CBSE EXAMINATION PAPER-2025

ECONOMICS

(Solved)

Time allowed : 3 hours Maximum

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **40 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 22** are multiple choice questions
v. **Section C** – questions number **23 to 28** are short answer type i
vi. **Section D** – questions number **29 to 36** are short answer type ii
vii. **Section E** – questions number **37 to 40** 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.

Read the following text carefully :

Climate change and sustainability of environment are two pressing issues that have captured global attention. In recent years, the world has witnessed a surge extreme weather events including severe droughts, cloud bursts, floods, land slides, receding coastlines and the alarming melting of arctic ice and Himalayan Wildfires have become more frequent and intense.

In this context, sustainable agriculture emerges as a crucial solution. This refers to those farming practices that meet today's requirements while preserving res for the future generation. This means adopting methods that protect the environment, reduce dependence on chemical inputs, efficiently using water and land ensuring socio-economic equity for farmers.
On one hand sustainable agricultural practices are necessary, on the other, they are often more expensive to implement compared to conventional methods. Sustainable practices like organic farming, climate — smart technologies, modern irrigation system may seem costly upfront, but they offer long-term benefits l improving productivity, and environmental stewardship. Without accessible and affordable financing options, the much needed shift to sustainable farming prac remain a distant dream for many.

Therefore, sustainable finance should not only promote eco-friendly practices but also ensure that financial resources are available to the farmers who need it.

Source : https://website.vbi.org.in/web/rbi/-/speches interview/financingfor-sustainable-agriculture (adopted and modified)

On the basis of the given text and common understanding, answer the following questions :

(1)

Define Sustainable Agriculture.

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Answer: Sustainable agriculture refers to farming practices that meet the needs of the present without compromising the ability of future generations to mee
own needs. This includes methods that protect the environment, use resources efficiently, and promote socio-economic equity for farmers.

**Key Points: farming practices that meet present needs-resource preservation for future generations-environmental protection and socio-econ
equity**

(2)

"Sustainable Agriculture practices, like organic farming may seem costly initially, but offer long term benefits."

Discuss the long term benefits these practices can offer.

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Answer: Sustainable agriculture practices, particularly organic farming, while initially seeming costly, provide several long-term benefits. Firstly, they restore
maintain ecological balance, leading to healthier soils and ecosystems, which enhances agricultural productivity over time. Secondly, organic farming reduce
dependency on chemical inputs, lowering environmental pollution and preserving biodiversity. This shift not only contributes to a sustainable environment bu
meets the increasing global demand for organically grown food. Additionally, organic farming generates new income opportunities through exports, as count
seek safer food options. Ultimately, the long-lasting benefits of increased soil fertility, reduced environmental degradation, and enhanced profitability from ex
make organic farming a sustainable choice for future generations.

Key Points: Restores ecological balance-Reduces dependency on chemicals-Generates income through exports

(3)

State any two strategies to promote sustainable development in a developing country like India.

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Answer: Two strategies to promote sustainable development in a developing country like India are: first, promoting organic farming practices that enhance
environmental sustainability and provide healthier food options; second, diversifying agricultural activities by incorporating non-agricultural sectors such as li
and fisheries, which can reduce dependency on traditional agriculture and improve rural livelihoods.

Key Points: promote organic farming - diversify agricultural activities - enhance rural livelihoods

Question 2.

Read the following text carefully :

Balance of Payments (BOP) systematically summarise, the economic transactions of an economy with the rest of the world, over a given period of time. The B
be broadly divided into two accounts namely :

- current account
- capital account

The current account measures the transfer of goods, services, income and transfers between an economy and rest of the world. The current account may be s
divided into merchandise account and invisible account. Merchandise account consists of transactions related to export and import of goods.

In the invisible account, there are three broad categories :

Non-factor services such as travel, transportation, insurance etc.

Transfer which do not involve any value in exchange.
Income which includes compensation of employees and investment income.

The capital account reflects the net changes in financial claims on rest of the world.

The capital account can be broadly broken up into two categories :

- Non-debt flows such as direct and portfolio investments.
- Debt flows such as external assistance, commercial borrowings, nonresident deposits etc.

The sum of the two accounts indicates the overall balance, which could be either be in surplus or deficit. The movement in overall balance is reflected in chang international reserves of the country. Source : https : // mospi.gov.in/109-balance — payments (adopted and modified)

On the basis of the given text and common understanding, answer the following questions :

(1)

Define Balance of Payments.

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Answer: The Balance of Payments (BoP) is a systematic summary of an economy's transactions in goods, services, and assets with the rest of the world ov specified period, typically one year.

Key Points: systematic summary-economy's transactions-goods, services, assets-with the rest of the world-time period

(2)

Differentiate between the two accounts of Balance of Payments.

