

CBSE Class 12 Economics
Sample Paper 07 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. This question paper contains two parts: Part A - Macro Economics (40 marks) and Part B - Indian Economic Development (40 marks).
- ii. Marks for questions are indicated against each question.
- iii. Question No. 1-7 and Question No. 15 – 21 (including two Case Based Questions) are 1 mark questions and are to be answered in one word/sentence.
- iv. Case Based Questions (CBQ's) are Question No. 7 and Question No. 15.
- v. Question No. 8-9 and Question No. 22 – 23 are 3 marks questions and are to be answered in 60 - 80 words each.
- vi. Question No. 10-12 and Question No. 24 – 26 are 4 marks questions and are to be answered in 80-100 words each.
- vii. Question No. 13-14 and Question No. 27 – 28 are 6 marks questions and are to be answered in 100-150 words each.
- viii. Answers should be brief and to the point and the above word limit be adhered to as far as possible.

PART A - MACRO ECONOMICS

1. Which facility is not provided by a bank?
 - a. Giving information to traders
 - b. Promotion of sales by advertisement
 - c. Issue of drafts
 - d. Collection of receipts on behalf of customers

OR

Calculate LRR, if initial deposit of Rs. 200 cores lead to creation of total deposits of Rs.

1600 cores.

- a. 0.215
- b. 0.125
- c. 0.2
- d. 0.512

2. Fill in the blanks:

Saving function will be linear in case of _____ MPS. (constant, sloping)

3. Buying and selling of government securities by the central bank from the public and banks is called _____.

- a. margin requirement
- b. repo rate
- c. reverse repo rate
- d. open market operations

4. If Toyota Company, establishes a factory in Pakistan, this will be recorded in balance of payments in the section:

- a. Invisible balance
- b. Official financing
- c. Capital account
- d. Visible balance

5. Suppose in a hypothetical economy, the income rises from ₹ 5,000 crores to ₹ 6,000 crores. As a result, the consumption expenditure rises from ₹ 4,000 crores to ₹ 4,600 crores. Marginal propensity to consume in such a case would be _____.

- a. 0.8
- b. 0.4
- c. 0.2
- d. 0.6

6. If the Supply of foreign exchange rises, demand schedule remaining the same, the exchange rate will rise. It is

- a. Sometimes
- b. Can't say
- c. Never
- d. Always

7. **Read the following passage and answer the questions give below:**

Money is an economic unit that functions as a generally recognized medium of exchange for transactional purposes in an economy. Money provides the service of reducing transaction costs, namely the double coincidence of wants. Money originates in the form of a commodity, having a physical property to be adopted by market participants as a medium of exchange. Fiat money or fiat currency is money whose value is not derived from any intrinsic value or guarantee that it can be converted into a valuable commodity (such as gold). Instead, it has value only by government order (fiat). Usually, the government declares the fiat currency (typically notes and coins from a central bank, such as the Federal Reserve System in the U.S.) to be legal tender, making it unlawful not to accept the fiat currency as a means of repayment for all debts, public and private. Fiduciary money refers to money backed up by trust between the payer and payee. Fully bodied money refers to money in terms of coins whose commodity value is equal to the money value as and when these are issued. Credit money refers to that money of which money value is more than commodity value.

- i. _____ money is backed up with authority or order of government. (fiat, fiduciary)
- ii. Cheques are _____ type of money. (fiat, fiduciary)
- iii. _____ value of money refers to what is inscribed on a coin or written on a paper note. (money, commodity)
- iv. _____ value of money refers to the value of the thing the money is made of. (money, commodity)

8. Distinguish between stock and flow with examples.

9. Calculate Net National Disposable Income from the following data:

Items	(Rs.in Crores)
Gross domestic product at market price	2000
Net current transfers to rest of the world	(-) 200
Net indirect taxes	150
Net factor income to abroad	60
National debt interest	70
Consumption of fixed capital	200
Current transfers from Government	150

OR

Find Net Value added at market price:

(i) Output sold (units)	800
(ii) Price per unit of output (Rs.)	20
(iii) Excise duty (Rs.)	1600
(iv) Import duty (Rs.)	400
(v) Net Change in Stock (Rs.)	(-)500
(vi) Depreciation (Rs.)	1000
(vii) Intermediate Cost (Rs.)	8000

10. India's current account deficit for the third quarter in 2019 narrowed to 2.5% of the GDP compared with 2.9% in the preceding quarter, latest data released by the Reserve Bank of India (RBI) showed. - The Hindu

In the light of the given statement explain what is current account and list the transactions of the current account of the Balance of Payments.

