains debatable. While many gained ownership and control over land, disparities still exist due to unequal access to resources, credit, and technology. Additionally, the shift led to the emergence of new challenges like the rise of agricultural debt and market fluctuations, which affected vulnerable farmers disproportionately. Thus, although the abolition of intermediaries was a significant step toward equity, it did not fully resolve all inequities in the agricultural sector.

Question 27.

'Scholars find son preference as a common phenomenon in India, Pakistan and China.'

Justify the given statement in the light of skewed sex-ratio.

[2 Marks]

Answer: Son preference is a prevailing issue in India, Pakistan, and China, significantly influencing their demographic trends and contributing to a skewed sex ratio. Cultural beliefs, economic factors, and societal norms underpin this preference. In these regions, sons are often viewed as carriers of the family name and primary financial supporters, whereas daughters are seen as liabilities due to dowries. This preference has led to sex-selective practices, resulting in higher male births and a notable imbalance in sex ratios. For instance, according to data, India and China have some of the lowest female-to-male ratios globally. The societal pressure to produce male heirs further exacerbates this issue, fostering a cycle where the birth of a daughter is less desired, ultimately leading to discrimination against girls in health, education, and social opportunities. Various government initiatives and campaigns have started to address this imbalance, focusing

on the value of the girl child, aiming to change the deep-rooted mindset regarding gender preference.

Question 28.

State any two liberty indicators.

[2 Marks]

Answer: Liberty indicators are measures that reflect the extent of individual freedoms within a society. Two significant liberty indicators are: First, the Freedom of Expression, which denotes the right of individuals to express their opinions freely without censorship or restraint. This includes freedom of the press and the ability to participate in open discussions. Second, the Right to Assembly, allowing people to gather peacefully for protests, meetings, or other collective activities. Both indicators are crucial for a functioning democracy and the protection of civil liberties.

Question 29.

Discuss any two measures initiated by the government to improve Agricultural marketing in India.

[3 Marks]

Answer: The Indian government has implemented several measures to enhance agricultural marketing. Firstly, the introduction of the National Agriculture Market (e-NAM) has been a significant step. It is an online trading platform that connects farmers with buyers across the country, promoting price transparency and reducing middlemen. Secondly, the Pradhan Mantri Kisan Samman Nidhi Yojana (PM-KISAN) provides direct income support to farmers, thereby strengthening their bargaining power in the market. These initiatives aim to create a more efficient and fair agricultural marketing system.

Question 30.

Elaborate the importance of credit in rural development.

[3 Marks]

Answer: Credit plays a crucial role in rural development by enabling farmers and small entrepreneurs to access the necessary funds for agricultural activities and business ventures. It supports farmers in purchasing seeds, fertilizers, and equipment, thereby enhancing productivity and ensuring food security. Moreover, credit facilities help rural individuals invest in infrastructure and improve their living conditions. Through microfinance and cooperative societies, credit also encourages entrepreneurship, leading to job creation and reducing poverty levels in rural areas. Additionally, the timely availability of credit allows for better risk management, enabling farmers to cope with fluctuations in income due to market volatility or climate change. Ultimately, credit is

essential for fostering economic growth, improving livelihoods, and ensuring sustainable development in rural regions.

Question 31.

India can transform itself knowledge-based economy by using information technology.'

Justify the given statement.

[3 Marks]

Answer: India has the potential to become a knowledge-based economy through strategic use of information technology. First, IT can enhance education and skills training, leading to a more skilled workforce. By increasing access to online learning platforms, individuals can acquire knowledge that meets industry needs. Second, IT facilitates innovation by fostering entrepreneurship and supporting startups, which drive economic growth. Furthermore, the digital economy allows for better data management and analytics, enabling informed decision-making. Overall, leveraging IT is crucial for India's transition to a knowledge-based economy, creating jobs and improving productivity.

Question 32.

"It is necessary to generate employment in the formal sector rather than the informal sector."

Justify the given statement with valid arguments.