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Answer: The Balance of Payments (BOP) comprises two main accounts: the current account and the capital account. The current account records the econ transactions related to goods, services, income, and transfers between a country and the rest of the world. It includes the merchandise account, which focus exports and imports of goods, and the invisible account, which covers non-factor services, income, and transfers. In contrast, the capital account reflects the changes in financial claims on the rest of the world, categorizing transactions into non-debt flows (such as direct and portfolio investments) and debt flows (s commercial borrowings and external assistance). Together, these accounts illustrate the overall trade and financial position of the economy in relation to the

Key Points: 1. Current account records transactions related to goods, services, and transfers; 2. Capital account reflects changes in financial claims; 3. Current account includes merchandise and invisible accounts, while capital account is divided into non-debt and debt flows.

(3)

Give the meaning of Balance of Payments deficit with formula.

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Answer: The Balance of Payments (BoP) deficit occurs when the overall balance is negative, indicating that a country is spending more on its international transactions than it is earning. The formula to express a BoP deficit is: Overall Balance < 0, which signifies that receipts are less than payments.

Key Points: BoP deficit indicated by Overall Balance < 0; Reflects negative international transactions; Formula: Overall Balance < 0

Section B

Question 3.

The monetary policy is formulated by the ___ in the Indian economy.

(Choose the correct option to fill up the blank)

(A) Central Government.

(B) Reserve Bank of India.

(C) State Governments.

(D) World Bank.

Explanation:

The correct answer is 'Reserve Bank of India.' The context states that the Reserve Bank of India (RBI) acts as the monetary authority of the country, regulating supply of money and formulating monetary policy in India.

Question 4.

Identify which of the following is not to be considered while estimating Revenue Deficit of a country.

(Choose the correct option to fill up the blank)

(A) Expenditure incurred on construction of flyover.

(B) Direct Tax Collection.

(C) Interest payments made by the Central Government.

(D) Wages and salaries paid by the government.

Explanation: The correct option is 'Expenditure incurred on construction of flyover.' This is because the revenue deficit calculation focuses on revenue expend revenue receipts, while capital expenditures, such as those incurred for constructing infrastructure like flyovers, do not directly impact the revenue deficit.

Question 5.

In the Keynesian Economics, ___ starts from the origin and is always drawn at an angle of 45°.

(Choose the correct option to fill up the blank)

(A) Aggregate demand curve

(B) Investment curve

(C) Reference line

(D) Consumption curve

Explanation:

The correct option is 'Reference line'. In Keynesian economics, the 45° line represents all points where income equals expenditure, thus indicating the macroe equilibrium. It starts from the origin (0,0) and bisects the first quadrant at a 45° angle, making it a reference line against which other functions such as consump investment can be plotted.

Question 6.

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

Assertion (A): In case of public goods no one can be excluded from enjoying the benefits.

Reason (R): Public goods are non-rivalrous and non-excludable in nature.

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

Explanation: Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) because public goods are defined as beir rivalrous and non-excludable, which supports the idea that no one can be excluded from enjoying the benefits of these goods.

Question 7.

Value Addition = ___ - Value of Intermediate Consumption.(Choose the correct option(s) to complete the stated formula.)

(i) Domestic sales

(ii) Sales - change in stock

(iii) Value of output

(iv) (Number of units produced) x (Price per unit)

(A) (C) (ii), (iii) and (iv)

(B) (D) (iii) and (iv)

(C) (B) (ii) and (iii)

(D) (A) (i) and (ii)

Explanation: The correct answer is (C) (ii), (iii) and (iv). According to the provided context, value added is determined by subtracting the value of intermediate from the total sales or production output (value of output). Therefore, the options (ii), which represents sales adjusted for inventories, (iii) which refers to the ov output value, and (iv), which calculates output as the product of units produced and price per unit, all correctly contribute to the formula.

Question 8.

Suppose for an economy, autonomous consumption stands at ₹100 crore and total consumption is ₹130 crores. The value of induced consumption would be₹ crore.

(Choose the correct option to fill up the blank)

(A) 80

(B) 130

(C) 30

(D) 100

Explanation: The induced consumption can be calculated by subtracting autonomous consumption from total consumption. Here, total consumption is ₹130 c autonomous consumption is ₹100 crores. Thus, induced consumption = ₹130 crores - ₹100 crores = ₹30 crores. Therefore, the correct answer is ₹30 crore.

Question 9.

As the Banker to the Bank, Reserve Bank of India performs all functions except ____ .(Choose the correct option to fill up the blank)

(A) Maintaining current account for Commercial Banks.

(B) Clearing and settlement of Interbank transactions.

(C) Purchase and sale of securities on behalf of general public.

(D) Facilitating governmental transactions.

Explanation: The correct answer is 'Purchase and sale of securities on behalf of general public.' The Reserve Bank of India (RBI) functions as a banker to the and the government, manages currency issues, and facilitates clearing and settlement of interbank transactions. However, it does not conduct purchase and s securities on behalf of the general public, as this is typically the role of commercial banks and individual investors.

Question 10.

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

Assertion (A): If the value of Marginal Propensity to Save is 0.5, Marginal Propensity to Consume will be equal to Marginal Propensity to Save.

