

**CBSE Class 12 Economics**  
**Sample Paper 06 (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. The central bank can increase availability of credit by :
  - a. Selling government securities
  - b. Raising repo rate
  - c. Buying government securities
  - d. Raising reverse repo rate

OR

One of the functions of Central Bank among the following is

- a. Custodian of banks
- b. Custodian of deliveries
- c. Custodian of foreign exchange
- d. Custodian of securities

2. Fill in the blanks:

The ratio of consumption expenditure to the corresponding level of income is known as \_\_\_\_\_ to consume.

3. Raising margin requirements by the central bank in India during deficient demand is

- a. Inflationary
- b. Stabilisation
- c. Destabilisation
- d. Deflationary

4. Identify the correct statement.

- A. Balance of trade and balance of payments mean the same thing.
  - B. Balance of trade is a wider concept than the balance of payments.
  - C. Balance of trade shows the difference between the quantities of exports and imports of services.
  - D. Balance of trade shows the difference between the value of exports and imports of goods.
- a. Only D
  - b. Only B
  - c. Only A
  - d. Only C

5. In  $S = -a + (1 - b)Y$  where  $1 - b$  denote:

- a. Consumption
- b. MPS
- c. MPC
- d. Multiplier

6. Foreign exchange rate of a country is the:

- a. price of a foreign good in terms of the domestic good
- b. price of foreign currency in terms of the domestic currency
- c. price of foreign trade in terms of the domestic trade
- d. price of a foreign factor in terms of the domestic factor

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

The money supply is all the currency and other liquid instruments in a country's economy on the date measured. The money supply roughly includes both cash and deposits that can be used almost as easily as cash. Governments issue paper currency and coin through some combination of their central banks and treasuries. Bank regulators influence the money supply available to the public through the requirements placed on banks to hold reserves, how to extend credit and other regulation. An increase in the supply of money typically lowers interest rates, which in turn, generates more investment and puts more money in the hands of consumers, thereby stimulating spending.

The supply of money is a stock concept. It refers to the total stock of money(of all types) held by the people of a country at a point of time. Supply of money includes that stock of money which is held by people, other than the suppliers of money themselves.

- i. Supply of money refers to the quantity of money \_\_\_\_\_. (as on 31st March, as on any point time)
  - ii. The stock of money with the money issuing authorities \_\_\_\_\_ part of the money supply. (form, does not form)
  - iii. \_\_\_\_\_ deposits constitutes money supply. (demand, fixed)
  - iv. The claim of one bank against the other \_\_\_\_\_ part of the money supply. (form, does not form)
8. Which among the following are final goods and which are intermediate goods? Give reasons.
- a. Milk purchased by a tea stall
  - b. Bus purchased by a school
  - c. Juice purchased by a student from the school canteen
9. Calculate National Income.

S.no.	Contents	(Rs. in Crores)
(i)	Private Final Consumption Expenditure	500
(ii)	Net Domestic Fixed Capital Formation	100
(iii)	Net Factor Income from Abroad	30
(iv)	Change in Stock	20
(v)	Net Exports	40



(vi)	Net Indirect Taxes	50
(vii)	Mixed-Income	300
(viii)	Government Final Consumption Expenditure	200
(ix)	Consumption of Fixed Capital	60
(x)	Net Current Transfers to Abroad	(-) 10

OR

Find out Gross National Product at Market price from the following:

S.no.	Contents	(Rs. in arab)
(i)	Opening Stock	50
(ii)	Private Final Consumption Expenditure	1,000
(iii)	Net Current Transfers to Abroad	5
(iv)	Closing Stock	40
(v)	Net Factor Income to Abroad	(-) 10
(vi)	Government Final Consumption Expenditure	300
(vii)	Consumption of Fixed Capital	30
(viii)	Net Imports	20
(ix)	Net Domestic Fixed Capital Formation	150

10. Balance of Payments always balances. Does it mean a situation of zero net financial obligation for a country?
11. What are the components of aggregate expenditure?

OR

How are the following treated in the estimation of national income?

- i. Transfer payments.
- ii. Services of owner-occupied houses.
- iii. Commission received from sale of second hand goods.
- iv. Non-marketable goods.

12. Explain the concept of the inflationary gap.
13. When is an economy in equilibrium? Explain with the help of saving and investment function. Also, explain the changes that take place in an economy when the economy is not in equilibrium. Use the diagram.

OR

Explain the role of the following in correcting the deflationary gap in an economy:

- i. Open market operations
  - ii. Margin requirements
  - iii. Bank rate
14. "Governments across nations are too much worried about the term fiscal deficit". Do you think that fiscal deficit is necessary inflationary in nature? Support your answer with valid reasons.