11. How should the following be treated while calculating national income? Give reasons for your answer.
- Profits earned by a branch of foreign bank in India.
 - Salary received by Indian employees working in American embassy in India.

OR

Giving reason, explain how should the following be treated in estimating National Income.

- Expenditure on fertilisers by a farmer.
 - Purchase of tractor by a farmer.
12. $C = 50 + 0.5Y$ is the consumption function; where C is consumption expenditure and Y is the national income and investment expenditure is ₹2000 in an economy. Calculate:
- The equilibrium level of national income.
 - Consumption expenditure at the equilibrium level of national income.
13. Briefly explain the concept of underemployment equilibrium with the help of a diagram. How an increase in investment helps in achieving, full employment equilibrium?

OR

Compare Excess Demand and Deficient Demand under the following heads:

- i. Meaning
 - ii. Equilibrium level
 - iii. Reason
 - iv. Impact on output and employment
 - v. Impact on price.
14. Explain the budgetary measures for achieving the following objectives
- i. Setting up of production units in backward regions.
 - ii. Reducing inequalities of income and wealth.

PART B - INDIAN ECONOMIC DEVELOPMENT

15. National income is also called
- a. NNPMF
 - b. GDPFC
 - c. GDPMC
 - d. NNPFM
16. CAGR stands for:
- a. Compound annual growth rate
 - b. Compound aggregate growth rate
 - c. Combined assessed growth range
 - d. Consolidated annual growth rate
17. **Assertion (A):** Demand-related multi-layered fare structure would improve the efficiency of their railways.
- Reason (R):** Using additional revenue, the railways can focus on a more efficient system of transportation due to which efficiency of the Indian railways is expected to rise.
- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
 - b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
 - c. Assertion is correct statement but reason is wrong statement.
 - d. Assertion is wrong statement but reason is correct statement.

OR

Assertion (A): Poverty alleviation programmes have failed to deliver the desired results.

Reason (R): Poverty alleviation programmes are the specific programmes launched with a view to offering greater economic opportunities to the poorer sections of the society, particularly in the rural areas.

- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
- b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
- c. Assertion is correct statement but reason is wrong statement.
- d. Assertion is wrong statement but reason is correct statement.

18. **Assertion (A):** SEZ policy has proved to be a boon for FDI flow in China.

Reason (R): China has succeeded in placing greater reliance on the industrial sector compared to India and Pakistan.

- a. Assertion and reason both are correct statements and reason is correct explanation for assertion.
- b. Assertion and reason both are correct statements but reason is not correct explanation for assertion.
- c. Assertion is correct statement but reason is wrong statement.
- d. Assertion is wrong statement but reason is correct statement.

19. UNDP prepare quality of life index known as

- a. HDI
- b. WPI
- c. DHI
- d. CPI

20. Which of the following statements is against globalisation?

- a. It will redistribute economic power
- b. It will improve allocative efficiency of resources
- c. It will provide updated technology
- d. It will impose tariff barriers among nations

21. **Read the following extract and answer the following questions:**

Consistent efforts since independence have produced goods results in the area of health, a key component of social infrastructure. It is significant that the death rate has subsequently reduced, the birth rate has significantly declined, infant mortality has come

down, the expectancy of life has risen, epidemic deaths have subsequently reduced. Yet, health care in India continues to be a challenge.

Challenges emerging in health care are the equal distribution of healthcare services, communicable diseases, poor management, privatization, poor upkeep and maintenance, poor sanitation level.

