

**CBSE Class 12 Economics**  
**Sample Paper 03 (2019-20)**

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**Maximum Marks: 80**

**Time Allowed: 3 hours**

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**General Instructions:**

- i. All the questions in both the sections are compulsory. Marks for questions are indicated against each question.
  - ii. Question number 1 - 10 and 18 - 27 are very short-answer questions carrying 1 mark each. They are required to be answered in one word or one sentence each.
  - iii. Question number 11 - 12 and 28 - 29 are short-answer questions carrying 3 marks each. Answers to them should not normally exceed 60-80 words each.
  - iv. Question number 13 - 15 and 30 - 32 are also short-answer questions carrying 4 marks each. Answers to them should not normally exceed 80-100 words each.
  - v. Question number 16 - 17 and 33 - 34 are long answer questions carrying 6 marks each. Answers to them should not normally exceed 100-150 words each.
  - vi. Answer should be brief and to the point and the above word limit be adhered to as far as possible.
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**Section A**

1. Fill in the blanks: \_\_\_\_\_ is the difference between total receipts and total expenditure.
2. What do you mean by injection?
3. What can be the minimum value of the investment multiplier?
  - a. 0
  - b. 1.0
  - c. 2
  - d. 3
4. Define foreign exchange rate.

**OR**

What is Nominal Effective Exchange Rate (NEER)?

5. Financing the deficit is
- a. Printing more currency notes
  - b. Taking loans
  - c. Not paying interest on loans
  - d. None of them

6. Fill in the blanks:

The maximum value of investment multiplier is \_\_\_\_\_.

7. Fill in the blanks:

If the saving function is  $S = -50 + 0.2Y$ , then the MPC is \_\_\_\_\_.

8. State true or false:

In balance of payments, repayment of loans by Indian Government to American Government will be reflected as debit item.

9. Fill in the blanks:

If borrowings and other liabilities are added to the budget deficit, we get \_\_\_\_\_.

10. Match the following-:

(a) Fee	(i) money offer by people to govt.
(b) Fines	(ii) payment to govt. for the services that it renders
(c) Escheat	(iii) payment to govt. by law breakers
(d) Donation	(iv) transfers the property of a person who has died without heirs to govt.

11. Distinguish between Direct and Indirect Tax:

12. Find the value of multiplier when

Marginal Propensity to Consume is equal to 1 and Marginal Propensity to Save is equal to 1.

**OR**

Explain the distinction between 'autonomous investment' and 'induced investment'.

13. Explain the advancing of loan function of the banks.
14. India's high current account deficit, given slowing capital inflows, is disturbing. Further deterioration in the global economic environment could complicate our BoP situation. - The Economic Times

In the light of the given statement, explain the two BoP situations. Also, explain what does a deficit in Balance of Trade indicates?

**OR**

Earlier, the system of closed economy was followed to keep the model simple and explain the basic macroeconomic mechanisms. In reality, most modern economies are open. In light of the above statement, explain what is a closed economy and analyse how the "open economy" has widened the choices?

15. What is meant by foreign exchange rate? Why does a rise in foreign exchange causes a rise in supply?
16. (i) How will you treat the following while estimating the national income of India? Give reasons
- a. Payment of interest on borrowings by the general government.
  - b. Increase in prices of the shares of a company.
  - c. Government expenditure on sanitation.
  - d. Growing vegetable in a kitchen garden of the house

(ii) From the following about firm 'Y', calculate Net Value Added at Market Price by it:

Items	In Thousands
(i) Sales	300

(ii) Depreciation	20
(iii) Net indirect taxes	30
(iv) Purchase of intermediate products	150
(v) Closing Stock	200
(vi) Purchase of machinery	100
(vii) Opening Stock	210

**OR**

From the following data, calculate National Income by:

- a. Income Method and
- b. Expenditure Method

Items	(Rs. in Crore)
Compensation of employees	1200
Net factor income from abroad	(-)20
Net indirect taxes	120
Profit	800
Private final consumption expenditure	2000
Net domestic capital formation	770
Consumption of fixed capital	130
Rent	400
Interest	620
Mixed income of self - employed	700
Net exports	(-)30
Government final consumption expenditure	1100

17. From the data given below about an economy, calculate

- i. Investment expenditure
- ii. Consumption expenditure.

Equilibrium level of Income = Rs. 5,000

Autonomous Consumption = Rs. 500

Marginal Propensity to Consume = 0.4.

### Section B

18. Privatisation has done more harm than good. Justify your answer.

19. State true or false:

Education cess is levied on state taxes.