Reason (R): Sum of Marginal Propensity to Consume and Marginal Propensity to Save always equals to unity.

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

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

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

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

Explanation:

The correct option is: "Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A)."

The Marginal Propensity to Consume (MPC) and the Marginal Propensity to Save (MPS) always add up to 1. If the MPS is 0.5, then MPC must also be 0.5, ma them equal in value. This confirms the assertion. The reason given is a fundamental economic principle that justifies the assertion accurately, making it the cor explanation.

Question 11.

The budget under which the government may spend an amount equal to the revenue it collects is referred to as ___ Budget. (Choose the correct option to fill u blank)

(A) Surplus

(B) Deficit

(C) Deflationary

(D) Balanced

Explanation: The correct answer is 'Balanced' Budget because a balanced budget occurs when the government's expenditures are equal to its revenues. Acc the provided context, a balanced budget is specifically defined as the situation where the government spends an amount equal to what it collects in revenue.

Question 12.

To arrive at the value of equilibrium level of income, there must exist an equality between ex-ante_____and ex-ante_____. (Choose the correct option to fill u blank)

(i) Aggregate Demand, Aggregate Supply

(ii) Aggregate Demand, Savings

(iii) Aggregate Demand, Investment

(iv) Savings, Investment

(A) (A) (i) and (ii)

(B) (B) (i) and (iv)

(C) (C) (ii) and (iii)

(D) (D) (iii) and (iv)

Explanation: The correct answer is (B) (i) and (iv) because equilibrium in the context of income involves equating ex ante aggregate demand with ex ante agg supply. The relevant context emphasizes that the equilibrium level of income is determined when aggregate demand (which includes consumption and investm equals aggregate supply.

Question 13.

□□□□□□□ of agriculture refers to production of crops for sale in the open market rather than for self consumption purpose.

(A) Commercialisation

(B) Diversification

(C) Digitisation

(D) Modernisation

Explanation: The correct option is Commercialisation. Commercialisation of agriculture refers specifically to the production of crops intended for sale in the ma contrast to growing crops primarily for personal consumption. The context provided discusses various agricultural strategies, but none explicitly define this tern however, the understanding of agriculture's market-oriented production aligns with commercialisation.

Question 14.

Read the following statements carefully :

Statement 1 : In 1978, commune lands were divided into small plots to the individual households for cultivation.

Statement 2 : Under commune system, professionals were sent to work and learn from the country side.

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

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

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

(C) Both statements 1 and 2 are true.

(D) Both statements 1 and 2 are false.

Explanation:

The correct option is: Both Statement 1 and Statement 2 are true.
Statement 1 is true, as it refers to the 1978 agricultural reforms in China, where commune lands were distributed to individual households for cultivation under Household Responsibility System. This move significantly increased productivity and rural incomes.
Statement 2 is also true, as it reflects the policy during the Cultural Revolution in China, where intellectuals and professionals were sent to rural areas to work from farmers as part of the "Down to the Countryside Movement." Both statements are accurate based on historical context.

Question 15.

Identify, the options that emphasize the role of information and technology.

(i) Achieving sustainable development

(ii) Attainment of food security

(iii) Disseminates information regarding emerging technologies.

(A) Only (ii)

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

(C) Only (i)

(D) (i) and (ii)

Explanation: The correct option is (i), (ii), and (iii). The context provided emphasizes that information technology plays a crucial role in both achieving sustaina development and food security, as well as disseminating information about emerging technologies. All three options highlight the importance of IT in these area

Question 16.

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

Assertion (A) : Under the land reforms, Indian government fixed the minimum land size which could be owned by an individual.

Reason (R) : The purpose of land ceiling was to avoid the concentration of land ownership in a few hands.

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

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

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

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

Explanation: Assertion (A) is false because the land reforms fixed a maximum size of land that could be owned by an individual, not a minimum size. Reason as it correctly explains that the purpose of land ceiling legislation was to prevent concentration of land ownership. Therefore, the correct option is 'Assertion (A) but Reason (R) is true.'

Question 17.

□□□□□□□ are the people who operate their own farms / enterprises.

(Choose the correct option to fill up the blank)

(A) Self-Employed

(B) Hired Workers

(C) Casual Wage Workers

(D) Regular Salaried Employees

Explanation: The correct option is 'Self-Employed'. This is because self-employed individuals operate their own farms or enterprises, which aligns with the def provided in the question. The context indicates that a significant portion of rural workers fall under this category, with 58% of rural workers identified as self-em

Question 18.

Agricultural marketing is a process that involves the_____of agricultural commodities.

(Choose the correct option to fill up the blank)

(A) Economic Development

(B) Human Capital

(C) Human Resource

(D) Human Development

Explanation:

The correct option is 'Economic Development' because agricultural marketing encompasses a variety of activities such as assembling, storage, processing, transportation, packaging, grading, and distribution of agricultural commodities, all of which contribute to the economic development of the agricultural sector a economy as a whole.