Health care in India has significantly improved over time, is still way behind the developed countries of the world. To illustrate while health expenditure is early 15% of the GDP in the USA, in India it is merely 5%. In India, the government share in total expenditure on health care is about 20%, contrasting with 50% in the USA.

- i. Death due to disease such as dengue, malaria, etc are _____ due to efforts made by the government in healthcare. (reduced, increased)
 - ii. Rate of Death of children before age of one year has _____ in health sector. (increase, decrease)
 - iii. The USA's health expenditure in GDP is _____ more than India. (15%, 10%)
 - iv. Healthcare centres in _____ area is grossly inadequate. (rural/urban)
22. 'It is not possible to eradicate poverty completely'. Do you agree?

OR

How does organic farming promote sustainable development?

23. What are different sources of data on unemployment?
24. Explain different sources of credit in rural areas.
25. Why was public sector given a leading role in industrial development during the planning period?

OR

Why has the industrial sector performed poorly in the reform period?

26. Mention a comparison between India, Pakistan and China with regard to sectoral growth of output of different sectors by studying the following data.

Country	1980-90			2016-17		
	Agriculture	industry	service	agriculture	Industry	service
India	3.1	7.4	6.9	4.9	5.6	8
China	5.9	10.8	13.5	3.2	5.2	7.8

Pakistan	4	7.7	6.8	3.0	4.0	7.5
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27. Answer any two of the following questions:

- i. 'India has abundant natural resources'. Substantiate the statement.
- ii. Education is the core element of skill formation. Comment.
- iii. Write a short note on foreign exchange reforms.
- iv. It is necessary to create employment in the formal sector rather than in the informal sector. Defend or refute the given statement with valid arguments.

28. Answer the following questions:

- i. Write the importance of subsidies in the relevance of Indian farmers.
- ii. What are the two major sources of human capital in a country?
- iii. What can be your role as an Indian citizen in eradication of poverty?

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Solution

PART A - MACRO ECONOMICS

1. (b) Promotion of sales by advertisement

Explanation: Promotion of sales by advertisements is not any facility provided by the bank. Main two functions of a bank are accepting deposits and advancing loans.

OR

- (b) 0.125

Explanation: Use formula : $\text{Total deposits} = 1/\text{irr} \times \text{initial deposits}$.

2. Constant

3. (d) open market operations

Explanation: Open market operations refer to the sale and purchase of securities in the open market by the RBI on behalf of the government. By selling the securities in the open market, the RBI soaks liquidity from the economy and by buying the securities, the RBI releases liquidity.

4. (c) Capital account

Explanation: Capital account

5. (d) 0.6

Explanation: 0.6

$\text{MPC} = \text{Change in Consumption} / \text{Change in Income}$

6. (c) Never

Explanation: Excess supply of an entity always lead to deflation of value. Same happens with foreign exchange.

7. i. fiat

ii. fiduciary

iii. money

iv. commodity

- 8.

Basis of		
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Distinction	Stock	Flow
Time	It is measured at a particular point in time.	It is measured over a specified period of time.
Dimension	It has no time dimension.	It has a time dimension.
Concept	It is a static concept.	It is a dynamic concept.
Examples	Water in a tank, capital, wealth.	Water in the river, capital formation, income.

Between net investment and capital, capital is a stock since it is measured over a point of time and net investment is a flow since it is measured over a specified period of time.

9. $NNDI(\text{Net national disposable income}) = NDP_{FC} + NIT(\text{Net indirect tax}) - \text{Net factor income to abroad} - \text{Net current transfers to rest of the world}(\text{or} + \text{Net current transfer from rest of world})$

For this,

$$NDP_{FC} = GDP_{MP} - \text{Consumption of fixed capital} - \text{Net indirect taxes}$$

$$\text{or, } NDP_{FC} = 2,000 - 200 - 150 = \text{Rs.1,650}$$

Thus, NDP_{FC} is equal to Rs.1,650 crore

Now, substituting it in the formula for Net national disposable income

$$NNDI = 1,650 + 150 - 60 - (-200)$$

$$= \text{Rs.1,940 crore}$$

Thus, Net National Disposable Income is equal to Rs.1,940 crores

OR

$$NVA_{mp} = (i \times ii) + v - vii - vi$$

$$= (800 \times 20) + (-500) - 8000 - 1000 = \text{Rs.6500.}$$

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

The transactions included in the current account of the Balance of Payments are:

- Export and import of visible items.
- Export and import of services (invisible items)
- Unilateral transfers

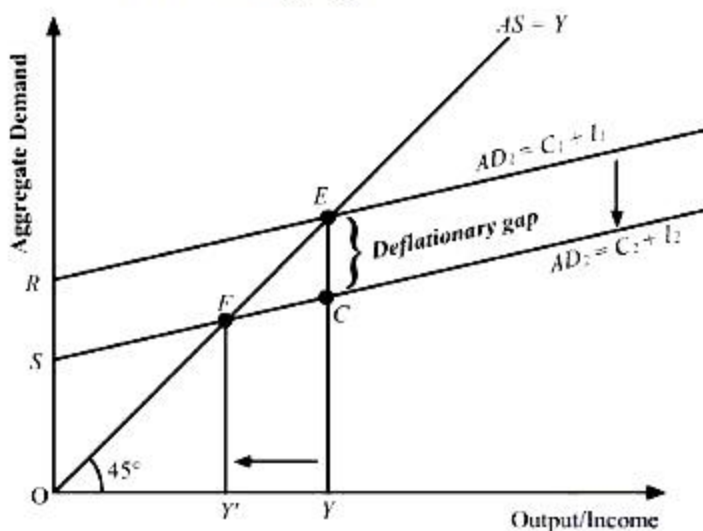
11. i. **Profits earned by a branch of a foreign bank in India:** It should be included in the estimation of national income of India as profit earned by a branch of a foreign bank in India is a part of factor income as it is generated within the domestic territory of India.
- ii. **Salary received by Indian employees working in the American embassy in India:** It should be included in the estimation of national income of India as salary received by Indian employees working in American embassy is a part of factor income from abroad.

OR

- i. **Expenditure on fertilisers by a farmer:** It should not be included in the estimation of national income as expenditure on fertilisers is an intermediate consumption.
 - ii. **Purchase of a tractor by a farmer:** It should be 'included' in the estimation of National Income as the purchase of a tractor is capital formation i. e. an investment expenditure.
12. 1. (i) equilibrium level of national income (Y)
 At equilibrium, $Y = C + I$
 $[AD = AS = Y \text{ and } AD = C + I]$
 Or, $Y = 50 + 0.5y + 2,000$ [$C = 50 + 0.5Y$]
 $0.5Y = 2,050$
 $Y = ₹4,100$
 (ii) Consumption expenditure at equilibrium level of national income. Putting value of national income of 4,100 in consumption function,
 we get: $C = 50 + 0.5 \times 4,100$
 $C = ₹2,100$
 - a. Equilibrium level of national income = ₹4,100.
 - b. Consumption expenditure at equilibrium level of national income = ₹2100
13.
 - Due to the deficiency in the aggregate demand, there exists a difference (or gap) between the actual level of aggregate demand and full employment level of demand. This difference is termed as a deflationary gap. This gap measures the amount of deficiency in the level of aggregate demand. Graphically, it is represented by the vertical distance between the aggregate demand at the full employment level of output (AD_F) and the actual level of aggregate demand

(AD_E). In the figure below, EY denotes the aggregate demand at full employment level of output and CY denotes the actual aggregate demand. The vertical distance between these two represents the deflationary gap. That is,

- $EY - CY = EC$ (Deflationary Gap)
- Let us understand the situation of under-employment equilibrium with the help of the following figure.



In the figure, AD_1 and AS represents the aggregate demand curve and aggregate supply curve. The economy is at full employment equilibrium at point 'E', where AD_1 intersects AS curve. At this equilibrium point, OY represents the full employment level of output and EY is the aggregate demand at the full employment level of output.