20. Match the following:

(a) MRTP Act	(i) replace by G.S.T
(b) FERA Act	(ii) replace by Competition Act
(c) LQP	(iii) replace by FEMA Act
(d) Indirect taxes	(iv) replace by LPG

21. When did India adopt social banking and multi-agency approach to meet rural credit needs?

- a. 1991
- b. 1969
- c. 1965
- d. 2001

22. Fill in the blanks:

All those private enterprises which hire less than 10 workers are called \_\_\_\_\_.

**OR**

Fill in the blanks:

Infrastructure which provides such facilities which contribute indirectly to economic activity but directly to the quality of life is called \_\_\_\_\_.

23. Fill in the blanks:

The growth rate of agriculture has \_\_\_\_\_ during the reform period.

24. In April 1999 which programme launched

- a. SISRY
- b. REGP
- c. PMRY
- d. JGSY

25. Fill in the blanks:

\_\_\_\_\_ refers to the maximum limit within which waste can be assimilated by the environment without degradation.

26. \_\_\_\_ is the population density the \_\_\_\_ is the pressure of population on land and the more the economic problems

- a. Lower, higher
- b. Higher, Lower
- c. Higher, Higher
- d. Lower, Lower

27. Human Development Index (HDI) include

- a. Both
- b. Qualitative aspect
- c. Quantitative aspect

d. None

28. Why do you think that soil erosion is one of the area which needs to be tackled in order to preserve the environment?

**OR**

Do you think regional inequality exists even in health infrastructure in India? Give reasons for your answer.

29. Why is human capital more important than physical capital?

30. Discuss fiscal policy reforms under New Economic Policy 1991.

31. How does industries help to strengthen the economy of a country?

**OR**

What are the benefits of globalisation?

32. Answer the questions on the basis of the following data.

i. Which country is having the highest and least rate of poverty?

ii. Suggest some measures that can be taken by India to reduce poverty.

<b>Country</b>	<b>Poverty rate(%age of the total population)</b>
India	21.9%
China	3.3%
Pakistan	29.5%

33. Discuss some of the institutional weaknesses in Indian agriculture.

34. Can you give some evidence to prove that health infrastructure has improved in India?

**OR**

Explain the various causes of unemployment in India.

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**Solution**  
**Section A**

1. Budget deficit
2. It refers to the additions to the circular flow. Injections cause expansion of the circular flow. Example: Government expenditure, exports and investment.
3. (b) 1.0

**Explanation:** Referring to the formula of investment multiplier below, if  $MPS=1$ ,  $K=1$ . It means when consumption is zero or all income is saved, then there is no investment hence ,no change in income.

$$K = \frac{1}{1 - \frac{dC}{dY}} = \frac{1}{1 - MPC} = \frac{1}{1 - MPS}$$

4. Foreign exchange rate is the price of a country' currency in terms of another country's currency. It is the rate at which one currency can be exchanged for the other currency in foreign exchange market.

**OR**

It is that type of effective exchange rate which does not account for changes in price level while measuring average strength of one currency in relation to the others.

5. (b) Taking loans **Explanation:** Any deficit in the budget is financed by borrowing both from internal and external sources.
6.  $\infty$
7. 0.8
8. True
9. Fiscal deficit



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

11.

<b>Direct Tax</b>	<b>Indirect Tax</b>
1. Direct tax is a tax whose liability to pay and incidence lie on the same person.	1. The liability to pay and incidence of indirect tax do not lie on the same person.
2. Its incidence can not be shifted to some other person, i.e. actual burden of taxes cannot be shifted.	2. Its incidence can be shifted to some other person, i.e. burden of these taxes can be shifted to other.
3. Example : Income Tax, corporation tax.	3. Excise duty, VAT.

12. i. Given that, Marginal Propensity to Consume (MPC) = 1

We know that Multiplier is given by,  $(K) = \frac{1}{1-MPC} = \frac{1}{1-1} = \infty$

So, here Multiplier (K) =  $\infty$ (Infinity).

ii. Given that, Marginal Propensity to save (MPS)=1.

We know that Multiplier is given by,  $K = 1/1-MPC = 1/MPS = 1/1 = 1$ . Hence, Multiplier(K) here is equal to 1.

