

SAMPLE QUESTION PAPER - 1
SUBJECT- ECONOMICS (030)
CLASS XII (2023-24)

Time Allowed: 3 hours

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 I:** Balance on Trade Account is the difference between value of exports of goods and imports of goods. **[1]**
Statement II: Balance on Current Account is the sum total of balance of trade and balance on invisibles.

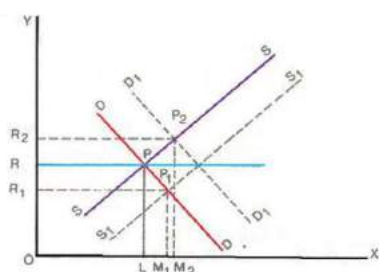
a) Both the statements are true.	b) Statement I is true and statement II is false.
c) Statement II is true and statement I is false.	d) Both the statements are false.
2. At a given point in time, money multiplier is equal to 10. What will be the value of legal reserve ratio? **[1]**

a) 15%	b) 10%
c) 25%	d) 20%
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. The price of one currency in terms of another is known as _____. [1]
 a) Foreign exchange rate b) Interest rate
 c) Trade rate d) Balance of Payment
5. The coefficient $(1 - b)$ is also known as: [1]
 a) MPC b) K
 c) $1 - MPS$ d) MPS
6. Which of the following can be used to correct the inflationary gap under Monetary Policy? [1]
 a) Cut in the cost of credit b) Increase in taxation
 c) Cut in government expenditure d) None of these
7. In a two sector economy and without any indirect tax and subsidy, aggregate supply and _____ are always equal. [1]
 a) Aggregate Demand b) National Income
 c) Average Propensity to Consume d) Marginal Propensity to save
8. Addition to the capital stock of an economy is termed as: [1]
 a) All of these b) Investment
 c) Capital loss d) Consumption of fixed capital
9. _____ is the main source of money supply in an economy _____. [1]
 a) None of these b) Commercial bank, Central bank
 c) Central bank, Central bank d) Central bank, Commercial bank
10. The equilibrium exchange rate is determined at the point where the [1]



- a) Demand for and Supply of foreign exchange has maximum gap
- b) None of these
- c) Demand for and Supply of foreign exchange has minimum gap
- d) Demand for and Supply of foreign exchange is equal

11. GDP as an index of welfare may understate or overstate welfare. Explain the statement using examples of a positive and a negative externality. [3]

12. How does the balance of payments affect rate of exchange? [3]

OR

Explain the relation between foreign exchange rate and demand for foreign exchange.

13. Explain two fiscal measures by which excess demand in an economy can be reduced. [4]

14. In an economy $C = 200 + 0.75Y$ is the consumption function where C is consumption expenditure and Y is National Income. Investment expenditure is Rs 4,000. Calculate the equilibrium level of income and consumption expenditure. [4]

OR

Explain the distinction between ex-ante measures and ex-post measures

15. To boost the falling demand in the economy, the Reserve Bank of India recently reduced the Repo rate. Elaborate the rationale behind the steps taken by the Central Bank. [4]

16. Answer the following questions: [6]

- (i) i. Calculate Gross Value Added at Market Price (GVA_{MP}) from the following data: [3]

	Particulars	Amount (in ₹ lakhs)
(i)	Depreciation	20
(ii)	Domestic Sales	200
(iii)	Change in Stock	(-) 10
(iv)	Exports	10
(v)	Single-Use Producer Goods	120
(vi)	Net Indirect Taxes	20

- ii. Calculate Net Value Added at Market Price. [3]



S.no.	Contents	(Rs. in Lakhs)
(i)	Intermediate Consumption	1,000
(ii)	Consumption of Fixed Capital	50
(iii)	Net Indirect Taxes	150
(iv)	Sales	2,000
(v)	Export	200
(vi)	Net Factor Income to Abroad	(-) 100
(vii)	Change in Stock	(-) 50

(ii) **OR**

i. Calculate Gross National Product at Factor Cost.

