# CBSE EXAMINATION PAPER-2023

## ECONOMICS

### (Solved)

Time allowed : 3 hours | Maximum Marks : 90

---

**General Instructions :**

Read the following instructions carefully and follow them :

i. This question paper contains **37 questions.** All questions are **compulsory.**

ii. This question paper is divided into **5 sections.**

iii. **Section A** – questions number **1 to 1** are case based questions

iv. **Section B** – questions number **2 to 20** are multiple choice questions

v. **Section C** – questions number **21 to 25** are short answer type i

vi. **Section D** – questions number **26 to 33** are short answer type ii

vii. **Section E** – questions number **34 to 37** 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 :

According to NITI Aayog, India has a technological advantage to facilitate digital banks. There is a need for creating a regulatory framework for promoting this.

NITI Aayog, in its report titled "Digital Banks: A Proposal for Licensing and Regulatory Regime for India", offers a template and roadmap for a digital bank licensing and regulatory regime for a country.

India's public digital infrastructure, especially Unified Payments Interface (UPI) has successfully faced this. With Aadhar, India is at the cusp of operationalizing its own open banking framework. This demonstrates that India has the technology stock to fully facilitate digital banks. Digital banking allows a user to set up automatic payments for regular utility bills. Digital banking enables fund transfers to reduce the risk of counterfeit currency. By promoting a cashless society, digital banking restricts the circulation of black money. On the basis of the given text and common understanding, answer the following questions:

**(1) Which institution has been replaced by NITI Aayog in India? Who is the ex-officio Chairman of NITI Aayog?**

[2 Marks]

**Answer:** NITI Aayog has replaced the Planning Commission in India. The ex-officio Chairman of NITI Aayog is the Prime Minister of India.

**Key Points: NITI Aayog replaced Planning Commission-Prime Minister is ex-officio Chairman**

**(2) State and discuss any two main advantages of digital banking.**

[4 Marks]

**Answer:** Digital banking offers several advantages that greatly enhance the banking experience and contribute to a more efficient economy. Firstly, it facilitates automatic payments for regular utility bills, which helps individuals manage their finances better and eliminates the risk of missing due dates. Secondly, digital banking significantly reduces the risk of counterfeit currency through secure online fund transfers, promoting a cashless society. This not only aids in curbing black money circulation but also increases transaction efficiency and transparency within the economy.

**Key Points: Automatic payments for bills - Reduces missed payments; Secure fund transfers - Decreases counterfeit risk; Promotes cashless society - Curbing black money**

## Section B

**Question 2.**

Read the following statements carefully:

Statement 1: Primary deposits are the cash deposits by general public with commercial banks.

Statement 2: Secondary deposits are those deposits which arise on account of credit provided by the commercial banks to the people.

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

[1 Marks]

(A) Both Statements 1 and 2 are false.

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

**(C) Both Statements 1 and 2 are true.**

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

**Explanation:** Both statements are true. Primary deposits refer to the initial cash deposits made by the public in commercial banks. Secondary deposits, on the other hand, arise from the credit creation process of banks, where the banks lend out a portion of the primary deposits, leading to the formation of additional deposits in the banking system.

**Question 3.**

The difference between National Income at market price and National Income at factor cost is _____.

(Choose the correct alternative to fill up the blank)

[1 Marks]

(A) market price

(B) net factor income from abroad

(C) consumption of fixed capital

**(D) net indirect taxes**

**Explanation:** The correct option is 'net indirect taxes'. This is because national income at market price includes indirect taxes (like sales tax) and excludes subsidies, while national income at factor cost represents the income earned by factors of production without these taxes. Hence, the difference is accounted for by net indirect taxes.

**Question 4.**

The rate at which commercial banks borrow from the Reserve Bank of India to meet their long term requirements is known as _____.

(Choose the correct alternative to fill up the blank)

[1 Marks]

(A) Reverse repo rate

(B) Repo rate

**(C) Bank rate**

(D) Margin requirement

**Explanation:** The correct answer is 'Bank rate'. The bank rate is the rate at which the central bank (in this case, the Reserve Bank of India) lends money to commercial banks, generally for long-term loans. Other options like Repo rate and Reverse repo rate pertain to short-term borrowing and lending, while margin requirement does not relate to borrowing from the central bank.