Let us suppose that the actual aggregate demand for output is only CY , which is lower than EY . This implies that actual aggregate output demanded by the economy CY falls short of the potential (full employment) aggregate output EY . Thus, the economy is facing a deficiency in demand. This situation is termed as deficit demand. As a result of the deficit demand, a deflationary gap arises. The deflationary gap is measured by the vertical distance between the potential (or full employment level) aggregate demand and the actual aggregate demand for output. In other words, the distance between EY and CY , i.e. EC represents the deflationary gap.

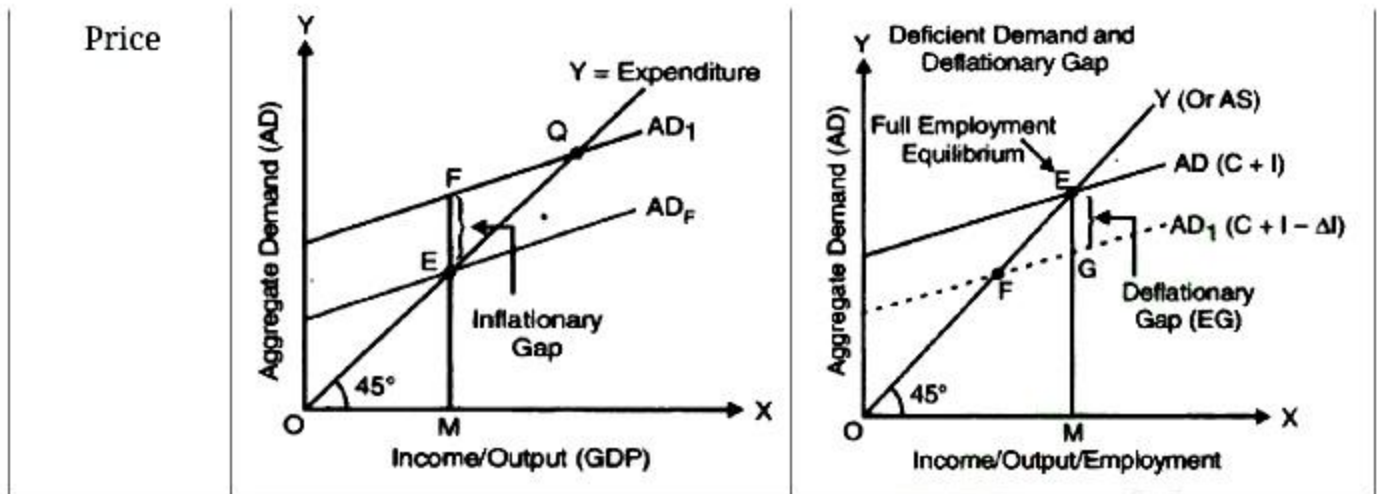
In this case, the producers will experience piling up of unsold stock due to a deficiency in demand. As a result, the producers will attempt to clear the stock of unsold goods by reducing the production of output, thereby reducing employment level. The producers will continue to reduce the production till the new equilibrium is reached at point 'F', where the new aggregate demand curve AD_2 intersects the AS curve. At this new

equilibrium, the economy is producing OY' level of output and the aggregate output demanded by the economy is FY' . The new equilibrium level of output, income and employment is lesser than that of at the full employment level of equilibrium. Thus, it can be observed that due to the deflationary gap created by the deficit demand, the economy has attained a less than full employment level of equilibrium or under-employment level of equilibrium at point C.

- Additional investment expenditure required to attain full employment level of equilibrium is "**RS**"

OR

Basic	Excess Demand	Deficient Demand
Meaning	It refers to the situation when AD is more than AS corresponding to the full employment level in the economy.	It refers to the situation when AD is less than AS corresponding to the full employment level in the economy.
Equilibrium level	It indicates over full-employment equilibrium.	It indicates underemployment equilibrium.
Reason	It occurs due to excess of anticipated expenditure, i.e., due to a rise in consumption expenditure, investment expenditure, etc.	It occurs due to the shortage of anticipated expenditure, i.e, due to a fall in consumption expenditure, investment expenditure, etc.
Impact on Output and Employment	It does not affect the output and employment and employment as the economy is already operating at full employment level.	It leads to a fall in output and employment due to a shortage of aggregate demand.
Impact on	It leads to inflation, i.e., it results in a rise in the general price level.	It leads to deflation, i.e. it results in fall in general price level.



