

SAMPLE QUESTION PAPER - 2

Economics (030)

Class XII (2024-25)

Time Allowed: 2 hours and 59 minutes

Maximum Marks: 80

General Instructions:

1. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A – MACRO ECONOMICS

1. **Statement 1:** Investments by rest of the world in shares of Indian companies are recorded on the credit side of Balance of payment. [1]

Statement 2: Any addition to foreign exchange reserves is recorded on the debit side of the balance of payment.

- | | |
|--|--|
| a) Statement 1 is true and Statement 2 is false. | b) Both the Statements are true. |
| c) Both the Statements are false. | d) Statement 2 is true and Statement 1 is false. |

2. Who regulates money supply in India? [1]

- | | |
|------------------------|--------------------------|
| a) Planning Commission | b) Reserve Bank of India |
| c) Commercial Banks | d) Government of India |

3. When aggregate demand is greater than the aggregate supply, inventories _____ [1]

- | | |
|-------------------------|---------|
| a) first fall than rise | b) rise |
|-------------------------|---------|



c) fall

d) do not change

4. Increase in the value of foreign commodities is known as _____. [1]

a) Revaluation

b) Devaluation

c) Inflation

d) Appreciation

5. Constant slope of saving curve indicates that: [1]

a) saving function will be linear

b) saving curve will be a straight line

c) saving function will be non-linear

d) both saving curve will be a straight line and saving function will be linear

6. _____ is equal to the difference between **AD beyond full employment** and **AD at full employment**. [1]

a) Deflation

b) Recession

c) Inflationary gap

d) deflationary gap

7. Aggregate demand is equal to _____. [1]

a) $C + S$

b) $C - S$

c) $C - I$

d) $C + I$

8. Flow is a concept which is: [1]

a) is measured over a specified period of time

b) is not time dimensional

c) Cannot be measured at a particular point of time

d) is measured at a particular point of time

9. Demand deposits include _____. [1]

a) current account deposits and fixed deposits

b) all types of deposits

c) saving account deposits and
current account deposits

d) saving account deposits and
fixed deposits

10. Flexible exchange rate system has the advantage: [1]



a) Automatic adjustment of
balance of payments

b) Encourages imports

c) Easy to borrow from world
bank

d) Encourages exports

11. Explain the concept of economic territory with reference to national income. [3]

12. List the items of the Current Account of Balance of Payments account. Also define Balance of Trade. [3]

OR

The central bank needs to intervene under the managed floating system. Do you agree with the given statement? Support your answer with valid reasons.

13. **India's GDP contracted 23.9% in the April-June quarter of 2020-21 as compared to same period of 2019-20, suggesting that the lockdown has hit the economy hard.** [4]

State and discuss any two fiscal measures that may be taken by the Government of India to correct the situation indicated in the above news report.

14. It is planned to increase National Income by ₹ 1,000 crores. How much increase in investment is required to achieve this goal? Assume that the marginal propensity to consume is 0.6. Calculate. [4]

OR

Explain the concept of consumption function.

15. What is monetary policy? State any three instruments of monetary policy. [4]

16. **Answer the following questions:** [6]

- (i) i. Find Net Domestic Product at Factor Cost from the given details. [3]



S.no.	Contents	(Rs. in Crores)
(i)	Rent	200
(ii)	Net Current Transfers to Abroad	10
(iii)	National Debt Interest	60
(iv)	Corporate Tax	100
(v)	Compensation of Employees	900
(vi)	Current Transfers by Government	150
(vii)	Interest	400
(viii)	Undistributed Profits	50
(ix)	Dividend	250
(x)	Net Factor Income to Abroad	(-) 10
(xi)	Income Accruing to Government	120

ii. Calculate National Income.