[3]

S.no.	Contents	(Rs. in Crores)
(i)	Rent	400
(ii)	Compensation of Employees	3,000
(iii)	Dividend	200
(iv)	Change in Stock	300
(v)	Net Factor Income to Abroad	700
(vi)	Net Indirect Taxes	800
(vii)	Consumption of Fixed Capita	1,000
(viii)	Interest	600
(ix)	Profits	800
(x)	Mixed-Income	6,000
(xi)	Net Current Transfers to Rest of the World	(-) 200

ii. From the following information about a firm in an economy, calculate GVA_{MP} of the firm.

[3]

		(₹ Crore)
(i)	Domestic Sales	300
(ii)	Exports	100
(iii)	Production for self-consumption	50
(iv)	Purchases from firm X	110
(v)	Purchases from firm Y	70
(vi)	Imports of raw materials	30

(vii)	Change in stock	60
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17. Answer the following questions: [6]

- (i) From the following data about a government budget, find out the following: [3]
- i. Revenue deficit
 - ii. Fiscal deficit
 - iii. Primary deficit

S.no.	Contents	(Rs. in arab)
(a)	Capital Receipts Net of Borrowings	95
(b)	Revenue Expenditure	100
(c)	Interest Payments	10
(d)	Revenue Receipts	80
(e)	Capital Expenditure	110

- (ii) Is the following revenue expenditure or capital expenditure in the context of government budget? Give reason. [3]
- i. Expenditure on collection of taxes.
 - ii. Expenditure on purchasing computers.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. Which of the following is not the cause of unemployment in India? [1]

- a) Emphasis on Labour intensive projects
- b) Slow growth process
- c) Faculty employment planning
- d) Increase in labour force

19. PPP stands for [1]

- a) Purchasing Power People
- b) Purchasing Parity People
- c) People Power Parity
- d) Purchasing Power Parity

20. Foreign spending on domestic goods and services is ____ and domestic spending on foreign goods is ____ [1]

- a) Import, Export
- b) Entreport, Import
- c) Exports, Entreport
- d) Exports, Imports

21. A shift from crop farming to other areas of productive activity with a view to raising income known as [1]



- a) None
b) Diversification of productive activity
c) Both
d) Diversification of crop production
22. **Assertion (A):** According to the government, the purpose of disinvestment was mainly to increase the resources only. [1]
Reason (R): It was envisaged that private capital and managerial capabilities could be effectively utilised to improve the performance of the PSUs. The government envisage that privatisation could provide strong impetus to the inflow of FDI.
- 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. Elementary education takes a major share of total education expenditure and the share of _____ is the least. [1]
- a) Secondary Education
b) Tertiary education
c) Primary education
d) University Education
24. In 1965, Mao introduced the _____ under which students and professionals were sent to work and learn from country side [1]
- a) Great Leap Forward
b) SEZ
c) Economic reform
d) Great Proletarian Cultural Revolution
25. Solar energy can be converted into electricity with the help of _____. [1]

- a) Mini-hydel Plants
- b) Wind power
- c) Photovoltaic cell
- d) Lithium cells

26. **Statement I:** The opening of the Suez Canal in 1869 reduced the cost of transportation and made access to the Indian market easier. [1]
- Statement II:** More than 90% of India's foreign trade was restricted to Britain while the rest was allowed with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran).
- a) Statement II is true, but statement I is false.
 - b) Both the statements are false.
 - c) Statement I is true, but statement II is false.
 - d) Both the statements are true.

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

Column I	Column II
(a) Growth	(i) Adoption of new technology to increase the production of goods and services.
(b) Modernisation	(ii) Avoiding imports of those goods which could be produced in India itself.
(c) Self-reliance	(iii) Every Indian should be able to meet his/her basic needs such as food, a decent house, education and health, and inequality in the distribution of wealth should be reduced.
(d) Equity	(iv) Increase in the country’s capacity to produce the output of goods and services within the country.

- a) (a) - (ii), (b) - (iv), (c) - (i), (d) - (iii)
 - b) (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)
 - c) (a) - (iii), (b) - (i), (c) - (iv), (d) - (ii)
 - d) (a) - (iv), (b) - (i), (c) - (ii), (d) - (iii)
28. How do the Air pollution factor contribute to the environmental crisis in India? What problem do they pose for the government? [3]
- OR
- 70 lakhs cars get added on the roads of metropolitans every year. Is it justified? What policy measures can you suggest?
29. The following table shows the population and worker population ratio for India in 1999-2000. Can you estimate the workforce (urban and total) for India? [3]

Region	Estimates of Population (in crore)	Worker Population Ratio	Estimated Number of Workers (in Crore)
Rural	71.88	41.9	$\frac{71.88}{100} \times 41.9 = 30.12$
Urban	28.52	33.7	?
Total	100.40	39.5	?