14. i. The possible budgetary incentives that a government might decide to give to investors for making investments in the backward region are as follows:
- The government might give a tax-holiday for a stipulated period for such investors. The reason behind this is that the incentive of tax-holiday might motivate the investors to invest in the backward region. Because giving a tax holiday would make their products relatively cheaper and their products would be demanded. Thus, they will have a tendency to produce more in the region.
 - The government may offer subsidy on loans for such investors. The provision of subsidy implies that the investors will not be required to pay back a certain percentage of the loan taken by them. As a result, the cost of investment would fall and profits would increase. This might induce them to invest.
 - The government might waive-off the excise duty on goods manufactured by investors in these regions. Excise duty is levied on goods manufactured or produced in India. Waiving of the excise duty will ensure that the price of the good is less and this will increase the demand for the good and ensure a ready market for the product. This will motivate the investors to invest in backward region.
- ii. For reducing inequalities of income and wealth, the government can initiate the following budgetary measures:
- High taxes on higher income** The government may levy higher taxes on people with higher incomes. Thus, shifting purchasing power from higher income group to lower income group such that a gap between the two gets reduced. In this way, the wealth gets redistributed in the society.
 - Providing subsidies to lower income groups** To reduce inequalities, the

government may provide subsidies on necessary consumption items to lower income groups. These subsidies result from the tax revenue collected from the rich and spent on the poor. Usually, such subsidies are provided on necessities which are of daily use and the rich class is exempted from these subsidies.

- c. **Improving social infrastructure** The government can increase its expenditure on social infrastructures, such as the construction of schools and hospitals so that the lower income group can avail of such facilities and improve their standard of living. As a result, the cost of living of the poor falls and their income increases.

PART B - INDIAN ECONOMIC DEVELOPMENT

15. (d) NNPFc

Explanation: Estimating Net Factor Income from Abroad and adding it to NDP_{fc}, which gives NNPFc (national income).

16. (a) Compound annual growth rate

Explanation: The compound annual growth rate (CAGR) is the mean annual growth rate of an investment over a specified period of time longer than one year.

17. (a) Assertion and reason both are correct statements and reason is correct explanation for assertion.

Explanation: Demand-related multi-layered fare structure would improve the efficiency of their railway. Using additional revenue, the railways can focus on a more efficient system of transportation due to which efficiency of the Indian railways is expected to rise.

OR

(b) Assertion and reason both are correct statements but reason is not correct explanation for assertion.

Explanation: Both statements are correct, but reason is not the correct explanation of the statement. Poverty alleviation programmes failed because of the inefficiency of administration and concerned staff because of complex procedures involved. Also, there was no one to monitor the follow-up action.

18. (b) Assertion and reason both are correct statements but reason is not correct explanation for assertion.

Explanation: Both assertion and reason are correct but the reason is not the correct explanation of assertion. Foreign direct investment in China is much larger compared to

India and Pakistan and a much stronger driver of growth. special economic zones policy of China is of Central significance inducing FDI. Special economic zones are offering robust infrastructural facilities for FDI. Although the reason is explaining the success of China's industrial sector which is because of GLF and policy of reforms and opening up which gave a push to China's manufacturing exports.

19. (a) HDI

Explanation: The Human Development Index (HDI) was developed by the United Nations as a metric to assess the social and economic development levels of countries.

20. (d) It will impose tariff barriers among nations

Explanation: Globalization has nothing to do with tariff barriers .

21. i. Reduced

ii. Decreased

iii. 10%

iv. Rural

22. No, I do not agree that it is not possible, to eradicate poverty completely. In the world as a whole, there are plenty of resources to produce food but still, there is hunger. Poverty in the present day world is more of a question of inequitable distribution of income and wealth. In India, by making education accessible to the poor, we can make them equipped for jobs, skilled or unskilled. With the available resources, jobs should be created for the poor so that they can come above the poverty line. It is possible to eradicate poverty completely by complete re-distribution of existing resources and incomes.