Question 19.

In recent years, all the adults are encouraged to open bank accounts as a part of a scheme known as□□□□□□□.

(Choose the correct option to fill up the blank)

(A) Jan-Dhan Yojana

(B) Jan-Aushadhi Yojana

(C) Jan-Soochna Yojana

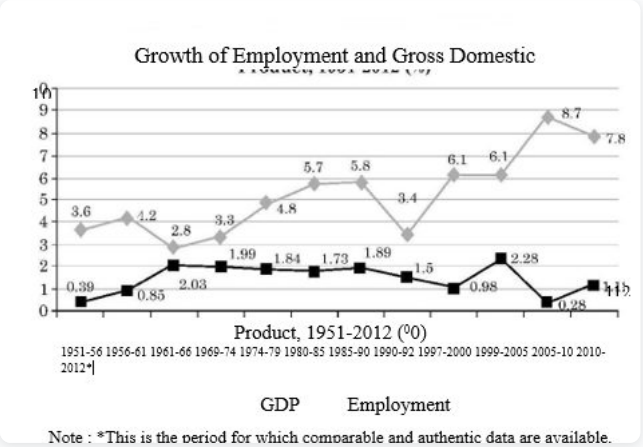
(D) Jan-Arogya Yojana

Explanation: The correct answer is 'Jan-Dhan Yojana' because the context explicitly mentions that this scheme was introduced to encourage all adults to oper accounts. It highlights the benefits such as insurance coverage and overdraft facilities, making it clear that Jan-Dhan Yojana is the relevant scheme.

Question 20.

The given chart indicates the problem of in_____ the Indian Economy, post 1990-92.

(Choose the correct option to fill up the blank)



Note : *This is the period for which comparable and authentic data are available.

(A) Informalisation of Workforce

(B) Jobless Growth

(C) Formalisation of Workforce

(D) Casualisation of Workforce

Explanation:

The correct option is 'Jobless Growth.' This is because the context highlights that despite economic growth, there has been a decline in employment growth, in situation where the economy is growing without corresponding job creation, a phenomenon referred to as 'Jobless Growth.'

Question 21.

Read the following statements carefully :

Statement 1 : Environmental concerns of waste generation and pollution have become critical, due to reversal of demand and supply relationship.

Statement 2 : Environmental crisis happens, when the rate of resource extraction is less than that of regeneration of resource.

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

(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 as the context explains that there is a reversal of the supply-demand relationship for environmental quality due to increased and limited supply caused by overuse. Statement 2 is false because it incorrectly describes the environmental crisis; the crisis occurs when the rate of resourc extraction exceeds the rate of regeneration, not the other way around.

Question 22.

_____is based on the idea that education and health are integral to human well-being. (Choose the correct option to fill up the blank)

(A) Human Development

(B) Human Resource,

(C) Economic Development

(D) Human Capital

Explanation:

The correct option is 'Human Development' because it emphasizes that education and health are essential for achieving human well-being, enabling people to valuable choices and lead fulfilling lives. This aligns with the provided context that highlights the importance of education and health in fostering human develo

Section C

Question 23. State the meaning and significance of Gross Domestic Product (GDP) deflator.

Answer: The GDP deflator is an important economic index that measures the level of prices for all goods and services included in GDP, reflecting the ratio of n GDP to real GDP. Unlike the Consumer Price Index (CPI), the GDP deflator encompasses all domestic production and excludes imported goods. This makes i comprehensive tool for assessing inflation within an economy over time, as it indicates the price increase of goods produced domestically. The significance of t deflator lies in its ability to provide a more accurate measure of inflation than CPI by focusing on overall economic production rather than just consumer consu

Key Points: Definition of GDP deflator-Comparison with CPI-Importance for inflation measurement-Exclusion of imported goods-Relationship be nominal and real GDP

Question 24.

“The government generally levies higher Goods and Services Tax (GST) on socially undesirable products like cigarettes, tobacco, liquor etc.”." Identify and exp indicated government budget objective in the above statement.

Answer: The government aims to discourage the consumption of socially undesirable products like cigarettes, tobacco, and liquor by imposing higher Goods a Services Tax (GST) on them. This is a significant budgetary objective known as 'sin tax', which seeks to reduce consumption through increased costs. By raisi on these items, the government not only disincentivizes their use due to health concerns but also generates revenue that can be allocated to health and educa strategy reflects a broader intent to align public behavior with social welfare goals, thereby promoting a healthier society while simultaneously enhancing fiscal resources.

Key Points: sin tax; discourage consumption; health concerns; revenue generation; social welfare goals

Question 25.

Two friends Ramesh (a software engineer) and Pihu (a bakery owner) are discussing their contribution to the nation's economy through tax payments. Ramesh **₹8,00,000** per year, which makes him liable to pay income tax. Pihu pays Goods and Service Tax (GST) on the sale of cakes and pastries.