30. Does modernisation as a planning objective create contradiction in the light of employment generation? Explain. [4]
31. **As a form of economic activity, outsourcing has intensified in recent times. Most MNCs, and even small companies, are outsourcing their services to India.** Defend or refute the above statement. [4]

OR

What measures have been taken for globalisation of Indian economy?

32. Do you think the current level of education expenditure is inadequate? Why? [4]
33. **Answer the following questions:** [6]
- (i) i. To solve the various problems associated with rural credit, enumerate the objectives which should be followed by the cooperative credit societies. [3]
- ii. Globalisation of the economy has helped the farmers in marketing their produce and has helped in raising their standard of living. Do you agree? [3]
- (ii) **OR**
- i. Point out any four concerns in Indian agriculture. [3]
- ii. Explain the steps taken by the government in developing rural market. [3]

34. **Read the following text carefully and answer the questions given below:** [6]

Trucks carrying goods from China began offloading containers 3 years back to ships at the Pakistani port of Gwadar, marking the operational opening of the Chinese built-and-financed China-Pakistan Economic Corridor (CPEC). The scale of the USD 51 billion infrastructure scheme will change Pakistan in ways that offer hope for easing its internal conflicts and its destabilizing fear of international isolation, experts said in a discussion at the U.S. Institute of Peace.

India and China: Opposite Directions

But CPEC, for now, offers little prospect of reducing China's and Pakistan's immediate tensions with India, panel members said. India is proposing its own transportation corridors that run in the opposite direction from those of China's "One Belt, One Road Initiative," an overall project intended to link China with

Central Asia, Europe and East Asia. Theoretically, the Indian and Chinese projects could be linked, Zhao said. But mutual distrust precludes potential cooperation, he said.

“India remains vigilant and cautious, but they do somehow want to participate,” he said.

How to bring in India is the biggest question facing the CPEC project, Nadim said. When Prime Minister Nawaz Sharif took office in 2013, his primary focus was improving relations with India, not China, Nadim said, adding that he’s confident India remains a priority.

Sharif and his party recognize that the benefits of CPEC for Pakistan could be enhanced further with a significant easing of tensions with India, but that is likely further in the future, Nadim said “Realistically, the government of Pakistan isn’t thinking beyond Balochistan,” he said.

In the most hopeful scenario, CPEC could serve as the gateway for connecting Pakistan to India, Afghanistan, the Central Asian republics and even Iran, Rafiq said. “But the economic promise of regional integration is really held hostage by strategic challenges,” he said.

India’s long-running suspicions about the project were heightened by recent reports the Chinese navy intends to patrol Gwadar and that it provided an escort for the first ships leaving the port with Chinese cargo, said Sarah Watson an associate fellow and India specialist at the Center for Strategic and International Studies. More broadly, China’s deepening involvement with Pakistan makes it more likely to move beyond traditional verbal support for its ally to military backing in case of a conflict with India, she said.

Questions:

- i. Highlight the benefits of China-Pakistan Economic Corridor (CPEC) for Pakistan.
- ii. State the economic intention behind China's 'One Belt, One Road Initiative'.



Solutions

SECTION A – MACRO ECONOMICS

1. (a) Both the statements are true.

Explanation: Both the statements are true.

2.

(b) 10%

Explanation: Money Multiplier = $(\frac{1}{LRR})$

$$10 = \frac{1}{LRR}$$

$$LRR = \frac{1}{10} = 0.10 \text{ or } 10\%$$

3.

(c) fall

Explanation: If $AD > AS$ then inventory fall.

4. (a) Foreign exchange rate

Explanation: The price of one currency in terms of another is known as the foreign exchange rate.

5.

(d) MPS

Explanation: Since b is called MPC

$$MPS = 1 - MPC = 1 - b$$

6. (a) Cut in the cost of credit

Explanation: Cut in the cost of credit

7.