**Question 5.**

Read the following statements carefully:

Statement 1: Borrowings by a nation from the World Bank to finance Balance of Payment (BoP) deficit will be recorded in the capital account.

Statement 2: Autonomous transactions are independent of the condition of Balance of Payment (BoP) account.

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

[1 Marks]

**(A) Both Statements 1 and 2 are true.**

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

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

(D) Both Statements 1 and 2 are false.

**Explanation:** Statement 1 is true because borrowings from the World Bank to finance a BoP deficit are recorded in the capital account as they represent foreign funds inflow. Statement 2 is also true as autonomous transactions, such as trade and investments, occur independently of BoP conditions, meaning they do not directly rely on the state of the balance of payments. Thus, the correct choice is 'Both Statements 1 and 2 are true.'

**Question 6.**

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

Assertion (A): Before reaching the Break-Even level of income, the value of Average Propensity to Consume (APC) is greater than one. Reason

(R): The Average Propensity to Consume (APC) is the ratio of the total consumption and total income.

[1 Marks]

(A) Assertion (A) is false and Reason (R) is true.

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

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

(D) Assertion (A) is true and Reason (R) is false.

**Explanation:**

Assertion (A) is false and Reason (R) is true. The Average Propensity to Consume (APC), defined as the ratio of total consumption to total income, is generally less than one before the Break-Even level of income, contradicting Assertion (A). Therefore, while Reason (R) is correct in its definition, it does not validate Assertion (A).

**Question 7.**

Gifts and remittances sent abroad are recorded on the _____ side of the _____ account in Balance of Payment.

(Choose the correct alternative to fill up the blanks) 1

[1 Marks]

**(A) debit, current**

(B) debit, capital

(C) credit, current

(D) credit, capital

**Explanation:** The correct answer is 'debit, current'. In the Balance of Payments, gifts and remittances sent abroad represent money flowing out of the country, which is recorded on the debit side. These

transactions are part of the current account, which deals with the trade of goods, services, and transfers.

**Question 8.**

Identify which of the following equations is true.

(Choose the correct alternative)

[1 Marks]

(A) MPC + MPS > 1

**(B) MPC + MPS = 1**

(C) MPC + MPS = 0

(D) MPC + MPS < 1

**Explanation:** The correct option is 'MPC + MPS = 1'. This is because the Marginal Propensity to Consume (MPC) represents the portion of additional income that is spent on consumption, while the Marginal Propensity to Save (MPS) represents the portion that is saved. Since any additional income is either consumed or saved, their sum must equal 1.

**Question 9.**

A situation in which an able bodied person is not willing to work at the existing wage rate, is referred to as _____ situation.

(Choose the correct alternative to fill up the blank)

[1 Marks]

(A) Disguised unemployment

(B) Involuntary unemployment

(C) Full employment

**(D) Voluntary unemployment**

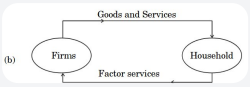
**Explanation:** The correct answer is 'Voluntary unemployment' because this term describes a situation where individuals choose not to work despite being able to, often due to dissatisfaction with wage rates or conditions.

**Question 10.**

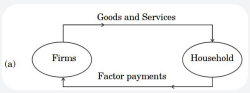
Identify which of the following represents only the real flow :

[1 Marks]

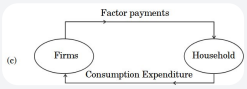
**(A)**




(B)




(C)




(D)




**Explanation:** The correct answer is 'To mitigate the risk of loan default.' This is because requiring collateral provides security for the lender in case the borrower fails to repay the loan, helping to reduce the risk associated with lending.

**Question 11.**

Read the following statements carefully :

Statement 1 : Commercialization of agriculture under the British rule was responsible for frequentfamines between 1875 and 1900.

Statement 2 : During British rule, India began to export food grains.

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

[1 Marks]

**(A) Both Statements 1 and 2 are true.**

(B) Both Statements 1 and 2 are false.