[3 Marks]

Answer: Generating employment in the formal sector is crucial for several reasons. Firstly, formal employment offers job security and benefits such as health insurance, retirement plans, and paid leave, ensuring a stable livelihood for workers. Secondly, it contributes to the country's economy by providing a reliable tax base, which funds public services and infrastructure. Thirdly, formal jobs often promote better working conditions and legal protections for employees, reducing exploitation common in informal sectors. Additionally, formal employment increases access to skill development and training opportunities, fostering workforce productivity and innovation. Lastly, the formal sector can help combat unemployment and underemployment by creating more sustainable job opportunities, therefore reducing poverty levels.

Section D

Question 33.

Suppose, the Indian Government decides to boost public investments with a defence project of ₹ 40,000 crore.

Explain the likely impacts of the given situation on the Income, Employment and Output of the economy, assuming all other factors constant.

[4 Marks]

Answer: The Indian government's investment of ₹ 40,000 crore in a defence project is expected to have significant positive impacts on the economy. Firstly, this investment will likely increase national income as government spending boosts aggregate demand. This heightened demand can lead to higher production levels, thereby raising the overall output of the economy. Secondly, with increased spending on the defence project, new jobs will be created in various sectors, including manufacturing and services related to defense. This, in turn, can lead to a decrease in unemployment rates, contributing further to economic stability. Overall, while there may be some opportunity costs associated with such high investment, the potential for increased income, employment opportunities, and output provides a compelling case for public investment.

Question 34.

Elaborate the 'Banker's Bank and Supervisor' function of the Reserve Bank of India.

[4 Marks]

Answer: The Reserve Bank of India (RBI) serves as the 'Banker's Bank' by providing essential banking services to commercial banks. It maintains accounts for these banks and acts as a clearinghouse for inter-bank transactions. One key role is to offer short-term loans to banks to manage liquidity effectively. Additionally, as a supervisor, the RBI oversees the banking sector to ensure stability and compliance with regulations. It enforces guidelines to promote prudent practices among banks, assesses their financial health, and conducts audits. This dual function helps maintain public confidence in the banking system and prevents systemic risks.

Question 35.

Suppose an economy is in equilibrium. From the following data, calculate Investment Expenditure in the economy .

- (i) National Income = ₹ 40,000 crore
- (ii) Marginal Propensity to Consume (MPC) = 0.8
- (iii) Autonomous Consumption (O) = ₹ 100 crore

[4 Marks]

Answer: To calculate Investment Expenditure, we can use the equilibrium condition in the economy where National Income (Y) equals Consumption (C) plus Investment (I). The formula for Consumption is $C = O + MPC \times Y$. Plugging in the values: $C = ₹ 100 \text{ crore} + 0.8 \times ₹ 40,000 \text{ crore} = ₹ 100 \text{ crore} + ₹ 32,000 \text{ crore} = ₹ 32,100 \text{ crore}$. Since $Y = C + I$, we rearrange

to find I: $I = Y - C = ₹ 40,000 \text{ crore} - ₹ 32,100 \text{ crore} = ₹ 7,900 \text{ crore}$. Therefore, the Investment Expenditure in the economy is ₹ 7,900 crore.

Question 36.

"With the objective to correct deflation, Reserve Bank of India may decrease the Bank rate."

Discuss the rationale behind the step taken by the Reserve Bank of India (RBI).

[4 Marks]

Answer: The Reserve Bank of India (RBI) may decrease the Bank rate to combat deflation, which refers to a period of declining prices and economic downturn. Lowering the Bank rate reduces the cost of borrowing for commercial banks. This increase in liquidity encourages banks to lend more, ultimately leading to higher consumer and business spending. As credit flows increase, aggregate demand rises, which can help stabilize or increase prices. Additionally, lowering interest rates can stimulate investments in various sectors, promoting economic growth. This policy is particularly crucial during deflationary periods as it aims to restore confidence in the economy, increase consumption, and prevent further economic contraction. Overall, the decrease in the Bank rate is a proactive measure to stimulate economic activity and counteract the adverse effects of deflation.

Question 37.

(i) "National Education Policy 2020 of India stresses a lot on in-service teachers' training."

In the light of the given statement, state and explain any two advantages of such on-the-job trainings in upliftment of education sector of any nation.

(ii) Define Casual Wage Labourer.