(b) National Income

Explanation: National Income

8.

(b) Investment

Explanation: Investment is treated as the addition of capital stock.

9.

(d) Central bank, Commercial bank

Explanation: The central bank, Commercial bank. Central Bank did by Monetary policy and commercial bank through credit creation.

10.

(d) Demand for and Supply of foreign exchange is equal

Explanation: At this point, the market for foreign exchange gets cleared.

11. GDP as an index of welfare does not take into account externalities. As a result, GDP either understates or overstates welfare.

Externalities refer to those benefits or harms accruing to another for which they are not paid or penalised. Externalities may be positive or negative.



Positive externalities increase welfare, but GDP understates welfare. Positive externalities include:

- i. Saving of commuting time due to the construction of a flyover.
- ii. Child immunization programme.

Negative externalities decrease welfare, but GDP overstates welfare. Negative externalities include:

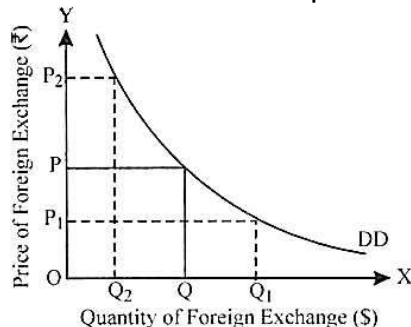
- i. Smoke emitted by factories causing air pollution
- ii. driven into rivers causing water pollution

Hence GDP is an appropriate index of welfare.

12. Changes in the balance of payments cause a change in the rate of exchange. If the balance of payments of a country is unfavourable, the demand for foreign currency will increase and the value of the domestic currency in terms of foreign currency will fall. As a result, the rate of exchange will also change. If the balance of payments of a country is favourable, the supply of foreign currency will increase and the value of the domestic currency in terms of foreign currency will rise.

OR

There is an inverse or indirect relationship between the foreign exchange rate and demand for foreign exchange. It implies that at a higher exchange rate, less of foreign exchange is demanded and at a lower exchange rate, more of foreign exchange is demanded. The shape of the demand curve for foreign exchange is down-ward sloping.



In the diagram, we see that if the price of foreign exchange falls from OP to OP_1 , more of foreign currency is demanded to purchase foreign goods and services. Conversely, if the price of foreign exchange rises from OP to OP_2 less of foreign currency is demanded because there will be lesser demand for foreign goods and services.

13. Excess demand refers to a situation in which aggregate demand exceeds aggregate supply corresponding to full employment. This gives rise to an inflationary gap which causes a rise in the price level leading to inflation. The two fiscal measures to reduce excess demand are as follows :
1. Reduction in Government Expenditure : It is the principal component of fiscal policy. When there is excess demand government expenditure on public works, education, defence, maintenance on law and order should be reduced. A reduction by government will reduce a pressure on aggregate demand and it will shift downward. The fall in govt expenditure should be equal to the inflationary gap.

2. Increase in taxes : The Government should levy new taxes and enhance the rate of the existing ones. This will reduce disposable income of the people and will result in reduction in aggregate demand.

14. i) Calculation of the equilibrium level of income :

Given,

1. Investment, $I = \text{Rs } 4,000$

2. Consumption function $C = 200 + 0.75 Y$

Now $Y = C + I$

or, $Y = 200 + 0.75 Y + \text{Rs } 4000$

$Y - 0.75 Y = 4200$

or, $0.25 Y = 4200$

$\Rightarrow Y = 4,200 \times \frac{100}{25} \Rightarrow Y = 16,800$

$\therefore$ Equilibrium income will be Rs 16,800

ii) Calculation of the Consumption expenditure :

Now, Consumption expenditure, $C = 200 + 0.75 Y$

$= 200 + 0.75 (16,800)$ [$Y = 16,800$ as calculated in point (i)]

$= 200 + 12600 = \text{Rs } 12800.$

$\therefore$ Consumption expenditure = Rs 12800.