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

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

**Explanation:** Both statements are true. Statement 1 is correct because the commercialization of agriculture led to a focus on cash crops and neglect of food crops, contributing to famines. Statement 2 is also true as India began exporting food grains during British rule, which impacted local food availability.

**Question 12.**

Read the following statements carefully :

Statement 1 : The purchase of food grains made by the Government on the Minimum Support Price (MSP) is maintained as buffer stock.

Statement 2 : Minimum Support Price safeguards the farmers against any sharp fall in farm product prices.

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

[1 Marks]

**(A) Both Statements 1 and 2 are true.**

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

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

(D) Both Statements 1 and 2 are false

**Explanation:** Both Statement 1 and Statement 2 are true. The government purchases food grains at the Minimum Support Price (MSP) and maintains them as buffer stock to ensure food security. Additionally, the MSP protects farmers from sharp declines in market prices, ensuring they receive fair compensation for their produce.

**Question 13.**

The Great Leap Forward (GLF) campaign in China focused on _____. (Choose the correct alternative to fill up the blank)

[1 Marks]

(A) Economic reforms

(B) New agricultural strategy

(C) Privatisation

**(D) Widespread industrialisation**

**Explanation:** The correct answer is 'Widespread industrialisation.' The Great Leap Forward aimed to rapidly transform China's economy from agrarian to industrial through large-scale collectivization and industrial projects, emphasizing the establishment of factories and the production of steel.

**Question 14.**

India is not a member of which of the following regional / global economic groups ?

[1 Marks]

(A) SAARC

(B) G20

(C) BRICS

**(D) European Union**

**Explanation:** India is a member of BRICS, G20, and SAARC, which are regional or global economic groupings involving developing and emerging economies. However, the European Union (EU) is a regional group consisting of European countries only, and India is not a member of the EU. Hence, the correct option is the European Union.

**Question 15.**

'Skill India' programme launched by the Government is not an attempt to increase in -----India.

(Choose the correct alternative to fill up the blank)

[1 Marks]

**(A) inadequate spread of vocational education**

(B) efficient utilisation of inputs

(C) increase in GDP growth

(D) human capital formation

**Explanation:** The correct option is 'inadequate spread of vocational education' because the 'Skill India' programme aims to enhance the effectiveness of vocational education and training across the country, not to address its inadequacy.

**Question 16.**

Identify the correct alternative with reference to the following statement:

"Between 1966-76, Mao introduced this movement under which professionals and students were asked to work and learn from real life situations prevailing in the countryside of China."

[1 Marks]

(A) Commune System

**(B) Great Proletarian Cultural Revolution**

(C) Great Leap Forward

(D) Open Door Policy

**Explanation:** The correct answer is 'Great Proletarian Cultural Revolution'. This movement was initiated by Mao Zedong to promote communist ideology and to encourage the youth and professionals to engage with the realities of rural life, aiming to bridge the gap between urban and rural society.

**Question 17.**

Read the following statements carefully :

Statement 1 : In both India and Pakistan, the service sector has been emerging as a major source of development.

Statement 2 : Amongst the neighbours of India, China has the highest life expectancy rate.

In 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) Statement 1 is false and Statement 2 is true.

**(C) Both Statements 1 and 2 are true.**

(D) Both Statements 1 and 2 are false.

**Explanation:** Statement 1 is true because the context explains that India's growth is largely contributed by the service sector, and Pakistan's growth has decelerated but the statement mentions the emerging role which holds for India and partly for Pakistan. Statement 2 is true as per the context, China is ahead of India and Pakistan in many human development indicators, which includes life expectancy. Therefore, among India's neighbours, China has the highest life expectancy rate.

**Question 18.**

Workers who are on the permanent pay-roll of their employer are called _____ workers.

(Choose the correct alternative to fill up the blank)

[1 Marks]

(A) casual

**(B) regular**

(C) self-employed

(D) hired

**Explanation:** The correct answer is 'regular' workers because these are employees who have a permanent position and receive a consistent salary from their employer, distinguishing them from casual or hired workers.

**Question 19.**

Jobless growth leads to unemployment because _____ .