OR

Organic farming refers to a system of farming that relies on locally produced organic inputs rather than chemical fertilisers, pesticides, etc.

Sustainable development refers to a process of development that does not cause environmental degradation and does not reduce production capacity for future generations.

Organic farming leads to sustainable development. Conventional agricultural farming relies heavily on chemical fertilisers and toxic pesticides which enter the food supply, penetrate the water sources, harm the livestock, deplete the soil and disturbs the natural ecosystems. Organic farming is eco-friendly and enhances the ecological balance. Thus,

organic farming promotes sustainable development.

23. There are three sources of data on unemployment:

- i. Reports of Census of India
- ii. National Sample Survey Organization's Reports of Employment and Unemployment Situation
- iii. Directorate General of Employment and Training Data of Registration with Employment Exchanges.

24. NABARD is an apex institution entrusted with all matters concerning policy, planning and operations in the field of rural credit and related economic activities. It does not lend to general public directly but serves as a funding agency for the institutions providing credit in rural areas. Those who lend to public directly can be categorised into:

- i. **Institutional Sources of Credit:** Institutional credit institutions include Cooperative Credit Societies, Regional Rural Banks, Land Development Banks and Commercial Banks. Together they constituted only 7% of credit needs of the farmers in 1950-51 but by 1981 their share increased to 63% and at present it is 74%.
- ii. **Non Institutional Sources of Credit:** Landlords, village traders and moneylenders are major non institutional sources of credit. At the time of independence their share in total credit was 93% but it has declined sharply over years. But since these credits are not backed by written records, we can't be sure of the available statistics.

25. At the time of independence, Indian economic conditions were very poor and weak. There was neither much private capital nor did India have international investment credibility so as to attract foreign investment. Moreover, Indian planners did not want to be dependent on foreign capital for economic development. In such a situation, it was only logical that the public sector should take the initiative.

During the planning period, the public sector was given a leading role in industrial development because of the following reasons:

- i. **Lack of Capital with the Private Entrepreneurs:** At the time of Independence, the requirement of capital for diversified industrial growth far exceeded its availability with private entrepreneurs. Accordingly, it became essential for the state to foster industrial growth through public sector undertakings.
- ii. **Lack of Incentive among the Private Entrepreneurs:** The Indian market was comparatively small which discouraged Indian industrialists to invest in major projects (even though they had sufficient capital to invest). Thus, the government

promoted the industrial sector.

- iii. **Socialistic Pattern of Society:** Indian planners wanted to develop the Indian economy on a socialist base, so they focused on government-funded major projects.
- iv. **Social welfare:** In India, there were certain projects in which the profit margin was negligible. Thus, the private sector was not interested in such projects, and it was only the public sector which could bring the balanced regional growth with the establishment of government units in the backward areas. This move could increase the employment and income of the people.

OR

The Industrial Sector has performed poorly in the reform period because of decreasing demand for industrial products due to various reasons such as cheaper imports, inadequate investment, infrastructure, etc. Following reasons may be enumerated in this context:

- i. Cheaper imports have decreased the demand for domestic industrial goods.
 - ii. Globalisation created conditions for the free movement of goods and services from foreign countries that adversely affected the local industries and employment opportunities in developing countries.
 - iii. There was an inadequate investment in infrastructural facilities such as power supply.
 - iv. A developing country like India still does not have access to developed countries markets because of high non-tariff barriers.
 - v. The investment made in infrastructure facilities including power supply has remained inadequate and hence domestic industries have not found conditions favourable to compete with foreign goods. Globalisation has led to the free movement of goods and services from foreign countries and thus, caused the local industries to die out and employment opportunities to fall in developing countries like India.
- 26.
- Agriculture sector:- In pre economic reforms(1980-90) and in post economic reforms (2017). Employment was the highest but the growth rate of agriculture was the lowest in all the three countries.
 - Industry sector:- In this sector China maintained double digit growth (more than 10%). The growth rates of India and Pakistan declined in both the decades. In post economic reforms period the growth rate of industries was the highest 8.1% in

China and lowest 3.4% in Pakistan. In fact the growth rate of India was higher in comparison to both China and Pakistan in 2015-17.