[3]

S.no.	Contents	(Rs. in Crores)
(i)	Personal Tax	80
(ii)	Private Final Consumption Expenditure	600
(iii)	Undistributed Profits	30
(iv)	Private Income	650
(v)	Government Final Consumption Expenditure	100
(vi)	Corporate Tax	50
(vii)	Net Domestic Fixed Capital Formation	70
(viii)	Net Indirect Tax	60
(ix)	Depreciation	14
(x)	Change in Stocks	(-10)
(xi)	Net Imports	20
(xii)	Net Factor Income to Abroad	10

(ii) OR

i. Given the following data, find the values of **Government Final Consumption Expenditure** and **Mixed Income of Self-Employed**:

[3]



S.No	Particulars	Amount (in ₹ Crores)
i	National Income	7,100
ii	Government Final Consumption Expenditure	?
iii	Gross Domestic Capital Formation	1,000
iv	Mixed-Income of Self-Employed	?
v	Net Indirect Taxes	200
vi	Net Factor Income from Abroad	100
vii	Private Final Consumption Expenditure	4,000
viii	Consumption of Fixed Capital	300
ix	Profits	120
x	Wages and Salaries	1,500
xi	Net Exports	500
xii	Operating Surplus	3,000

ii. How are the following treated while estimating private final consumption expenditure? Give reasons for your answer. [3]

- Exports.
- Direct purchases made abroad by resident households.
- Final consumption expenditure of non-profit institutions serving households.
- Change in stocks.

17. Answer the following questions: [6]

(i) Giving reason, state whether the following is a revenue expenditure or a capital expenditure in a government budget [3]

- Expenditure on scholarships
- Expenditure on building a bridge

(ii) The government food subsidy given to run the Public Distribution System is more than Rs.75,000 crore. Why the government provide subsidy on food. [3]

SECTION B – INDIAN ECONOMIC DEVELOPMENT



18. The workers who own and operate an enterprise to earn their livelihood are known as [1]

- a) self-employed
- b) employees
- c) Salaried worker
- d) hired workers

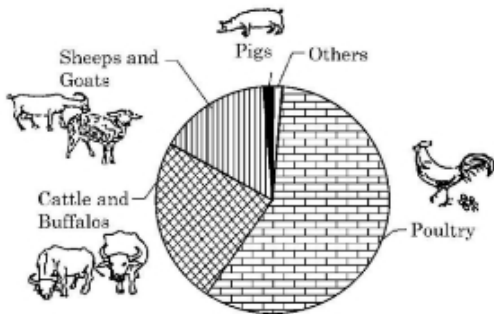
19. Introduction of Economic Reform in Pakistan took place in _____. [1]

- a) 1991
- b) 1980
- c) 1988
- d) 1978

20. Policy of **Import Substitution** was targeted to protect _____ industries. [1]

- a) Small scale
- b) Village
- c) Domestic
- d) Foreign

21. Study the following picture: [1]



Identify the kind of activities, which may be envisaged under _____ as diversification activity.

- a) Fisheries
- b) Animal Husbandry
- c) Organic farming
- d) Horticulture

22. **Assertion (A):** The industrial sector growth slowed down during reforms. [1]

Reason (R): Due to availability of cheaper imports and lower investment.

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

23. It controls and guides higher education _____. [1]

a)IGNOU

b)ICMR

c)UGC

d)NCERT

24. Pakistan introduced its economic reforms in the year _____. [1]

a)1988

b)1974

c)1978

d)1976

25. The _____ of the environment implies that the resource extraction rate is not above the rate of resources regeneration. [1]

a)Opportunity cost

b)Absorptive capacity

c)Assimilation capacity

d)Carrying capacity

26. **Statement 1:** Agriculture was commercialised during the British rule to cater to the needs of British industries for necessary raw materials. [1]

Statement 2: The fall in production of food crops was responsible for frequent famines in India during the British days

a)Statement 1 is true and
Statement 2 is false

b)Both the statements are false

c)Both the statements are true.

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

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

Column I	Column II
(a) Land Ceiling	(i) Increase in production of food grain using high yielding variety seeds
(b) Land reforms	(ii) Portion of agricultural produce sold in the market
(c) Green Revolution	(iii) Fixing the maximum limit of land holding for an individual.
(d) Marketed Surplus	(iv) Change in the ownership of land (land to tillers)



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

28. How has population explosion and the advent of industrial revolution resulted in environmental crisis? [3]

OR

Green revolution has led to increase in the use of chemical pesticides which in turn pollutes the environment. What measures can be taken to resolve this problem?