(Choose the correct alternative to fill up the blank)

[1 Marks]

**(A) Growth is due to technological development**

(B) Growth rate is low

(C) Labour is very expensive

(D) Labour refuses to migrate

**Explanation:** The correct option is 'Growth is due to technological development.' Jobless growth refers to economic growth that does not create sufficient jobs, often due to advancements in technology that increase productivity without requiring additional labor. As a result, while the economy may grow, unemployment can rise because technology can automate tasks that previously required human labor.

**Question 20.**

Read the following statements carefully :

Statement 1 : India announced its First Five Year Plan in 1951.

Statement 2 : India, Pakistan and China adopted economic planning as the core development strategy.

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

[1 Marks]

(A) Both Statements 1 and 2 are false.

**(B) Both Statements 1 and 2 are true.**

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

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

**Explanation:** India announced its First Five Year Plan in 1951. Similarly, Pakistan and China also adopted economic planning as a core development strategy, announcing their first Five Year Plans in subsequent years (Pakistan in 1956 and China in 1953). Thus, both statements are correct.

## Section C

**Question 21.**

Distinguish between 'Value Addition' and 'Final Value of Output' .

[3 Marks]

**Answer:** Value Addition refers to the enhancement a company gives its products or services before offering them to customers. It involves each stage of production where raw materials are transformed into finished goods, increasing their worth. In contrast, the Final Value of Output is the market price at which the finished products are sold. It is the total revenue generated from selling all produced goods. Thus, while Value Addition highlights the processes that enhance value, Final Value of Output reflects the end monetary return from those enhanced products.

**Key Points: Value Addition enhances products; Final Value of Output denotes market price; Value Addition occurs at production stages; Final Value relates to total revenue; Value Addition emphasizes worth increase.**

**Question 22.**

"There exists a positive relation between foreign exchange rate and supply of foreign exchange." Do you agree with the given statement ? Justify your answer with valid arguments.

[3 Marks]

**Answer:** Yes, I agree with the statement that there is a positive relation between the foreign exchange rate and the supply of foreign exchange. When the supply of a foreign currency increases, it leads to a decrease in the local currency's exchange rate against that foreign currency. For example, if a country exports more goods, foreign buyers will need more of the country's currency to pay for these goods, increasing the supply of foreign currency. As the supply of foreign currency rises, its exchange value in terms of the local currency can increase, leading to potential appreciation of the local currency. Thus, the relationship between supply and exchange rate is significant in determining currency valuation in the foreign exchange market.

**Key Points: Positive relation between supply and exchange rate- Effect of increased foreign supply on local currency- Examples of trade and currency valuation**

**Question 23.**

Find the Value Added by Firm A, from the following information

[3 Marks]

Find the Value Added by Firm A, from the following information :

| S. No. | Particulars | Amount (in ₹ crore) |
|---|---|---|
| (i) | Purchase of factor inputs by Firm A | 5 |
| (ii) | Purchase of non-factor inputs by Firm A | 2 |
| (iii) | Sales by Firm A to other firms in the domestic economy | 10 |
| (iv) | Import of raw materials by firm A from rest of the world | 50 |
| (v) | Excess of opening stock over closing stock | 3 |

**Answer:** To find the value added by Firm A, we will use the formula: Value Added = Gross Output - Intermediate Consumption. The gross output typically includes all sales revenue earned by the firm, while intermediate consumption includes the costs of goods and services used in the production process. For example, if Firm A has a gross output of $500,000 and intermediate consumption of $300,000, the value added by Firm A would be $200,000. This indicates the firm's contribution to the economy beyond its inputs.

**Key Points: 1. Define value added; 2. Use the formula: Value Added = Gross Output - Intermediate Consumption; 3. Illustrate with hypothetical figures; 4. Emphasize the importance of value added in economic terms.**

**Question 24.**

Critically evaluate the role of rural banking system in the process of rural development in India.

[3 Marks]

**Answer:** The rural banking system plays a crucial role in fostering rural development in India by enhancing financial inclusion, providing access to credit, and facilitating savings among rural populations. Banks and cooperatives help in the disbursement of loans with relatively lower interest rates, allowing farmers and small entrepreneurs to invest in agricultural practices and local businesses. Moreover, they contribute to employment generation and skill development through

various financial products tailored for rural needs. However, challenges such as inadequate infrastructure, lack of financial literacy, and irregular incomes hinder their effectiveness. Strengthening these institutions can significantly contribute to sustainable rural economic growth.