#### **PART B - INDIAN ECONOMIC DEVELOPMENT**

15. Goods which were exported during colonial period
  - a. All of these
  - b. Agriculture
  - c. Silk
  - d. Cotton
16. Economic growth and economic development are
  - a. The same
  - b. Different with growth is wider concept
  - c. Different with development is wider concept
  - d. Different with development is narrow concept
17. **Assertion (A):** Privatisation of healthcare is a hurdle in the provision of healthcare facilities across rural areas of the country.  
**Reason (R):** Private sector accounts for more than 80 percent of the total healthcare spending in India.
  - 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):** Urban poverty is attributed mainly to spillover effects of migration among the rural poor.

**Reason (R):** Poor rural infrastructure, lack of alternative jobs resulted in forced migration.

- 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):** The Great Leap Forward campaign was launched in 1969.

**Reason (R):** As per the GLF campaign, people were encouraged to launch the household industry in their courtyards.

- 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. The main aim of comparing countries is to:

- a. Know the difference in physical feature
- b. Know the difference in economic features
- c. Learn from developmental experiences of these countries
- d. Know how much rich or poor are in a country in relation to other countries

20. Which of the following is not a feature of liberalisation?

- a. Tax reforms
- b. Financial sector reforms
- c. Disinvestment
- d. Deregulation of industrial sector

21. **Read the following passage and answer the questions given below:**



High productivity across primary, secondary and tertiary sectors of the economy is possible only when good infrastructural facilities are available. Infrastructure induces investment that is build highways for efficient movement of goods and services across different regions of the country. Infrastructure generates linkage in production. Linkage in production is a situation when the expansion of one industry facilitates the expansion of others. Infrastructure increases the size of the market through means of transport. Infrastructure enhances the ability to work. Infrastructure facilitates outsourcing. Thus, infrastructure is an important determinant of the growth and development of a country. It raises the productivity of the factors of production and induces investment in diverse areas of economic activity. It enhances the size of the market and develops an economy as a global destination for outsourcing.

- i. Infrastructure improves ability to work in \_\_\_\_\_ sector. (education, railways)
  - ii. India is emerging to be a global destination for call centres, study centres and medical tourism. Thus, infrastructure here facilitates \_\_\_\_\_. (investment, outsourcing)
  - iii. Economic growth becomes a self-propelling activity of change when infrastructure makes \_\_\_\_\_. (linkage in production, size of the market)
  - iv. High productivity is possible only when we have good infrastructure facility in \_\_\_\_\_ sectors of the economy. (all, anyone)
22. The three dimensional attack on poverty adopted by the government has not succeeded in poverty alleviation in India. Comment.

OR

Explain the role of non-farm employment in promoting rural diversification.

23. What role do trade unions play in protection of workforce?
24. What are the traditional and modern challenges related to rural development?
25. Discuss briefly the rationale behind choosing Self-reliance as a planning objective for the Indian economy.

OR

The objective of new economic policy was privatisation. Discuss.

26. Mention the common success story of India and Pakistan.
27. Answer any two of the following questions:
- i. It is reported that plastic bags are only 5% of our garbage. Should it be banned?

- ii. How is human development a broader term as compared to human capital?
- iii. Distinguish between the Strategic and minority sale.
- iv. Why are regular salaried employees more in urban areas than in rural areas?

28. Answer the following questions:

- i. Why should plans have goals?
- ii. What factors contribute to human capital formation?
- iii. What is meant by poverty? Distinguish between absolute and relative poverty.



**CBSE Class 12 Economics**  
**Sample Paper 06 (2020-21)**

**Solution**

**PART A - MACRO ECONOMICS**

1. (c) Buying government securities

**Explanation:** By buying government security, government releases liquidity in economy & thus increasing availability of credit.

OR

- (c) Custodian of foreign exchange

**Explanation:** It stabilises foreign exchange rate via this function .

2. Average propensity

3. (d) Deflationary

**Explanation:** Doing so would decrease the amount borrowed and discourage investment , reducing AD again via multiplier process .

4. (a) Only D

**Explanation:** Balance of trade is defined as the difference between the value of imports and exports of only physical goods or visible items.

5. (b) MPS

**Explanation:**  $(1 - b)Y$  denotes induced savings where  $(1 - b)$  denotes MPS. MPS is a part of saving function whereas MPC is a part of the consumption function.

6. (b) price of foreign currency in terms of the domestic currency

**Explanation:** Foreign exchange rate defines the price of the currency of the domestic country in terms of foreign currency.