**OR**

Differences between autonomous investment and induced investment

<b>Basis</b>	<b>Autonomous Investment</b>	<b>Induced Investment</b>
Meaning	Autonomous investment is that investment which is independent of the level of income or profit. Thus, it is not induced by any changes in the income.	In simple language, when an increase in investment is due to the increase in the current level of income and production, it is known as induced investment.
Motive	It is done to promote social welfare.	It is driven by a profit motive.
Sector	It is generally undertaken by the	It is generally done by the private

	government sector.	sector.
Income elasticity	It is not affected by the changes in income level.	It is affected by the change in the income level.

13. Advancing loans is another basic function of the commercial banks. Banks advance loans mostly for productive purposes. On the basis of the cash deposits of the people, the banks build their cash reserves. The banks advance loans many times more than their cash reserves. The deposits received by banks are not allowed to remain idle. So, after keeping certain cash reserves, the balance is given to needy borrowers and interest is charged from them, which is the main source of income for these banks. Banks add to the supply of money in the economy by advancing loans. This is known as credit creation by the banks.

Different types of loans and advances made by Commercial banks are :

- i. Cash Credit: Cash credit refers to a loan given to the borrower against his current assets like shares, stocks, bonds, etc. A credit limit is sanctioned and the amount is credited in his account. The borrower may withdraw any amount within his credit limit and interest is charged on the amount actually withdrawn.
- ii. Demand Loans : Demand loans refer to those loans which can be recalled on demand by the bank at any time. The entire sum of demand loan is credited to the account and interest is payable on the entire sum.
- iii. Short-term Loans : They are given as personal loans against some collateral security. The money is credited to the account of borrower and the borrower can withdraw money from his account and interest is payable on the entire sum of loan granted.

14. The two BoP situations are:

**BoP Surplus:**

- When the receipts of the country on account of autonomous transactions exceed the payments of a country on account of autonomous transactions, this difference is termed as BoP surplus.
- BoP Surplus =  $R > P$ , where R = Receipts of the country, P = Payment of the

country.

**BoP Deficit:**

- When the payments of a country on account of autonomous transactions exceed the receipts of a country on account of autonomous transactions, this difference is termed as BoP deficit.
- $\text{BoP Deficit} = \text{Receipts on account of autonomous transactions} < \text{Payments on account of autonomous transactions}$
- $\text{BoP Deficit} = R < P$  Where,  $R = \text{Receipts}$   $P = \text{Payments}$

**Deficit:**

A deficit in the balance of Trade indicates that the value of exports of goods are less than the imports of goods for a country.

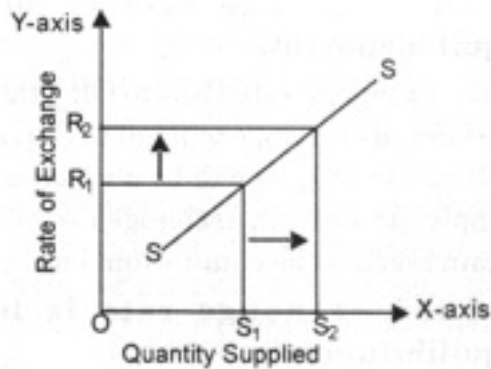
**OR**

**Closed economy:** The economy that does not interact with the rest of the world is called a closed economy.

**Interaction with other economies of the world widens choice in three broad ways:**

- i. Consumers and firms have the opportunity to choose between domestic and foreign goods. This is the product market linkage which occurs through international trade.
- ii. Investors have the opportunity to choose between domestic and foreign assets. This constitutes the financial market linkage.
- iii. Firms can choose where to locate production and workers to choose where to work.

15. It is the rate at which one currency is exchanged for the other.



An increase in Foreign exchange rate from  $OR_1$  to  $OR_2$ , means relative fall in exchange value of domestic currency, which attracts more exports from the country and implies a greater supply of foreign exchange, i.e., from  $OS_1$  to  $OS_2$  as shown in the figure. This is so as purchasing power of a dollar in terms of Indian rupee increases.

16. (i) Treatment of the following items while estimating the national income of India:

- a. It will not be included in national income because it is the non-factor payment as it is considered that the general government borrows only for consumption purposes.
- b. Not included, because it is capital gain and has nothing to do with production.
- c. It will be included because it is the final consumption expenditure by the government.
- d. It is included in the national income because it adds to the production of goods though it is used for self-consumption.