**Key Points: Financial inclusion, access to credit, employment generation, infrastructure challenges, financial literacy**

**Question 25.**

"Dr. Khurana, a dentist, ran his clinic in an economically backward area. He was earning a comparatively low income. So, he decided to move to a city and spent a huge amount for the same." Identify and explain the type of expenditure incurred by Dr. Khurana, which directly contributed to the process of human capital formation.

[3 Marks]

**Answer:** Dr. Khurana's decision to move to a city and invest in his practice can be identified as an example of 'investment in human capital'. This type of expenditure includes costs incurred for education, skill development, and professional growth. By relocating to an urban setting, he aimed to enhance his skills and expand his patient base, which ultimately leads to higher income potential. Such investments not only improve individual capabilities but also contribute to the overall economic development by promoting health services in the city. This demonstrates the interplay between personal investment and the broader economy.

**Key Points: Investment in human capital - Costs for education and skill development - Enhancement of skills - Expansion of patient base - Higher income potential - Contributions to economic development**

---

## Section D

**Question 26.** Describe the adjustment mechanism, if ex-ante savings are less than ex-ante investments.

[4 Marks]

**Answer:** When ex-ante savings are less than ex-ante investments, it indicates a potential imbalance in the economy where planned spending exceeds the income generated from savings. This situation can lead to increased borrowing by businesses or the government to finance their investment plans. Moreover, as demand for goods and services rises, producers may react by expanding production, which can lead to higher employment and income levels. Over time, higher income generates more savings, helping to balance the savings-investment equation. However, if the gap persists, it may lead

to inflation as demand outstrips supply. As a result, monetary policy may need to be adjusted by the central bank to control inflation and restore equilibrium. Ultimately, the economy seeks to reach a new equilibrium where savings align with investments, ensuring sustainable growth.

**Key Points: Ex-ante savings are less than investments, leading to increased borrowing; increased production and employment; higher income generates more savings; potential inflation risk; adjustments in monetary policy may be necessary; aim for a new equilibrium.**

**Question 27.**

Read the following news published on September 26, 2022 :

"The central bank has increased the benchmark lending rate by 140 basis points."

Identify the likely cause and consequences behind the action taken by the Reserve Bank of India.

[4 Marks]

**Answer:** The Reserve Bank of India (RBI) has increased the benchmark lending rate by 140 basis points as a measure to control inflation, which has been rising due to various factors, including supply chain disruptions and increased global commodity prices. By increasing the lending rate, RBI aims to curb consumer spending and reduce excess liquidity in the economy, which can help temper inflation rates. The consequences of this action may include higher borrowing costs for individuals and businesses, leading to a slowdown in economic growth and reduced consumer demand. This change could also impact investment decisions, as companies may be deterred by the higher interest rates. Additionally, a higher benchmark rate can lead to stronger currency values and influence foreign investment flows, ultimately affecting the overall economic landscape.

**Key Points: Increase in benchmark lending rate, Control inflation, Supply chain disruptions, Higher borrowing costs, Slower economic growth, Reduced consumer demand, Impact on investments, Stronger currency value**

**Question 28.**

Using a hypothetical numerical example, explain the effect of rise in Reserve Ratio on credit creation by the commercial banks.

[4 Marks]

**Answer:** When the Reserve Ratio increases, banks must hold a higher percentage of deposits as reserves, reducing their ability to create credit. For instance, if the reserve ratio rises from 10% to 15%, a bank with total deposits of ₹1,000 under the initial ratio could lend out ₹900 (90% of deposits). However, at the new reserve ratio of 15%, it can only lend out ₹850, thus decreasing credit creation.

This impacts the money supply in the economy, as fewer loans result in reduced spending and investment.

**Key Points: 1. Definition of Reserve Ratio. 2. Effect of increasing the Reserve Ratio. 3. Numerical example of deposits and lending capacity. 4. Implications for credit creation and the economy.**

**Question 29.**

Explain the 'Government's Bank' function of the central bank.