OR

The actual or accounting values of consumption, saving, investments or the total value of final goods and services produced in the economy (GDP) are termed as ex-post measures of these items. So ex post investment means the realised or actual investment, ex post consumption means the realised or actual consumption. Ex ante measures means planned level of investment or consumption. It is that investment or consumption that is desired to be made by the people at different levels of income in an economy. Suppose, the producer plans to add Rs. 100 worth goods to his stock by the end of the year. His planned investment is, therefore, Rs. 100 in that year. This is his ex ante investment. However, due to an unforeseen upsurge of demand for his goods in the market the volume of his sales exceeds what he had planned to sell and, to meet this extra demand, he has to sell goods worth ₹ 30 from his stock. Therefore, at the end of the year his investment becomes ₹ $(100 - 30) = ₹ 70$ only. His planned investment is ₹ 100 (ex ante investment) whereas his actual investment (ex post investment) is Rs 70 only.

15. Repo rate is the rate at which Reserve Bank of India lends funds to the commercial banks by buying the government securities in the open market for a short period of time. A decline in repo rate may induce commercial banks to reduce lending rates. This may encourage demand for loans in the market-leading to greater funds at the disposal of the general public. This may lead to the creation of higher Aggregate Demand in the economy.

16. Answer the following questions:

(i)



$$\begin{aligned} \text{i. } GVA_{MP} &= [(ii) + (iii) + (iv)] - (v) \quad (GVA_{MP} = \text{Domestic Sales} + \text{Export} + \text{Change In Stock} - \\ &\quad \text{Intermediate Consumption}) \\ &= [200 + (-)10 + 10] - 120 \\ &= 200 - 120 \\ &= ₹ 80 \text{ lakhs} \end{aligned}$$

$$\begin{aligned} \text{ii. } GVA_{mp} &= \text{Sales} + \text{Change in Stock} - \text{Intermediate Consumption} \\ &= 2,000 + (-50) - 1,000 = \text{Rs. } 950 \text{ lakhs} \\ NVA_{mp} &= GVA_{mp} - \text{Consumption of Fixed Capital} \\ &= 950 - 50 \\ &= \text{Rs. } 900 \text{ lakhs} \end{aligned}$$

(ii) OR

i. Formula for calculating Gross National Product at Factor Cost is:

$$\begin{aligned} GNP_{FC} &= \text{Compensation of Employees} + \text{Rent} + \text{Interest} + \text{Profits} + \text{Mixed Income} + \\ &\quad \text{Consumption of Fixed Capital} - \text{Net Factor Income to Abroad} \\ &= 3,000 + 400 + 600 + 800 + 6,000 + 1,000 - 700 \\ &= \text{Rs. } 11,100 \text{ crores.} \end{aligned}$$

To get gross product, we add consumption of fixed capital and to get the national product we deduct net factor income to abroad.

$$\begin{aligned} \text{ii. } GVA_{MP} &= \text{Sales} + \text{Change in stock} - IC(\text{Intermediate Consumption}) \\ &= [(i) + (ii) + (iii)] + (vii) - [(iv) + (v) + (vi)] \\ &= (300 + 100 + 50) + 60 - [110 + 70 + 30] \\ &= ₹ 300 \text{ crore.} \end{aligned}$$

17. Answer the following questions:

- (i) i. We know that Revenue Deficit = Revenue Expenditure - Revenue Receipts = 100 - 80 = Rs. 20 Arab.
- ii. Fiscal Deficit = (Revenue Expenditure + Capital Expenditure) - (Revenue Receipt + Capital Receipt Net of Borrowing) = (100 + 110) - (80 + 95) = 210 - 175 = Rs. 35 Arab.
- iii. Primary Deficit = Fiscal Deficit - Interest Payments. Here Fiscal Deficit is equal to 35 Arab and Interest Payments are equal to 10, therefore Primary Deficit = 35 - 10 = 15 Arab.
- (ii) i. Expenditure on a collection of taxes is a revenue expenditure for the government as it neither adds to its assets nor reduces its liabilities.
- ii. Expenditure on purchasing computers is a capital expenditure for the government as it results in an increase in assets.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. (a) Emphasis on Labour intensive projects

Explanation: Caste System, Slow Economic Growth, Increase in Population, Agriculture



is a Seasonal Occupation, Joint Family System, Fall of Cottage and Small industries, Slow Growth of Industrialisation, Less Savings and Investment, Causes of Under Employment, Defective Planning, Expansion of Universities, Inadequate Irrigation Facilities.