(ii) Net Value Added at Market Price by Firm Y

$$\begin{aligned}
 &= \text{Sales} + \text{Change in stock (Closing Stock - Opening Stock)} - \text{Purchase of intermediate products} - \text{Consumption of fixed capital} \\
 &= 300 \text{ thousand} + (-) 10 \text{ thousand (200 thousand - 210 thousand)} - 150 \text{ thousand} - 20 \text{ thousand} \\
 &= 120 \text{ thousand Rupees.}
 \end{aligned}$$

**OR**

a. **Income Method:**

$$\text{NDP}_{\text{FC}} = \text{Compensation of employees} + \text{Operating surplus (Rent + Royalty + Interest}$$

+ Profit) + Mixed income

$$\text{NDP}_{\text{FC}} = 1200 + (400 + 0 + 620 + 800) + 700$$

$$= 1200 + (1820) + 700 = \text{Rs.}3720 \text{ crore}$$

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$$= 1200 + (1820) + 700 = \text{Rs.}3720 \text{ crore}$$

$$\text{NNP}_{\text{FC}} = \text{NDP}_{\text{FC}} + \text{NFIA}$$

$$\text{NNP}_{\text{FC}} = 3720 + (-20) = \text{Rs.}3700 \text{ crore}$$

**b. Expenditure Method:**

$\text{GDP}_{\text{MP}} =$  Private final consumption expenditure + Government final consumption expenditure + Gross domestic capital formation + Net exports

$$2000 + 1100 + (770 + 130) + (-30) = \text{Rs.}3970 \text{ crore}$$

Gross Domestic Capital Formation = Net Domestic Capital Formation + Consumption of Fixed Capital

$$\text{NNP}_{\text{FC}} = \text{GDP}_{\text{MP}} - \text{Depreciation} + \text{NFIA} - \text{NIT}$$

$$\text{NNP}_{\text{FC}} = 3970 - 130 + (-20) + 120$$

$$\text{NNP}_{\text{FC}} = \text{Rs.}3700$$

17. Given,

- i. Equilibrium level of Income (Y) = Rs. 5,000.
- ii. Autonomous Consumption ( $\bar{C}$ ) = Rs. 500.
- iii. Marginal Propensity to Consume (MPC or b) = 0.4

**i) Calculation of Investment expenditure :**

We know that,

$$\text{Income (Y)} = \text{Consumption (C)} + \text{Investment (I)}$$

$\therefore$  At the equilibrium level, Saving = Investment

$$\therefore 5,000 - 2,500 + I \text{ or } I = 5,000 - 2,500 = 2,500$$

**ii) Calculation of Consumption expenditure :**

We also know that,

$$\begin{aligned}\text{Consumption (C)} &= \bar{C} + bY = 500 + [0.4 \times 5,000] \\ &= 500 + 2,000\end{aligned}$$

∴ Consumption (C) = Rs. 2,500

**So, Investment Expenditure (I) = Rs. 2,500**

**Consumption Expenditure (C) = Rs. 2,500**

### **Section B**

#### **18. Case for privatisation:**

1. It will help in reducing the burden on exchequer.
2. It will help in modernising and diversifying PSUs.
3. It will help in making PSUs more competitive.
4. It will help in improving the quality of decision making of management.
5. It will help in reviving sick units, which are eating away the revenue of government.
6. It will help in developing capital market and international market.
7. It is argued that a private firm has pressure from shareholders to perform efficiently. If the firm is inefficient then the firm could be subject to a takeover. A state-owned firm doesn't have this pressure and so it is easier for them to be inefficient. Therefore privatisation increases the efficiency of firms.

#### **Case against privatisation:**

1. It will encourage growth of monopoly power in the hands of big business houses.
2. It will increase disparities in income and wealth.
3. Private sector has no interest in buying loss-making and sick enterprises.
4. Privatisation may result in lop-sided development of industries in the country.
5. Private sector may have no interest in long gestation projects, infrastructure investment and risky projects.
6. Private sector may not have sufficient funds for many vital projects.
7. Unexpectedly, all of the utilities create negative externalities (via pollution,

spoiling the environment, etc.) It can be argued that as public sector companies, the government can regulate output and make sure that it is at the socially optimal level (i.e. allow for externalities). In the private sector, maximisation of profit is the only concern, so a socially damaging level of externalities will occur.

19. False

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

21. (b) 1969 **Explanation:** At the time of independence, moneylenders and traders exploited the small and marginal farmers and landless labourers by lending to them on high-interest rates and manipulated them. A major change occurred after 1969 when India adopted social banking and multi-agency approach to adequately meet the needs of rural credit.

22. Informal sectors

**OR**

Social infrastructure

23. Decelerated

24. (d) JGSY

**Explanation:** Jawahar Gram Samridhi Yojana (JGSY) is the restructured, streamlined and comprehensive version of the erstwhile Jawahar Rozgar Yojana (JRY). Launched on 1st April 1999, it has been designed to improve the quality of life of the rural poor by providing them additional gainful employment.