On the basis of the given text, identify whether Ramesh is paying a direct tax or an indirect tax. Explain valid differences between two types of taxes.

Answer: Ramesh is paying a direct tax, specifically income tax, which is imposed directly on his earnings. In contrast, Pihu pays an indirect tax, the Goods an Tax (GST), which is levied on the sale of goods and services. The primary difference between direct and indirect taxes is that direct taxes are paid directly to th government by the taxpayer based on their income or wealth, while indirect taxes are collected by intermediaries (like sellers) from consumers as part of the p goods and services. Additionally, direct taxes are progressive in nature, meaning they increase with income, whereas indirect taxes are regressive, affecting lo income households disproportionately. Another distinction is that direct taxes are generally more stable and predictable, while indirect taxes can fluctuate base consumption patterns.

Key Points: Ramesh pays direct tax, Pihu pays indirect tax, direct taxes are income/wealth based, indirect taxes are price-based, direct taxes are progressive, indirect taxes are regressive, direct taxes are stable, indirect taxes fluctuate.

Question 26.

(a) Define liberty indicator.

(b)State any two liberty indicators.

Answer: A liberty indicator refers to measures that assess the freedom and rights afforded to individuals within a political framework. These indicators evaluate extent of democratic participation and the protection of citizen rights enshrined in the constitution. They provide insights into how effectively a government safe individual liberties and ensures fair socio-political engagement. For instance, indicators can include measures of constitutional protections for citizen rights and independence, which are critical for evaluating the health of democracy.

Key Points: Definition of liberty indicator; measures of democratic participation; protection of citizen rights; constitutional protections; judicial independence.

Question 27.

Medhya and Danish both had their own farms. Medhya invested in a few agricultural courses, learnt modern farming techniques and trained her labourers on b practices related to soil fertility, crop management, pest control etc.

Whereas, Danish invested heavily in, by purchasing advanced farming machinery, irrigation systems and high quality seeds. Do you agree that, Danish had m investment in human capital ?
Give valid reason in support of your answer.

Answer: While Danish made significant investments in physical capital by acquiring advanced machinery, irrigation systems, and high-quality seeds, these act alone do not constitute an investment in human capital. Human capital refers to the skills, knowledge, and experience that individuals gain, which enhance the productivity. In contrast to Medhya, who focused on education and training for her laborers, Danish's investments do not directly improve the capabilities or exp the workers. Therefore, I do not agree that Danish made an investment in human capital.

Key Points: Investment in human capital pertains to skills and education - Danish's investments are in physical capital - Medhya invested in trai and education for laborers - Increased knowledge leads to productivity - Danish's purchases enhance machinery, not human skills

Question 28.

'Expenditure on preventive medicine, curative medicine and social medicine helps in building human capital and economic development."

Do you agree with the given statement ? Give valid arguments in support of your answer.

Answer: I strongly agree with the statement that expenditure on preventive, curative, and social medicine aids in building human capital and fostering econom development. Investment in preventive medicine, such as vaccinations and health education, not only reduces disease burden but also enhances workforce pr Curative medicine ensures timely medical intervention, leading to quicker recovery and reduced absenteeism at workplaces. Moreover, social medicine efforts sanitation and clean drinking water, contribute to overall public health, ensuring a healthier population capable of making productive economic contributions. T synergy of these health expenditures leads to a more skilled and capable labor force, which is a crucial element in driving economic growth and promoting equ society.

Key Points: Investment in preventive medicine reduces disease burden- Curative medicine ensures quick recovery- Social medicine enhances p health- Healthy populace increases productivity- Builds skilled labor force and drives economic growth- Promotes social equity in health servic

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Section D

Question 29. 'The British introduced many infrastructural development projects which were largely driven by its own self-serving interest'. Briefly explain any t causes behind the infrastructural development undertaken by the colonial government.

Answer: The British colonial government initiated infrastructural development primarily to facilitate the extraction and transportation of raw materials from India Britain. Firstly, the construction of railways was essential for transporting goods efficiently from inland areas to ports, supporting British industries. Secondly, th improvement of communication systems such as telegraphs aimed to enhance control over the vast territories and ensure quick military mobilization as neede demonstrating the colonial motive to secure their commercial and political interests rather than the welfare of the local population.

Key Points: Development to extract raw materials-Improvement in transportation and communication for control-Support British economic inter over Indian needs

Question 30.

In the recent times through various schemes and policies, the Government of India has taken vital initiatives to generate employment directly / indirectly.

Justify the statement giving valid arguments.

Answer: The Government of India has actively worked to generate employment through various schemes and policies. Directly, it employs a large workforce i departments, which provides stable jobs and income. Indirectly, it supports employment by fostering growth in the economy, particularly in rural areas. For inst when public sector companies expand production, it creates direct jobs, which subsequently generates indirect jobs in allied sectors. Moreover, government pr aim to reduce disguised unemployment typically seen in rural settings, contributing to overall employment generation and economic growth.