- Service sector:- In this sector both India and China were able to raise its growth rate in both the decades. Pakistan could not do so because growth rate of output declined in Pakistan. But in 2016-17 the growth of service sector in India was at the top.

27. Answer any two of the following questions:

- i. India is fortunate enough to have abundant natural resources. It comprises of rich and fertile soil, plenty of rivers and tributaries, green forests, mineral deposits, mountains, etc. The Indo-Gangetic plains are the most fertile, densely populated and cultivated plains in the world. It stretches from the Arabian Sea to the Bay of Bengal. The black soil of the Deccan Plateau is suitable for the cultivation of cotton in the country. India's lush green forests serve as a natural cover for the majority of the population. India holds more than 20 % of the world's total iron ore reserves. There are mountain ranges that facilitate the operation of the mini hydel plants. It also has a vast variety of flora of 15,000 species of plants. The country is also endowed with numerous minerals that are found under the earth's surface like coal, natural gas, copper, diamonds, etc.
- ii. There are various defects in our present system of education. One of them has been that education was not linked with vocationalisation in India. It is the vocationalisation of education rather than mere education which is the core element of skill formation. Education may be degree oriented whereas vocationalisation is skill-oriented. Therefore, the Indian education system is largely irrelevant for employment generation. Skill formation should be a part of education. But now the scenario is changing and skill formation has become an integral part of education. Thus education is a core element of skill formation.
- iii. The first important reform in the external sector was made in the foreign exchange market. Exchange rate reforms have proceeded gradually beginning with a two- stage cumulative devaluation of rupee by about 20 percent effected by July 1991. The net result was an effective devaluation of the rupee by around 35 percent in nominal terms and 25 percent in real terms between July 1991 and March 1993. In 1991, as an immediate measure to resolve the Balance of Payments (BoP) crisis, the rupee was devalued against foreign currencies.

This led to an increase in the inflow of foreign exchange. After liberalisation policy of 1991

- a. Approval was given for direct foreign investment up to 51% foreign equity in high priority industries.
 - b. Automatic permission was given for foreign technology agreements in high priority industries up to a lump sum payment of Rs.1 crore.
- iv. Yes, it is necessary to create employment in the formal sector rather than in the informal sector. The given statement is true and can be defended on the following arguments:
- a. The formal sector of employment provides greater job security as compared to the informal sector of employment.
 - b. Under the formal sector of employment, people are entitled to better social security benefits.

28. Answer the following questions:

- i. Subsidy means financial assistance provided by the government for promoting a cause.

The importance of subsidies in the relevance of Indian farmers is as follow:-

Indian government provides subsidies to farmers for encouraging the use of new technology. Any new technology is considered as being risky by farmers. Subsidies encourage farmers to test new technology. It is necessary that input prices are kept at reasonable levels so that the small farmers find it easy to purchase modern inputs like high yielding variety seeds, fertilisers, etc. But the subsidies are a huge burden on government finance. Therefore, the government should ensure that only the poor farmers enjoy the benefits of the subsidies and not the big farmers or input supplying industries.

- ii. The two major sources of human capital in a country are:
 - a. Investment in health : A healthy person is an asset for the nation as he is more productive than a sick person.
 - b. Investment in education : Education and health are considered as important inputs for the development of a nation. A better educated person has greater skills and knowledge and therefore greater opportunity to work and earn higher income.
- iii. I can do a lot in eradicating poverty.

- a. I must give wages to whomsoever I employ as a domestic servant, driver, gardener or otherwise minimum wages as per government rules.
- b. I can create awareness about government programmes amongst illiterate and poor people who come in my contact so that they get benefits of the programmes started by govt. for poor sections.
- c. I can instead of giving any donations to a beggar help a poor person to start some sort of small scale venture.
- d. People out of poverty waste too much, whether in wedding or at home(electricity, paper...) This led's to increase in price of things, which is harmful for poverty sector. I will tell such people not to waste things, instead give the things which they waste to the poor sections of the society.