29. Why is women's household work not recognised as work? [3]
30. Distinguish between planning objectives and plan objectives on any four basis. [4]
31. What was Navratna Policy? Make a list of companies included in Navratnas. [4]

OR

Write a brief note on International Bank for Reconstruction and Development (IBRD).

32. Is rapidly growing population a constraint in the process of human capital formation? Explain. [4]

33. **Answer the following questions:** [6]

- (i) i. State the sources of agricultural credit in India. [3]
- ii. Discuss the **Different Policy Instruments** initiated by the government to improve Agricultural Marketing. [3]

(ii) **OR**

- i. What are the emerging alternate marketing channels (or agricultural products)? Explain their benefits. [3]
- ii. Self-Help Groups provide stimulus for institutionalised lending, employment generation and women empowerment in the rural areas. Justify the given statement with valid explanation. [3]

34. **Read the following text carefully and answer the questions given below:** [6]
- India and China: so close yet so far**

Given the good economic growth figures for India and the Chinese economic slowdown, it is worth wondering about the capacity of the former to replace the impetus lost by the latter. In fact, India, with a population close to 1,300 million, is the only emerging economy that could possibly follow in the footsteps of the Asian giant. However, in spite of them sharing notable features such as powerful demographics and a reduction in poverty, affecting hundreds of millions of people in both countries, India's growth is still far from the two-digit figures we had come to expect from China until very recently.

Throughout the last 35 years, both countries have gradually moved apart in economic terms. While China grew at an average rate of 10% for three decades, India advanced at a rate of just over 6% and, although these figures seem to be reversing at present (China grew by 6.9% in 2015 Q3 compared with India's 7.4%), India still has a long way to go. At the end of the 1970s, both economies were similar in size: India's share in the global economy was close to 3.0% and even exceeded China's share of 2.4%, but just over three decades later China accounts for 17.2% of the world economy in economic terms while India's share is less than half its neighbor's (7.1%). A dichotomy that can also be seen in other economic variables such as GDP per capita which, in India, has scarcely increased fourfold (from 1,000 dollars in 1980 to 3,780 currently) while in China it is now 14 times bigger (from close to 750 dollars to 10,538).

The contrast between the two countries is also evident in terms of international trade. Whereas exports of goods from China and India represented just 1% and 0.5% respectively of the world's exports in 1980, by 2014 China was exporting close to 13% of all global exports compared with 1.7% by India. By 2009 China had already become the world leader in exports, taking over from Germany, while India has been and continues to be a much more closed economy (19th in the world export ranking).

In summary, the gap separating India from China is considerable and has been widening for more than three decades, so it is not logical to assume that India can become the world's new China overnight. However, the country has huge potential for growth, especially if we take into account the reforms it is starting to implement: whether India prospers as much as its neighbour will depend on the success of those reforms.

(Source: <https://www.caixabankresearch.com/en/economics-markets/activity-growth/india-and-china-so-close-yet-so-far>)

Questions:



- i. Analyse the contrasting features of India and China in terms of their economic growth.
- ii. Examine the proposition that 'India can become the world's new China overnight'.



Solution
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SECTION A – MACRO ECONOMICS

1.
(b) Both the Statements are true.
Explanation:
Both the Statements are true.
2.
(b) Reserve Bank of India
Explanation:
Reserve Bank of India
3.
(c) fall
Explanation:
If $AD > AS$ then inventory fall.
4.
(b) Devaluation
Explanation:
An increase in the value of foreign commodities is known as devaluation.
5.
(d) both saving curve will be a straight line and saving function will be linear
Explanation:
both saving curve will be a straight line and saving function will be linear
6.
(c) Inflationary gap
Explanation:
Inflationary gap
7.
(d) $C + I$
Explanation:
 $AD = C + I$
8. **(a)** is measured over a specified period of time
Explanation:
Flows always pertain to a specific period of time in economics. Flow refers to the value of a variable during a period of time. Example: Capital Formation.

9.