Key Points: Direct employment through government jobs-Indirect employment via economic growth-Rural employment initiatives-Reduction of disguised unemployment-Growth in service and informal sectors

Question 31.

'Micro credit programmes have been very helpful in supporting rural development and improving livelihoods in India."

Do you agree with the given statement ? Give valid reasons in support of your answer.

Answer: I agree that micro-credit programmes have been instrumental in supporting rural development and enhancing livelihoods in India. Firstly, these progra provide access to financial services for the marginalized, empowering them to invest in income-generating activities. Secondly, Self-Help Groups (SHGs) have particularly empowered women by enabling them to contribute to family income and participate in community development. Despite some criticisms of funds b primarily for consumption, micro-credit still facilitates small-scale entrepreneurship and promotes financial literacy. Additionally, these programmes often integra services like education, health, and skills training, which further contribute to overall development. However, it's crucial to address the inadequacies in formal c systems to maximize their potential.

Key Points: Micro-credit improves financial access - Empowerment of women through SHGs - Encourages entrepreneurship and income growth Mixed usage of funds for consumption and investment - Integration of community services enhances overall development

Question 32.

On the basis of the given data, compare and analyse the Distribution of workforce and its contribution to Gross Value added in India and China.

Sectoral Share of Employment and GVA (%) in 2018-2019

Sector	Contribution to GVA			Distribution of Workforce		
	India	China	Pakistan	India	China	Pakistan
Agriculture	16	7	24		26	41
Industry	30	41	19	25	28	24
Services	54	52	57	32	46	35
Total	100	100	100	100	100	100

Source : Human Development Report 2019 • Key Indicators of Asia and Pacific 2019.

Answer: The distribution of workforce and its contribution to Gross Value Added (GVA) in India and China reveals key differences. In India, the industrial workf comprises 25% of the total workforce while contributing 30% to GVA. In contrast, China's industry employs 28% of its workforce but contributes a significantly l 41% to GVA. This indicates greater productivity in Chinese industries. Furthermore, while both countries have strong service sectors leading GVA contributions higher urbanization, at over 50%, enhances its economic efficiency. This contrast showcases India's potential for growth, particularly in improving industrial pro and workforce distribution.

Key Points: China's industry contributes 41% to GVA; India contributes 30%. China's workforce distribution in industry is 28%, while India's is 2 Higher urbanization in China boosts productivity. Service sectors lead in both countries, but China is more efficient. India's potential lies in impr industrial productivity.

Question 33.

(A) On the basis of the given image, explain the steps which may be taken by the Government of India to control the indicated macroeconomic Issue.
(B) Define 'Open Market Operations'.



Answer:

To control macroeconomic issues, the Government of India can implement several strategies. Firstly, it can adjust monetary policies through the Reserve Bank (RBI), including modifying interest rates and reserve requirements to influence money supply. Secondly, fiscal policies can be adjusted—altering government s and taxation to manage demand and stimulate economic activities. Thirdly, improving education and healthcare access can enhance labor productivity, which i long-term alleviates unemployment. This multifaceted approach aims to achieve stable economic growth and control inflation. Open Market Operations (OMO)

the buying and selling of government bonds by the central bank, primarily the Reserve Bank of India (RBI), in the open market. This process serves as a vital m policy tool to regulate the money supply within the economy. OMOs can be classified into two categories: outright operations, which involve permanent transac without obligations to reverse them, and repo operations, where bonds are sold with a commitment to repurchase them later. When the RBI buys securities, it liquidity into the system, promoting economic growth. Conversely, selling securities withdraws liquidity to control inflation and stabilize the economy. Thus, OM crucial for maintaining monetary balance in an open economy.

Key Points:

Monetary policies by RBI; Fiscal policies adjustments; Investment in education and healthcare; Definition of OMO - buying and selling of goverr bonds; Classification - outright and repo operations; Purpose - regulate money supply; Effects of buying - injects liquidity; Effects of selling - withdraws liquidity; Importance - stabilizing economy.

Question 34.

Justify the following statements with valid arguments :

(i) Money supply in an economy is an example of a stock variable.

(ii) The Central Bank provides several Banking services to the government.

Answer: Money supply is indeed a stock variable as it represents the total amount of money available at a specific point in time within the economy. It includes currency, demand deposits, and other liquid assets, reflecting the condition of liquidity in the economy at that moment. In contrast, flow variables pertain to cha time, such as GDP or national income. Similarly, the Central Bank provides essential banking services to the government, acting as a banker, managing foreig exchange reserves, and controlling the money supply. This includes issuing currency and implementing monetary policy tools to ensure economic stability.

Key Points: Definition of stock variable; Total money in circulation at a specific time; Central Bank's role as banker to the government; Currency issuance; Management of foreign exchange reserves; Tools for controlling money supply.

Question 35.

Assuming for a hypothetical economy, Central Bank increases the Reserve Ratio from 20% to 25% and the total primary deposits stand at 1,000.