[4 Marks]

**Answer:** The central bank serves as the government's bank by managing its accounts, funds, and financial operations. It carries out transactions on behalf of the government, such as collecting revenues and making payments. Additionally, the central bank provides advice on economic policy and helps in the management of public debt by issuing government securities. It ensures the stability of the financial system by acting as a custodian of the government's funds and facilitating financial transactions. This role enables the central bank to maintain a sound economic environment, which is essential for fostering public confidence and efficient financial management.

**Key Points: Central bank as government's banker-Management of accounts-Collection of revenues-Payment transactions-Advice on economic policy-Management of public debt-Issuing government securities-Custodian of funds-Stability of financial system**

**Question 30.**

Explain valid reasons for the slow growth and re-emergence of poverty in Pakistan.

[4 Marks]

**Answer:** The slow growth and resurgence of poverty in Pakistan can be attributed to several interrelated factors. Firstly, political instability and poor governance hinder economic development, leading to erratic policy-making and lack of investor confidence. Additionally, chronic issues such as energy shortages and inadequate infrastructure limit industrial growth and productivity. Furthermore, the reliance on agriculture, which is vulnerable to climate change and natural disasters, exacerbates rural poverty. The education system in Pakistan also suffers from low enrollment rates and poor quality, resulting in a workforce ill-equipped for modern job markets. Lastly, economic inequalities and social injustices prevent equitable wealth distribution, therefore inhibiting poverty alleviation efforts and sustaining a cycle of poverty.

**Key Points: political instability-governance issues-energy shortages-limited industrial growth-agriculture reliance-climate vulnerability-education system inadequacies-**

**economic inequalities**

**Question 31.**

(a) Explain briefly the rationale behind the 'License Raj' under the Industrial Policy Resolution, 1956.

(b) Define Multilateral trade.

[4 Marks]

**Answer:** (a) The "License Raj" was introduced under the Industrial Policy Resolution, 1956 to regulate and control the industrial sector in India. It required entrepreneurs to obtain licenses from the government before starting or expanding a business. This was done to ensure planned economic growth, prevent monopolies, protect small industries, and promote social welfare. It also helped the government control the use of resources and maintain balance between different sectors of the economy.
(b) Multilateral trade is trade involving more than two countries. It refers to the exchange of goods and services among multiple nations under agreements that encourage free and fair trade by reducing tariffs and trade barriers to promote economic cooperation and growth globally.

**Key Points: License Raj regulated industry through government licenses - Aimed to ensure planned growth and control resources - Multilateral trade involves trade among more than two countries**

**Question 32.**

State and elaborate whether the following statement is true c false, with valid arguments:

"Indian economy has showed satisfactory progress toward formalization of workforce in the recent past."

[4 Marks]

**Answer:** The statement is true. The Indian economy has indeed made notable progress towards the formalization of its workforce in recent years. Initiatives like the Goods and Services Tax (GST) and the introduction of the Employee Provident Fund (EPF) for various sectors have contributed to this progress. Additionally, the implementation of digital platforms has made it easier for workers to access formal employment opportunities and benefits. The rise in registered firms and improved compliance mechanisms further indicates a shift towards a more formal workforce. Furthermore, targeted schemes like Skill India and Start-Up India have encouraged entrepreneurship and job creation in the formal sector, reinforcing this trend. However, challenges remain, including the vast informal sector and the need for better enforcement of labor laws to ensure comprehensive formalization moving forward.

**Key Points: True statement- formalization of workforce has progressed- GST implementation- EPF benefits- rise in registered firms- skill development initiatives- challenges remain in informal sector**

**Question 33.**

"In India, the self-employed constitute around 60% employees. Th possible incidence of under employment is the highest among the self-employed."

As an economist, suggest and elaborate any two measures the may be taken to ensure more productive employment for the self-employed.

[4 Marks]

**Answer:** To enhance productive employment for the self-employed in India, two significant measures can be recommended. First, promoting skill development programs is crucial. By equipping self-employed individuals with relevant skills tailored to market demands, their productivity and income potential can significantly increase. These programs should focus on specific sectors such as handicrafts, services, or agriculture, aligning skills with industry needs. Second, providing access to financial resources and credit facilities can empower self-employed workers. Many face capital constraints that limit business growth. By improving access to microfinance, low-interest loans, and grants, self-employed individuals can invest in their businesses, upgrade technology, or expand operations, ultimately leading to increased productivity. These measures can create a supportive ecosystem that fosters innovation and sustainable growth for the self-employed sector.