(c) saving account deposits and current account deposits

Explanation:

saving account deposits and current account deposits (Demand deposits that can be withdrawn any time through saving account or current account)

10. (a) Automatic adjustment of balance of payments

Explanation:

Automatic adjustment of balance of payments

11. Domestic or economic territory means the geographical territory administered by a government within which persons, goods, and capital move freely. Domestic territory includes the following besides political frontiers:

- i. Embassies, consulates, and military establishments of the country located abroad.
- ii. Fishing vessels, oil, and natural gas rigs and floating platforms operated by the residents of a country in the international waters or engaged in extraction in the areas in which the country has the exclusive rights of exploitation by virtue of international agreements.
- iii. Ships and aircrafts operated by the residents of the country between two or more countries.

Production activity of the production units located within the economic territory is termed as a domestic product which is a part of national income.

12. Components of Current Account are as follows:

- i. Export and import of goods (visible items) - Majority of transactions in foreign trade are in the form of export and import of goods, i.e. visible items. Payment for these import of goods is shown on the negative side, i.e. debit items and receipts from exports are shown on the positive side, i.e. credit items.
- ii. Export and import of services (invisible items) - These include a large variety of non factor services sold and purchased by the residents of a country to and from the rest of the world. Payments are made to other countries for use of their services and payments are received for rendering our services to other countries. Shipping, Banking and Insurance generally fall into the category of services. Payments are recorded on the negative side and receipts on the positive side.
- iii. Unilateral transfers to and from abroad - They include one way transactions like gifts, donations and remittances. These transactions take place without any service in return.

Receipts are shown on the credit side and transfers to rest of the world on the debit side.

Balance of Payments (BOP) of a country is a systematic record of all the economic transactions between the residents and non-residents of a country during an accounting year.



Balance of Trade refers to the difference between export and import of goods, i.e. only the visible items of economic transactions is termed as Balance of Trade.

Balance of Trade = Export of Goods - Import of Goods.

The Balance of Trade (BOT) need not balance itself, i.e. it is not necessary that export of goods is always equal to import of goods. BOT can also be surplus or deficit.

Current account balance Current Account is that account of BoP, which records exports and imports of visible and invisible items and unilateral transfers.

OR

Yes. Under the managed floating system, the central bank allows the exchange rate to be determined by market forces of demand and supply. It may buy and sell foreign exchange to moderate exchange rate fluctuations. This intervention is undertaken to keep the exchange rate within the desired range.

13. India's GDP contracted 23.9% in the April-June quarter of 2020-21 as compared to same period of 2019-20, suggesting that the lockdown has hit the economy hard. The situation suggests that Aggregate Demand is less than Aggregate Supply. Following two fiscal measures may be taken to control it:

a. **Decrease in Taxes:** To curb the situation, the government may decrease the taxes. This may increase the purchasing power in the hands of the general public. This may increase the Aggregate Demand in the economy to bring it equal to the Aggregate Supply.

b. **Increase in Government Expenditure:** The government may also increase its expenditure. This may increase the purchasing power in the hands of the general public which in turn may increase the Aggregate Demand in the economy to bring it equal to the Aggregate Supply.

14. Investment Multiplier = $\frac{1}{1-MPC}$

$$= \frac{1}{1-0.6} = \frac{1}{0.4} = 2.5$$

$$K = \Delta Y \div \Delta I$$

Increase in Investment \times Multiplier = Increase in National Income

$$\text{Increase in Investment} \times 2.5 = 1,000$$

$$\text{Increase in Investment} = \frac{1,000}{2.5} = ₹ 400 \text{ crores}$$

OR

i. Consumption function shows the relation between consumption and income.

ii. Consumption function is expressed in the following two ways:

iii. $C = f(Y)$ Where, C = Consumption, Y=Income; Or

iv. $C = a + bY$ Where, a = Autonomous Consumption, b = Propensity to Consume

15. **Monetary Policy:** It is the policy of correcting excess or deficient demand in the economy by controlling the supply of credit.



The three instruments of monetary policy include,

- i. **Open market Operations:** It refers to the sale and purchase of securities and bonds by the central bank in the open market.
- ii. **Cash Reserve Ratio (CRR):** It refers to the ratio between "cash reserve of the commercial bank with RBI" and their total deposits.
- iii. **Margin Requirement:** It is the difference between the amount of loan granted and the current value of security offered for loans.