Explain the effect of rise in Reserve Ratio on credit creation by commercial banks.

Answer: When the Central Bank increases the Reserve Ratio (RR) from 20% to 25%, it restricts the ability of commercial banks to create credit. Initially, with a on total primary deposits of Rs 1,000, banks would be required to maintain Rs 200 as reserves, allowing them to lend Rs 800. However, with the increased RR banks must now maintain Rs 250 in reserves, limiting their lending capacity to Rs 750. This reduction in the lending capacity impacts the money supply negati banks will have less ability to create money through loans, thereby reducing the overall credit available in the economy. This is due to a lower money multiplier with a higher Reserve Ratio, the money multiplier decreases from 5 (1/0.20) to 4 (1/0.25). Consequently, the banking system must recall some loans to comply new reserve requirements, leading to further contraction of credit supply in the economy.

Key Points: Increase in Reserve Ratio limits lending capacity - From Rs 800 to Rs 750 - Reduction in money supply - Decreased money multiplie effect - Impact on overall credit availability

Question 36.

Suppose for an economy, government proposes project for construction of expressways with an incremental investment of 1200 crore. Assuming,80% of incre income is spent on consumption.Estimate the following on the basis of above information :

(a) Change in income (ΔY).

(b) Change in consumption (ΔC).

Answer: To estimate the change in income (ΔY) and change in consumption (ΔC), we first calculate the multiplier effect. Given the marginal propensity to cons (MPC) is 0.8, we can use the multiplier formula, $\Delta Y = \Delta G / (1 - c)$, where ΔG is 1200 crore. Thus, $\Delta Y = 1200 / (1 - 0.8) = 6000$ crore. Next, we find the change consumption (ΔC) as $\Delta C = MPC \times \Delta Y = 0.8 \times 6000 = 4800$ crore. Therefore, ΔY is 6000 crore, and ΔC is 4800 crore.

Key Points: 1. Use multiplier formula $\Delta Y = \Delta G / (1 - c)$ for income change calculation. 2. With ΔG = 1200 crore and MPC = 0.8, calculate ΔY = 6000 crore. 3. For consumption change, $\Delta C = MPC \times \Delta Y$; substitute values to get ΔC = 4800 crore.

Section E

Question 37.

(i) 'After 1991, reforms in external sector led to an increase in foreign exchange inflows'.

Justify the given statement with valid argument.

(ii) During the planning period, public sector was given a dominant role in Indian Economy.

Justify the rationale behind this step taken by the Government of India.

Answer: The economic reforms initiated in India in 1991 were crucial in stabilizing the economy, especially in the external sector. The devaluation of the rupee primary step that made Indian goods cheaper for foreign buyers, thus promoting exports. The deregulation of the foreign exchange market facilitated easier ac foreign currency, leading to increased foreign investments. Additionally, liberalizing imports enhanced the availability of goods and technologies, ultimately boo overall economic environment. As these reforms unfolded, India witnessed significant growth in foreign exchange reserves, improving its balance of payments The rationale behind the dominant role of the public sector was multifaceted; it ensured that critical industries, such as infrastructure, were developed with gov oversight. This was essential during the early stages post-independence, where private sector capital was scarce. With the public sector leading investment, Ir address basic needs and encourage industrial growth, fostering economic self-sufficiency. Moreover, the public sector created jobs and provided essential serv contributed to social welfare, providing a stable environment that encouraged broader economic development.

Key Points: Devaluation of the rupee leading to export promotion; Deregulation of foreign exchange market enhancing foreign direct investmen Liberalization of imports improving goods/technology access; Public sector ensuring infrastructure development in the early economy; Providi stability and creating jobs; Fostering economic self-sufficiency and social welfare.

Question 38.

(i) To promote green revolution, the Indian government provided fertilizer subsidies to the farmers.

Briefly explain any two arguments in favour of subsidies.

(ii) As per a news report dated, 8th Oct. 2021, the Government of India sold its entire 100% stake in Air India. Tata sons, the original founder of Air India won th purchased the airline for 18,000 crore.

(1) Identify the step taken by the Government of India.

(2) State any two ways in which identified step can be executed by the government.

Answer:

Subsidies play a crucial role in supporting farmers, especially smallholders, in India. Firstly, they incentivize the adoption of new High Yield Variety (HYV) techr crucial for enhancing agricultural productivity. Given the inherent risks associated with new technologies, subsidies reduce financial burdens, encouraging farm experiment with these innovations without the fear of substantial losses. Secondly, agriculture in India remains a risky venture, particularly for poorer farmers w resources. Without subsidies, many would struggle to afford essential inputs like fertilizers, exacerbating income inequalities in farming communities. Therefore continuing subsidies aims to promote equity and sustain livelihoods among vulnerable farming populations, ensuring that the benefits of agricultural advancem reach those who need them most.