25. Absorptive capacity

26. (c) Higher, Higher

**Explanation:** The **population density** of an area can greatly affect that area's economy and social conditions.

27. (a) Both

**Explanation:** The Human Development Index (HDI) is a composite statistic of life expectancy, education, and per capita income indicators, which are used to rank

countries into four tiers of human development.

28. Soil erosion occurs when rains and floods wash away the surface soil. It needs to be addressed immediately because as per the estimates soil is being eroded at a rate of 5.3 billion tonnes a year which is in excess of the recharging capacity. A lot of nutrients are lost due to soil erosion and each year the loss is in the range of 5.8 to 8.4 million tonnes.

**OR**

The development of health infrastructure is a key area of development in an economy and all there should be an equitable investment in health infrastructure in both urban and rural areas. But unfortunately, gender, income and regional bias exist in the development of this field in India. Rural areas do not have access to or cannot afford medical care. Even though the majority of population lives in rural areas, only one-fifth of India's hospitals are located in rural areas with only half the number of dispensaries. Out of 6.3 lakh beds, roughly only 30% of them are available in rural areas. The PHCs in rural areas do not offer basic medical care like X-ray or blood testing devices. In rural areas, the percentage of people who have no access to proper aid has risen from 15 in 1986 to 24 in 2003. This is really a very sad state of affairs. On one hand we are aiming to be the fastest-growing economy and on the other hand, we cant improve basic healthcare facilities in rural areas. Due to such inequalities, States like Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh are relatively lagging behind in healthcare facilities.

29. Human capital is more important than physical capital because the latter is an effect of the former. All physical capital that we have today is subject to the acquisition of human capital. The more qualitative human capital, the more qualitative physical capital.
30. Fiscal reforms mean increasing the revenue receipts and reducing the public expenditure of govt. in a manner that production and economic welfare are not adversely affected. Its main objective was to reduce fiscal deficit which stood at 8.5 percent of GDP in 1990-91. Taxation system was made more scientific and rational. Income tax slabs were reduced upon the recommendations of TRC. The peak rate of



customs duties has been reduced to **15%** in budget 2006-07. Excise duty on several commodities were reduced. Govt. made special efforts to cut public expenditure.

**Rationalisation of Tax Systems:** To rationalise the indirect tax system at the centre by removing distortion in the structure there is a need to remove multiplicity of tax rates of central excise duties on various goods and services. With tax reform initiated since 1991, this has been now achieved with few exceptions.

Now, there is a single excise duty called CENVAT (which is in the form of value added tax) on all products which enter a production chain. The argument for a single CENVAT is that it will remove the distortions in the tax system as a result of multiplicity of rates of excise duties.

**The Fiscal Responsibility and Budget Management Act (FRBMA), 2003** has been implemented and it emphasises on

- a. Revenue led fiscal consolidation
- b. Better expenditure outcomes.
- c. Rationalisation of tax regime.

31. Industries help to strengthen the economy of a country in the following ways:

- i. Industries help in the establishment of the infrastructure of the country such as dams, railways, etc. Infrastructural development helps in the growth of other sectors also.
- ii. Expansion of capital goods industries pave the way for industrial growth and as a result, the economy is able to undertake large scale production of goods at low cost.
- iii. Industries help in increasing agricultural productivity by supplying the agricultural sector with mechanised means of production such as tractors, threshers, etc and also with fertilisers, insecticides, etc.
- iv. Industrialisation helps a country to become self-reliant in the production of defence goods.
- v. Industrialisation brings many more reforms to the places where they got established. Eg. an increase in local land price, improved transportation and finally increased revenue.