16. Answer the following questions:

- (i) i. **Net Domestic Product at Factor Cost (NDP_{FC})** = Compensation of Employees + Rent + Interest + Corporate Tax + Undistributed Profits + Dividend
- $$= 900 + 200 + 400 + 100 + 50 + 250$$
- $$= \text{Rs. } 1,900 \text{ crores}$$

***NOTE :**

Profit = Corporate Tax + Undistributed Profits + Dividend

- ii. Net Domestic Product at Market Price is

$$(NDP_{mp}) = \text{Private Final Consumption Expenditure} + \text{Government Final Consumption Expenditure} + \text{Net Domestic Fixed Capital Formation} + \text{Change in Stocks} + \text{Net Exports}$$
$$= 600 + 100 + 70 + (-10) + (-20)$$
$$= 700 + 70 - 30$$
$$= 700 + 40$$
$$= \text{RS. } 740 \text{ crores}$$

National Income or Net National Product at factor cost is:

$$(NNP_{fc}) = NDP_{mp} + \text{Net Factor Income from Abroad} - \text{Net Indirect Tax}$$
$$= 740 + (-10) - 60$$
$$= 740 - 70$$
$$= \text{Rs. } 670 \text{ crores}$$

National product is calculated by adding net factor income from abroad and domestic product and to get national product at factor cost we subtract net indirect taxes from it.

(ii) OR

- i. Government final Consumption Expenditure = i - iii - vii - xi + v + viii - vi
- $$= 7100 - 1000 - 4000 - 500 + 200 + 300 - 100$$
- $$= ₹ 2,000 \text{ crores}$$
- Mixed Income of Self Employed = i - x - xii - vi
- $$= 7100 - 1500 - 3000 - 100$$
- $$= ₹ 2500 \text{ crores}$$

As per given solution when we calculate GFCE, first we calculate gdp at mp or ndp at mp then we used expenditure method format.

Same as when we calculate Mixed Income then first we calculate ndp at fc then we used income method format.

- ii. i. Exports will not be included in private final consumption expenditure as exports do not reflect consumption expenditure by residents.
- ii. It will be included in private final consumption expenditure as such purchases are meant for consumption.
- iii. It will be included in private final consumption expenditure as non-profit institutions serving households are a component of household sector.
- iv. It will not be included in private final consumption expenditure as it is a component of capital formation.

17. Answer the following questions:

- (i) i. Expenditure on scholarships is a revenue expenditure because it neither leads to a decrease in liabilities nor leads to an increase in assets.
- ii. Expenditure on building a bridge increases the assets of the country therefore it is a capital expenditure.
- (ii) 1. As food is basic necessity, so to provide affordable food to all the government provide subsidy on food.
- 2. Reducing inequalities in income and wealth is another important objective of government budget. By providing subsidy to food items and leaving taxes on luxury items, Government try to create economic equality.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. (a) self-employed

Explanation:

Self-employment is the state of working for oneself rather than an employer.

19.

(c) 1988

Explanation:

1988

20.

(c) Domestic

Explanation:

Domestic



21.
(b) Animal Husbandry
Explanation:
Animal Husbandry
22. **(a) Both A and R are true and R is the correct explanation of A.**
Explanation:
Both A and R are true and R is the correct explanation of A.
23.
(c) UGC
Explanation:
University Grants Commission was established in November 1956 by the Government of India through an act of Parliament for the coordination, determination and maintenance of standards of university education in India.
24. **(a) 1988**
Explanation:
Pakistan introduced its economic reforms in 1988. Pakistan adopted economic stabilization and structural reform policies in 1988 in an effort to reduce domestic financial imbalances and external deficits.
25.
(d) Carrying capacity
Explanation:
Carrying capacity implies that the resource extraction is not above the rate of regeneration of the resource and the wastes generated are within the assimilating capacity of the environment.
26.
(c) Both the statements are true.
Explanation:
Both the statements are true.
27.
(d) (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)
Explanation:
(a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)
28. With population explosion and with the advent of industrial revolution, to meet the growing needs of the expanding population, the demand for resources for both production and consumption has gone beyond the rate of regeneration of the resources and due to this, the pressure on environment has increased tremendously. The increasing population has led to increased demand for housing and this has led to widespread deforestation. In order

to accelerate the process of industrialisation, natural resources are being used up at a much faster pace. We are now faced with increased demand for environmental resources and services but their supply is limited due to overuse and misuse of these resources. Hence, the environmental issues of waste generation and pollution have become critical today.