**Key Points: 1. Promotion of skill development programs tailored to market needs. 2. Enhanced access to financial resources and credit facilities for self-employed individuals. 3. Focus on specific sectors to align skills with industry demands.**

---

## Section E

**Question 34.**

(i) Why are less women found in regular salaried employment ?

(ii) Distinguish between human capital and physical capital.

[6 Marks]

**Answer:** The underrepresentation of women in regular salaried employment can be attributed to various socio-economic factors. First, traditional gender roles often limit women's participation in the labor market, leading to a focus on domestic responsibilities over career aspirations. Additionally, women face barriers such as discrimination and a lack of family-friendly workplace policies.

Furthermore, limited access to education and vocational training has hampered their employability. Also, cultural norms in many societies discourage women from seeking jobs outside the home, reinforcing their limited workforce participation. In contrast, human capital refers to the skills, knowledge, and experience possessed by individuals, which enhance their productivity and economic value. It is an intangible asset that can be developed through education and training. On the other hand, physical capital consists of tangible assets such as machinery, buildings, and equipment used in production. While human capital is crucial for innovation and efficiency, physical capital is essential for operational processes. Both forms of capital are fundamental to economic growth, but they serve different purposes. Effective utilization of human capital can lead to better management and productivity of physical capital, resulting in overall organizational success.

**Key Points: Traditional gender roles limiting women's employment, discrimination and lack of policies hindering women's workforce participation, limited access to education affecting employability, human capital as skills and knowledge, physical capital as tangible assets like machinery, the interrelationship between human and physical capital in economic growth.**

**Question 35.**

(i) State and discuss any one strategy involved in attaining sustainable development in India.

(ii) Discuss briefly the importance of micro credit programme in rural India.

[6 Marks]

**Answer:** One significant strategy for attaining sustainable development in India is the implementation of renewable energy initiatives. The Indian government has set ambitious targets to increase the share of renewable energy in the country's energy mix, emphasizing solar, wind, and biomass sources. This approach is not only aimed at reducing dependency on fossil fuels, which contributes to climate change, but also at enhancing energy security and providing power to rural areas. Renewable energy projects create jobs, stimulate economic growth, and help in achieving energy access while minimizing environmental degradation. Furthermore, these initiatives align with global sustainability goals, showcasing India's commitment to a greener future. The second component of this answer is the importance of micro credit programs in rural India. These programs provide small loans to individuals, particularly women and marginalized groups, enabling them to start or expand businesses, thereby uplifting their economic status. Micro credit promotes entrepreneurship, encourages financial independence, and supports the local economy by providing the necessary capital for small-scale ventures. Such initiatives have proven vital in reducing poverty and fostering sustainable community development, making them essential for rural empowerment.

**Key Points: Renewable energy initiatives; reduction of fossil fuel dependence; job creation; energy access in rural areas; alignment with global sustainability goals;**

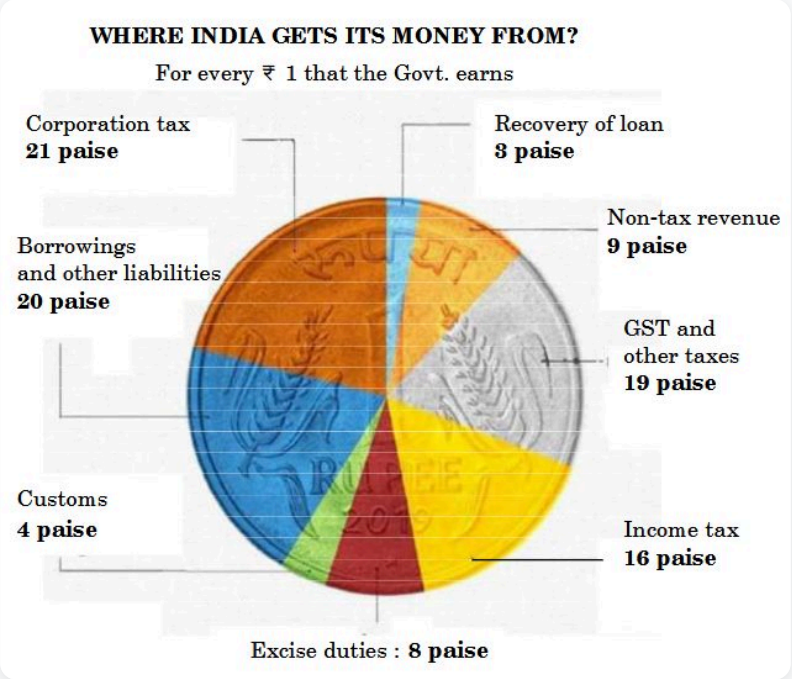
**importance of micro credit programs; support for entrepreneurship; financial independence; poverty reduction.**