**OR**

Globalisation results in the following benefits for the economy

- i. It helps the economy to adopt new and flexible methods of production.
  - ii. It results in raising the productivity of the industrial sector by reducing capital-output ratio, increasing exports, raising the efficiency of the workforce, modernising the technology used and increasing capital flow in the country.
  - iii. It helps in restructuring the production units of the country towards the production of those goods which the country can produce effectively and efficiently with the use of the domestically available factors of production.
  - iv. It helps to increase the flow of foreign capital into the country.
  - v. It helps to improve the quality of goods produced in the economy.
  - vi. It helps to address the problem of unemployment.
  - vii. Advantages from the free movement of labour between countries.
  - viii. Gains from the sharing of ideas/ skills/ technologies across national borders.
  - ix. Competitive pressures of globalisation may prompt improved governance and better labour protections.
  - x. Encourages producers and consumers to benefit from the deeper division of labour and economies of scale.
32. i. Pakistan is having the highest and China is having the east rate of poverty.
- ii. Various measures that India can take to reduce poverty are:-
- labour-intensive method of production
  - Development of agriculture
  - stability in the price level
  - eradication of unemployment
  - Special focus on backward regions
  - opportunities for self-employment
33. Some of the institutional weaknesses in Indian agriculture are as follows:
- i. We need to involve the small and marginal farmers and the landless labour in deriving benefits of increased agricultural exports through integrated co-operatives like the mother dairy, and other service co-operatives; contract farming, etc.

- ii. Present system of credit does not ensure timely availability of credit. In many states, land reform remains woefully unfinished and tenancy regimes need urgent reform.
- iii. Indian agricultural credit system is suffering from the problems of subsidised interest rates, poor recovery of loans, high intermediation costs of cooperatives and commercial banks and debt write-offs.
- iv. We also need to make efforts to develop new technologies for the farming sector and making it available for small farmers so that they may diversify their production towards high-value commercial and export commodities.
- v. We need to create institutions like trading houses, market intelligence services and creation of network of information on national and international prices.
- vi. We also need infrastructure for processing, marketing and grading of produce, investment in information etc.

34. There is no doubt about it that health infrastructure in India has improved. It can be proved from the statistics given below:

**Public Health Infrastructure in India**

Item	1951	1981	2000
Hospitals	2694	6805	15888
Hospital/ Dispensary Bed	117000	504538	719861
Dispensaries	6600	16745	23065
PHCs	725	9115	22842
Subcenters		84736	137311
CHCs-		761	3043

It is absolutely clear that number of hospitals, dispensaries, PHCs, CHCs all have increased many times during 1951-2000.

**OR**

The causes of unemployment in India are given below:

- i. **Slow Economic Growth:** In the Indian economy, the rate of economic growth is very slow. This slow growth rate fails to provide enough employment opportunities for the rising population. Supply of labour is much more than the available employment opportunities.
- ii. **Low level of Capital Formation:** The main reason for India's unemployment is insufficient capital. We have much less capital in comparison to our labour force. Our capital structure is weak.
- iii. **Rapid Growth of Population:** Constant increase in population has been a grave problem of India. It is one of the main causes of unemployment. The number of unemployed persons has actually increased instead of decreasing during the plan period.
- iv. **Unequal distribution of assets:** A large portion of the country's assets is concentrated in a few hands. Because of a lack of assets, the general public cannot have gainful employment.
- v. **Faulty Employment Planning:** The Five Year Plans in India have not been designed for employment generation. A frontal attack to solve the problem of unemployment was missing. In the FYPs, it was assumed that economic growth will take care of the unemployment problem.
- vi. **Excessive Use of Foreign Technology:** There is a lack of scientific and technical research in India due to its high cost. This has resulted in excessive use of foreign technology which has led to technical unemployment in our country
- vii. **Lack of Financial Resources:** The expansion and diversification programme of agriculture and small scale industries have suffered because of a lack of financial resources.
- viii. **The predominance of Agriculture:** Agriculture has a predominant place in our country. In agriculture, people do not find employment for the whole of the year. This gives rise to seasonal unemployment. Besides this, there is not much scope for an increase in employment in the agricultural sector.
- ix. **Agriculture Still a Seasonal Occupation:** Even after approximately 70 years of Independence, agriculture in India still does not have access to adequate irrigation facilities, rendering it to be a seasonal occupation. Because of this, the workforce engaged in farming activities remain unemployed for 3-4 months in a year.
- x. **The decay of Cottage and Small Industries:** The cottage and small industries are

labour-intensive and generate a number of employment opportunities. But the British rule led to their decay and the government of independent India did not initiate adequate measures for their revival. This compounded the problem of unemployment.

- xi. **Low Savings and Investment:** In India, a low rate of capital formation prevails due to low savings and investment. Shortage of capital prevents a business to expand and grow, thus limiting their power to generate employment.
- xii. **The mobility of Labour:** In India, the mobility of labour is quite low. Because of family obligations, social constraints, language and cultural barriers, people are unwilling to move to a new place when offered a job there. This is also a cause for unemployment in India.
- xiii. **Wrong development Strategy:** In our planning, we have adopted a development strategy which is capital intensive and heavy industry based. It has proved anti-employment.