OR

The chemical pesticides contaminates food products and it also leads to pollution of water bodies. We can use better methods of pest control like neem based pesticides. These are environment friendly and does not cause any side effects. Animals and birds like snakes, lizards, owl and peacock are natural pest controllers. Farmers can also opt for mixed cropping and growing different crops in consecutive years to reduce the ill effects posed by chemical pesticides.

29. Women's household work is not recognised as work because it is a non-economic activity and is not measurable in terms of money. Women's household work is not motivated by economic considerations but by moral, social and personal consideration. Women's household work is not included in the GDR. This work does not contribute to the nation in monetary terms.
30. The differences between planning objectives and plan objectives are

Basis	Planning Objectives	Plan Objectives
Aim	They are long-term objectives to be achieved over a long period.	They are objectives to be achieved in a short period say 1 to 5 years.
Nature	They are common to all plans.	They vary from plan to plan.
Plans	They are broad goals, which development plans seek to achieve.	They are planned with greater precision.
Changes	They aim at structural changes.	They aim at quantitative changes.

31. Originally, the term Navaratna meant a talisman or ornament composed of nine precious gems. Later, this symbology was adopted in the courts of Emperor Vikramaditya and the Mughal Emperor Akbar, where the Navaratnas were a group of nine extraordinary men in their respective courts. In 1997 Govt. of India announced Navratna Policy in order to improve efficiency, enhance professionalism and enable them to compete effectively in the liberalised global environment. The Navratna status is offered to PSEs, which gives a company enhanced financial and operational autonomy and empowers it to invest up to Rs. 1000 crore or 15% of their net worth on a single project without seeking government approval. In a year, these companies can spend up to 30% of their net worth not exceeding Rs. 1000 cr. They will also have the freedom to enter joint ventures, form alliances and float subsidiaries abroad. Under this policy, 9 most profitable PSUs were given status of navratna and 97 other profit making PSUs were called Mini ratnas.



List of companies included in Navratnas is as follows:

1. Indian Oil Corporation Ltd. (IOC)
2. Bharat Petroleum Corporation Ltd.(BPCL)
3. Hindustan Petroleum Corporation Ltd.(HPCL)
4. Oil and Natural Gas Corporation Ltd.(ONGC)
5. Steel Authority of India Limited (SAIL)
6. Indian Pharmaceuticals Corporation Ltd.(IPCL)
7. Bharat Heavy Electronics Ltd. (BHEL)
8. National Thermal Power Corporation Ltd. (NTPC)
9. Videsh Sanchar Nigam Ltd. (VSNL)

Later two more PSUs were included in the list:

1. Gas Authority of India Limited (GAIL)
2. Mahanagar Telephone Nigam Limited (MTNL)

OR

The IBRD, known as the World Bank, came into force on July 1, 1944, during the Bretton Woods Conference. It is a sister institution to the IMF but has a separate, distinct objective. Its head office is located in Washington D.C., USA. The current emphasis of IBRD is to support the less developed countries as most of the developed countries' economies recovered quickly.

Presently there are 185 members of the Bank. Membership is allowed only to those countries who are also members of the IMF. A member country's voting power is dependent on the capital contribution. Like the IMF, the World Bank is also being dominated by major Western countries.

World Bank focuses on making loans to government in order to rebuild railroads, highways, and other infrastructure i.e., the areas where private sector enterprises do not take interest.

The main objectives of IBRD are as follows:

- i. To assist in the reconstruction and development of its member countries by facilitating the investment of capital for productive purposes, thereby promoting long range growth of international trade and improvements in the standard of living.
- ii. To promote private foreign investment by guarantees of and participation in loans and other investments made by private investors.
- iii. To maintain balance growth of international trade and to attain equilibrium in BoP account.
- iv. Motivating governments to act on preventing climate change, controlling communicable diseases, managing international financial crises and promoting free trade.

32. Yes, rapidly rising population is a constraint in the process of human capital formation in India. Population explosion exerts pressure on the available limited resources. In other words, rising population reduces the per capita availability of facilities such as housing, sanitation, water, drainage, power supply, education etc provided to people. So, the pressure on these facilities retards the quality of life and lowers the capacity to acquire specialised skills and knowledge.