**Question 36.**

(i) From the information given in the diagram, categorize the items into revenue receipts and capital receipts, stating valid reasons.

(ii) Distinguish between Revenue deficit and Fiscal deficit.

[6 Marks]




**Answer:** (i) Revenue receipts are funds that do not result in any future liability, usually generated through regular government activities such as taxes or fees. These include income tax, sales tax, and other taxes collected by the government. Capital receipts, on the other hand, are funds that result in a liability for the government, such as loans received or the sale of assets. For instance, money received from issuing government bonds or selling public enterprises qualifies as capital receipts.
(ii) Revenue deficit occurs when the government's revenue expenditure exceeds its revenue receipts, indicating the need for borrowing or other methods to finance the shortfall. This deficit reflects a fundamental imbalance in the government's budget on the revenue side. In contrast, fiscal deficit is when the total expenditure (including both revenue and capital expenditure) exceeds the total revenue (excluding borrowing) or, in simple terms, any deficit in the overall budget. It signifies the total borrowing requirements of the government during a fiscal year. A fiscal deficit includes the gap created by revenue deficit but also factors in the government's capital expenditures. Thus, revenue deficit focuses solely on operational expenses, while fiscal deficit encompasses the broader budgetary scenario.

**Key Points: Revenue receipts are non-liability funds from sources like taxes; Capital receipts create a liability, e.g., loans or asset sales; Revenue deficit is when revenue**

**spending exceeds receipts; Fiscal deficit is total expenditure surpassing total revenue, inclusive of all borrowing.**

**Question 37.**

(i) From the following data, calculate the primary deficit.

(ii) Elaborate Economic stability' function of the Government Budget.

[6 Marks]

| S. No. | Particulars | Amount (in ₹ crore) |
|---|---|---|
| (i) | Revenue deficit | 40 |
| (ii) | Non-debt creating capital receipts | 190 |
| (iii) | Tax revenue | 125 |
| (iv) | Capital expenditure | 220 |
| (v) | Interest payments | 20 |

**Answer:** In calculating the primary deficit, we need to understand the components involved. The primary deficit is defined as the difference between the current year's fiscal deficit and interest payments on previous borrowings. This emphasizes the government's capacity to manage its fiscal activities without reliance on debt. When assessing economic stability, the government budget plays a critical role. A well-structured budget ensures efficient allocation of resources, promotes equitable distribution of income, and stabilizes the economy against inflation and recession. By adjusting taxation and spending, the government can influence overall economic activity, thereby maintaining balance. For instance, during economic downturns, increased government spending can stimulate demand, while tax reductions can enhance disposable income. Conversely, during periods of inflation, cutting back on spending and raising taxes can help cool the economy. Furthermore, a balanced budget is crucial in maintaining confidence among investors and the public, ensuring that economic growth is sustainable over the long term. Hence, the government budget serves as a vital tool in promoting economic stability by managing financial pressures, encouraging growth, and mitigating cyclical fluctuations.

**Key Points: Definition of primary deficit; Components: fiscal deficit and interest payments; Importance of government budget for economic stability; Efficient resource allocation; Equitable income distribution; Influence of taxation and spending on**

**economy; Role during economic downturns and inflation; Maintaining investor confidence; Sustainability of economic growth.**