19.

(d) Purchasing Power Parity

Explanation: Purchasing Power Parity (PPP) is an economic theory that compares different countries' currencies through a market "basket of goods" approach. According to this concept, two currencies are in equilibrium or at par when a market basket of goods (taking into account the exchange rate) is priced the same in both countries.

20.

(d) Exports, Imports

Explanation: Exports refers to a product or service sold abroad. Imports refers to bring (goods or services) into a country from abroad for sale.

21.

(b) Diversification of productive activity

Explanation: Diversification of production is the one aspect of agriculture diversification.

22.

(d) A is false but R is true.

Explanation: A is false but R is true.

23.

(b) Tertiary education

Explanation: Tertiary education

24.

(d) Great Proletarian Cultural Revolution

Explanation: When Russian had conflict with China, it withdrew it's professionals who had earlier been sent to China to help in the industrialization process. Then, Mao introduced GPCR.

25.

(c) Photovoltaic cell

Explanation: Photovoltaic cell

26.

(c) Statement I is true, but statement II is false.

Explanation: Statement I is true, but statement II is false.

27.

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

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

28. In India, air pollution is wide-spread in urban areas because of vehicles, factories and other reasons. Air pollution is a great concern because it has serious harmful effects on



the general population. For example, the number of motor vehicles has increased from about 3 lakh in 1957 to 67 crores to 2003. In 2003, personal transport vehicles (two wheelers vehicles and cars only) constituted . about 80% of the total number of registered vehicles. This growth directly contributes to air pollution.

OR

It is not justified from environment point of view but no individual is so concerned for the environment that he sacrifices his own comfort for the sake of environment. I feel surprised when even the managers and employees of environment related organizations are also found indulged in such activities. First thing is to create a true awareness about environment which is not at mouth level but at actions level. Secondly, we need to improve public transport system so that people need not run after a personal car. Construction of metro train is a good step in this direction by the government.

29. Participation rate refers to percentage of population actually participating in production activity.

$$\text{Worker Population Ratio} = \frac{\text{Total Number of Workers}}{\text{Total Population}} \times 100$$

$$\therefore \text{Number of Workers} = \frac{\text{Total Population}}{100} \times \text{Worker Population Ratio}$$

Calculation of the workforce of rural as well as urban area for India using the above formula:

Region	Estimates of Population (in crore)	Worker Population Ratio	Estimated Number of Workers (in crore)
Rural	71.88	41.9	$\frac{71.88}{100} \times 41.9 = 30.12$
Urban	28.52	33.7	$\frac{28.52}{100} \times 33.7 = 9.61124$
Total	100.40	39.5	$\frac{100.40}{100} \times 39.5 = 39.658$

30. No, modernisation as a planning objective does not contradict employment generation. In fact, both modernisation and employment generation are positively correlated in the long-run. Modernisation refers to the use of new and modern technology in the production process. For example, a farmer can increase the output on the farm by using new seed varieties instead of using the old ones. Similarly, a factory can increase output by using a new type of machine. This does not cut down the employment generation opportunity rather this facilitate the manpower in their works. However, this may make some people lose their jobs in the initial stages, as machines take place of men. But gradually, the use of modern technology and input will raise productivity and consequently the income of the people, that will further raise the demand for goods and services. In order to fulfil this increased demand, more production output will be required and there will be more job opportunities, that will lead to higher employment in the economy. Even in the short-run, modernisation leads to the creation of employment opportunities for skilled workers. If proper training and vocational

education are provided, it will lead to better employment in terms of quality of work and earnings. The concept of modernisation is never contradictory to the employment generation activities, rather it has always worked towards changing the thinking of the people and society at large.

Hence, both modernisation and employment generation are not contradictory but are complementary to each other.

31. **As a form of economic activity, outsourcing has intensified in recent times. Most MNCs, and even small companies, are outsourcing their services to India.**

The given statement is correct.