[4 Marks]

Answer: In-service teacher training, as emphasized by the National Education Policy 2020 of India, offers significant advantages to the education sector. Firstly, it enhances the quality of teaching. Teachers gain updated knowledge and skills, keeping them informed about the latest teaching methodologies and educational technologies. This not only boosts their confidence but also leads to improved student engagement and performance. Secondly, it fosters professional development. Continuous learning ensures that educators evolve with changing educational demands, creating an adaptive teaching workforce. These trainings also encourage collaboration among teachers, enabling sharing of best practices and ideas. Therefore, in-service training is pivotal in uplifting the overall quality of education in a nation.

Question 38.

- (i) Elaborate any two reasons owing to which lesser number of women are found in regular salaried employment.
- (ii) Define worker – population ratio.

[4 Marks]

Answer: One significant reason for the lower number of women in regular salaried employment is societal norms and gender roles. Cultural expectations often confine women to domestic duties, limiting their participation in the workforce. In many regions, traditional beliefs persist that prioritize men's roles as breadwinners, pushing women towards unpaid labor or informal work. Another reason is the lack of affordable childcare services, which forces many women to choose between professional aspirations and family responsibilities. Without support systems in place, women are often unable to pursue careers actively. Regarding the worker–population ratio, this is defined as the proportion of the working population to the total population, calculated by dividing the number of workers by the total population and multiplying by 100. It illustrates the level of engagement in economic activities and reflects labor market conditions.

Question 39.

Elaborate how the economic reforms process of India impacted the following :

- (a) Agriculture sector
- (b) Industrial sector

[4 Marks]

Answer: The economic reforms initiated in India in 1991 had significant repercussions for both the agriculture and industrial sectors. In agriculture, reforms facilitated access to better technology, credit, and market information, leading to increased productivity and efficiency. Initiatives like the liberalization of agricultural markets helped farmers get fair prices. The industrial sector benefited from reduced regulations and the opening up of markets, allowing for foreign investments and technology transfers. This enhanced competitiveness and led to a growth in the manufacturing sector, contributing to economic growth. Overall, these reforms stimulated innovation, improved infrastructure, and created employment opportunities.

Section E

Question 40.

With valid reasons, classify the following into Capital receipts or Revenue receipts of the government :

- (i) Dividend received by the government from a Maharatana company.
- (ii) Receipts of the government from sale of shares of a Public Sector Undertaking (PSU) in open market.
- (iii) Debt cleared by Sri Lanka Government to the Indian Government.

[6 Marks]

Answer: To classify the receipts listed, we must understand the distinction between capital receipts and revenue receipts. Capital receipts refer to funds that result from the sale of assets or borrowing, while revenue receipts arise from the government's regular income activities. (i) The dividend received by the government from a Maharatana company is classified as a revenue receipt. This is because it represents income earned by the government from its investment in the company. (ii) The money received from the sale of shares of a Public Sector Undertaking (PSU) in the open market is classified as a capital receipt. This is due to the fact that it involves the government divesting its ownership stake in an asset, hence resulting in a decrease of government owned assets. (iii) The debt cleared by the Sri Lankan government to the Indian government is also classified as a capital receipt. This is because it reflects a payment from one government to another for past borrowings or loans, which leads to a change in liabilities. Hence, these classifications clarify the nature and implications of government receipts in different contexts.

Question 41.

(i) 'Government Budget can be a useful instrument in reducing inequalities in the distribution of income and wealth in an economy.'

Do you agree with the given statement ? Present valid arguments in favour of your answer.

(ii) State the meaning and formula of Fiscal deficit.

[6 Marks]

Answer: I strongly agree that a government budget plays a crucial role in mitigating income and wealth inequalities within an economy. The budget reflects the government's priorities, including social welfare programs that aim to support disadvantaged groups. By increasing spending on education, healthcare, and infrastructure, the government can provide equal opportunities for all citizens, thereby uplifting economically weaker sections. Additionally, progressive taxation ensures that wealthier individuals contribute a fair share, redistributing resources to fund public services. This form of wealth redistribution can lead to improved quality of life and economic mobility for lower-income individuals. Moreover,

effective government budgeting can stimulate economic growth, leading to job creation and increased income levels across society. Regarding fiscal deficit, it refers to the situation when the government's total expenditures exceed its total revenues. It is calculated using the formula: $\text{Fiscal Deficit} = \text{Total Expenditure} - \text{Total Revenue}$. A controlled fiscal deficit can indicate a government's investment in future growth, but it must be monitored to avoid excessive debt.

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