The step taken by the Government of India involved the privatization of Air India, marking a significant shift in economic policy towards reducing public owners sectors traditionally dominated by the state. This decision was rooted in the idea that privatization could lead to improved operational efficiency and service qu coupled with an inflow of foreign direct investment (FDI). The government executed this step through two primary ways: firstly, by outright sale of the public sec enterprise to Tata Sons, who initially founded the airline, thus establishing historical continuity. Secondly, it involved restructuring the overall management and structure of Air India, allowing the private sector to drive its operations and strategic direction, promoting competition in the aviation sector and aligning with bro economic reforms. These methods facilitate the reduction of government liabilities while enhancing service delivery through private sector efficiency.

Key Points:

1. Subsidies incentivize the adoption of new HYV technology, boosting productivity. 2. They help mitigate the financial risks of farming, especial poorer farmers. 3. Continuing subsidies addresses income inequality and supports vulnerable farming communities.

Privatization of Air India; Outright sale to Tata Sons; Restructuring management and ownership; Improving operational efficiency; Inflow of fore direct investment; Promoting competition in the aviation sector

Question 39.

(i) On the basis of the data given below, estimate the value of National Income (NNPFc)

(ii) Differentiate between Real flow and Money flow.

National Income (NNPFc)

S. No.	Items	Amount in crore)
(1)	Private final consumption expenditure	2,000
(2)	Government final consumption expenditure	1,500
(3)	Gross domestic fixed capital formation	1,000
(4)	Addition to stock	400
(5)	Consumption of fixed capital	50
(6)	Net factor income from abroad	100
(7)	Net indirect Taxes	200
(8)	Net Exports	700

Answer:

NNPFC=GDPMP+Net Factor Income from Abroad−Depreciation (Consumption of Fixed Capital)−Net Indirect Taxes

Calculate GDP at Market Price

GDPMP=Private Final Consumption Expenditure+Government Final Consumption Expenditure+Gross Domestic Fixed Capital Formation+Addition to Stock+N
=2000+1500+1000+400+700=₹5,600 crore.

Calculate NNP at Factor Cost , NNPFC=5600+100−50−200=₹5,450 crore Answer=₹5450

Real flow and money flow are fundamental concepts in economics that represent different types of interactions in an economy. Real flow refers to the actual m
of goods and services in the economy. It represents the physical transactions between producers and consumers, where firms supply goods and services to h
in exchange for factors of production. This flow can be measured through methods like the product or expenditure methods, showcasing the tangible aspect of
economic activity.\n\nOn the other hand, money flow pertains to the circulation of currency or monetary value among various sectors in the economy. It reflects
financial resources change hands as payments for goods and services, investment, and consumption. Money flow is quantified using the velocity of money, inc
how quickly money circulates within the economy.\n\nIn essence, while real flow captures the actual flow of goods and services signifying economic activities,
flow highlights the financial transactions that accompany these activities. Both flows are interdependent; a change in real flow will generally lead to correspond
changes in money flow, demonstrating the dynamic nature of economic relationships. Thus, understanding both flows is crucial for analyzing economic stability
growth.

Key Points:

NNPFC=GDPMP+NFIA−Depreciation−Net Indirect Taxes

GDPMP= 2000 (Private) + 1500 (Govt.) + 1000 (GDCF) + 400 (Stock) + 700 (Net Exports) = ₹5600 crore

Now: 5600 + 100 − 50 − 200 = ₹5450 crore

**Real flow refers to the actual movement of goods/services; Money flow relates to currency circulation; Real flow involves producers and consur
while money flow involves financial transactions; Real flow can be measured via expenditure/product methods; Money flow linked to velocity ar
stock of money; Both flows are interdependent concerning economic dynamics.**

Question 40.

(i) Gauhar, has recently completed her fashion designing studies and started a boutique. To produce dresses for sale, she purchased various materials, includ
sewing machine, fabric, buttons and thread. These items are essential for producing the dresses.

Classify the material purchased by Gauhar as Final or Intermediate goods, giving valid reasons in support of the classifications.
(ii) National Income is always equal to Domestic income in a two sector economy.

Defend or refute the given statement with valid reasons.

Answer: Gauhar's purchases can be classified as follows: The sewing machine is classified as an intermediate good since it is a capital item used to produce
goods (the dresses). Similarly, the fabric, buttons, and thread are also intermediate goods as they are raw materials that undergo transformation in the product

process to create the final dresses for sale. Final goods are those that are ready for consumption and do not undergo any further processing, which is not the c
the items Gauhar has purchased. Lastly, regarding national income being equal to domestic income in a two-sector economy, this statement is valid. In such a
economy, there are no foreign transactions and the total value of all final goods produced is completely accounted for as domestic income. Hence, national inc
equals domestic income without any leakage or injections from outside sources, solidifying the foundational principle of macroeconomic models.

**Key Points: Classification of materials: Sewing machine, fabric, buttons, and thread as intermediate goods; Definition of final vs intermediate go
Explanation of production process; National income equals domestic income in a two-sector economy; Rationale for equality due to absence of
foreign transactions.**