In recent times, outsourcing has intensified because of the growth of fast modes of communication, particularly the growth of Information Technology (IT). Today, voice-based business processes (popularly known as BPO or call centres), record keeping, accountancy, banking services, music recording, film editing or even teaching are being outsourced by companies in developed countries to India where they can be availed at a cheaper cost with reasonable skill and accuracy. Thus, low wage rates and availability of skilled manpower in India made it a destination for global outsourcing after 1991.

OR

The following measures have been taken for globalisation of Indian economy

- i. **Increase in Equity Limit of Foreign Investment:** Equity limit, in general, has been raised from 40% to 51%. Also, in 47 high priority industries and in export trading houses, Foreign Direct Investment (FDI) is allowed up to the extent of 100%.
- ii. **Partial Convertibility:** It means sale and purchase of foreign currency at a price determined by the market forces of demand and supply. It is called partial convertibility because it is allowed 100% in current account transactions but it is only 51% for capital account transactions.
- iii. **Liberal Foreign Trade Policy:** A long-term liberal trade policy has been implemented which encourages free trade among countries.
- iv. **Reduction in Tariffs:** Custom duties have been reduced drastically. Pre 1991, customs duties were as high as 400%, but post 1991, maximum rate of duty is just 10%.
- v. **Withdrawal of Quantitative Restrictions:** The quantitative restrictions on all import items have been totally withdrawn from 2001, in conformity with the guidelines issued by the World Trade Organisation (WTO).

Many other measures have also been announced from time to time. For instance, foreign companies have been allowed to use their trademarks in India and carry on any activity of trading, commercial or industrial nature: repatriation of profits by foreign companies has been allowed, foreign companies (other than banking companies) wanting to borrow money or accept deposits are now allowed to do so without taking the permission of the RBI, foreign companies can deal in immovable property in India- restrictions on transfer of shares from one non-resident to another non-resident have been removed.



32. Yes, the current level of education expenditure is inadequate. It is only 3.25% in comparison to the desired level of 6% of GDP. More than 50 years ago, the education commission has recommended that at least 6% of GDP should be spent on education, so as to make a noticeable rate of growth in educational achievements. In the Eleventh Plan, the Central Government envisages an outlay of about Rs. 2.70 lakh crore. This reflects the high priority being given to the education sector by the Central Government.

However, the investment in education expenditure has not been uniform and is marked with regional, social and gender inequalities. India has also not been able to achieve the objective of providing free and compulsory education to all children in the age group of 6 to 14 years.

33. Answer the following questions:

- (i) i. To solve the various problems associated with rural credit, cooperative credit societies should pursue the following objectives:
- They should provide adequate credit support, covering all areas of needs of farmers.
 - They should ensure the timely flow of credit to the farmers.
- ii. Globalisation of the economy has helped the farmers in marketing their produce and has helped in raising their standard of living. Globalisation has expanded the market of the national companies and has allowed various MNCs to operate in India. So, several national and international fast food chains and hotels have been opened in India. These organisations enter into contracts with the farmers to supply them farm products of the desired quality at reasonable prices, thus helping the farmers to market their produce.

(ii) OR

- Four concerns of Indian agriculture are:
 - Agricultural credit;
 - Agriculture marketing
 - Diversification
 - Pricing policy
- Following are the steps were taken by the government in developing rural markets:**
 - The government collects market information relating to agricultural products through different media like statistics departments, radio, television, newspapers, etc and make it available to farmers.
 - It has made better transport arrangements to encourage farmers to carry their products to the market. Railways are offering subsidized transport facility to the farmers to bring their produce to the urban markets where often they get a better deal.
 - It has provided warehousing and storage facilities in the villages.
 - It has promoted co-operative marketing in several ways.



34. ANS

- i. The China-Pakistan Economic Corridor (CPEC), which is built and financed by China, is of great benefit to Pakistan as it offers hope for easing its internal conflicts and its destabilizing fear of international isolation. The CPEC also serves as the gateway for connecting Pakistan to India, Afghanistan, the Central Asian republics, and even Iran.
- ii. China's "One Belt, One Road Initiative" is an overall project of China that aims to boost its domestic growth with improved connectivity. It is a part of the country's strategy for economic diplomacy that intends to link China with Central Asia, Europe, and East Asia. One Belt, One Road Initiative is an ambitious commercial project for economic development and focuses on connectivity and cooperation among multiple countries of the mentioned continents.