Thus, the standard of living remains low.

33. Answer the following questions:

- (i) i. The sources of agricultural credit in India may be grouped into non-institutional sources and institutional sources.
- i. **Non-institutional sources-** Non-institutional sources of credit are the conventional sources and include landlords, village traders, relatives and moneylenders. These sources accounted for 93% of the total borrowing of the farmers in 1951.
- ii. **Institutional Sources-** Institutional sources of credit are non-conventional sources and include cooperative credit societies, commercial banks, Regional Rural Banks, NABARD and other government agencies. With the passage of time, the role of institutional sources of credit is increasing day-by-day.
- ii. Government initiated the following policies:
- i. **Minimum Support Prices (MSP):** To safeguard the interest of farmers, government fixes the minimum support prices of agricultural products, like wheat, rice, etc. Such a price may be regarded as an offer price, at which the Government is willing to buy any amount of grains from the farmers.
- ii. **Maintenance of Buffer Stocks:** The Food Corporation of India (FCI) purchases wheat and rice at the procurement prices, to maintain buffer stock. It helps to ensure regularity in supply & stability in prices.
- iii. **Public Distribution System (PDS):** PDS operates through a network of ration shops and fair price shops, which offer essential commodities at a price below the market price, to the weaker sections of the society.

(ii) OR

- i. **Emerging alternate marketing channels for agricultural products are as follows:**
- a. Direct selling: If farmers directly sell their produce to consumers, it increases their incomes. Some example of these channels are:
- Apni Mandi (Punjab, Haryana and Rajasthan)
 - Rythu Bazars (Vegetables and fruits markets in Andhra Pradesh and Telangana)
 - Hadaspar mandi (Pune)

b. **Contracts/Alliances** with national and multi-national fast food chains. They encourage farmers to cultivate farm products (vegetables, fruits etc) of the desired quality by providing them seeds and other inputs as well as assured procurement of the produce at pre-decided prices. Benefit is as mentioned-
Such arrangements will help in reducing the price risks of farmers and would also expand the markets for farm products.

ii. Self-help groups(SHG's) have, truly, emerged overtime to fill the gap in the formal credit system in the rural India. The formal credit delivery mechanism in India is not only inadequate but has not been fully integrated into overall rural society. As the rural poor do not have sufficient assets for collateral they stay away from the formal credit system. SHGs provide funds at concessional rates to this section of society. In addition to this, SHGs provide support to women for the establishment of small businesses leading to employment generation and women empowerment.

34. i. India and China have gradually moved apart in economic terms. The contrasting gap between the two countries can be reflected in terms of various economic variables, like:
- a. **Growth Rate:** While China grew at an average rate of 10% for three decades, India advanced at a rate of just over 6% and, although these figures seem to be reversing at present (China grew by 6.9% in 2015 Q3 compared with India's 7.4%), India still has a long way to go.
 - b. **Global economic share:** By the closure of the 1970s, both economies were similar in size as India's share in the global economy was close to 3.0% and even exceeded China's share of 2.4%. But three decades later China accounted for 17.2% of the world economy in economic terms while India's share was less than half its neighbor's (7.1%).
 - c. **GDP per capita:** India's GDP per capita has scarcely increased fourfold (from 1,000 dollars in 1980 to 3,780 currently) while in China it is now 14 times bigger (from close to 750 dollars to 10,538).
 - d. **Foreign Trade:** Exports of goods from China and India represented just 1% and 0.5% respectively of the world's exports in 1980, by 2014 China was exporting close to 13% of all global exports compared with 1.7% by India. By 2009 China had already become the world leader in exports, taking over from Germany, while India has been and continues to be a much more closed economy (19th in the world export ranking).
- ii. The facts reveal the evident economic gap separating India from China which is considerable and has been widening for more than three decades. With these stark figures, it would not be logical to assume that India can become the world's new China



overnight. However, India, with a population close to 1,300 million, has huge growth potential. If its well-equipped reforms that are being implemented turn out to be successful, it could possibly follow in the footsteps of the Asian giant.