7. i. any point of time

ii. form

iii. demand

iv. does not form

8. a. Intermediate good; as it is used up completely in the production process (making tea) in the same year.

b. Final good; as it is for final investment.

c. Final good because it is not for resale.

9. Net Domestic Product at Market Price ( $NDP_{mp}$ )

= Private Final Consumption Expenditure + Government Final Consumption Expenditure  
+ Net Domestic Fixed Capital Formation + Change in Stock + Net Exports

$$= 500 + 200 + 100 + 20 + 40$$

$$= \text{Rs. 860 crores}$$

**National Income** ( $NNP_{FC}$ ) =  $NDP_{mp}$  + Net Factor Income from Abroad - Net Indirect Taxes

$$= 860 + 30 - 50$$

$$= \text{Rs. 840 crores.}$$

To get the national product, we add net factor income from abroad to domestic product and deduct net indirect taxes from it to get national product at factor cost.

OR

$GNP_{MP}$  is less than  $GDP_{MP}$  when net factor income from abroad is negative and  $GNP_{MP}$  is more than  $GDP_{MP}$  when net factor income from abroad is positive.

Calculation of Gross National Product at Market Price:

$(GNP_{mp})$  = Private Final Consumption Expenditure + Government Final Consumption Expenditure + Net Domestic Fixed Capital Formation + Closing Stock - Opening Stock - Net Imports + Net factor income to abroad + Consumption of fixed capital

$$= 1,000 + 300 + 150 + 40 - 50 - 20 + (-10) + 30$$

$$= 1,520 - 70$$

$$= \text{Rs. 1,450 arab}$$

Using expenditure method  $GNP_{MP}$  is Rs.1,450 arab.

10. It is only in the accounting sense that balance of payment always balances. From the practical point of view it should not be interpreted as a situation of zero net financial obligation for a country. A negative balance on the current account is equated with positive balance in the capital account. But the positive balance in capital account may have been achieved through loans from the rest of the world. All loans are financial obligation to rest of the world.
11. Following are the components of aggregate expenditure:
- Expenditure on consumer goods and services by individuals and households. This is



called private final consumption expenditure.

- ii. Government's expenditure on goods and services to satisfy collective wants. This is called government's final consumption expenditure.
- iii. Gross domestic fixed investment. It is divided into two parts which are gross fixed capital formation and addition to the stocks.
- iv. Net exports.

OR

- i. Transfer payments do not contribute to the flow of goods and services, therefore they are not included in national income.
- ii. Services of owner-occupied houses are included in the national income as the imputed value of the owner-occupied house can be estimated and evaluated.
- iii. The commission received from the sale of second-hand goods is included in national income because this is the new service rendered in the current year.
- iv. In- case of non-marketed goods, organised markets are not used and no exchange of goods takes place. Therefore these will not be included in the national income as it is difficult to estimate the value of production.

12. Inflationary gap may be defined as an excess of aggregate demand over available aggregate supply at full employment level.

Inflationary gap = planned aggregate expenditure - equilibrium level of expenditure.

Inflationary gap is the result of excess demand. Excess demand is a situation under which AD is in excess of AS. Excess demand causes a rise in the price level i.e. inflation. .The concepts of exceed demand and inflationary gap are shown in Fig.

- i. In the given diagram, income, output and employment are measured on the X-axis and aggregate demand is measured on the Y-axis.
- ii. Aggregate demand (AD) and aggregate supply (AS) curves intersect at point E, which indicates the full employment equilibrium.
- iii. Due to increase in investment expenditure ( $\Delta I$ ), aggregate demand rises from AD to AD1. It denotes the situation of excess demand and the gap between them, i.e., EF is termed as inflationary gap.



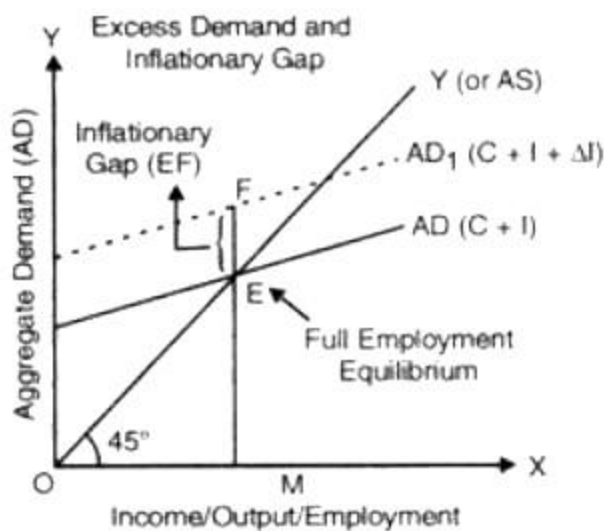
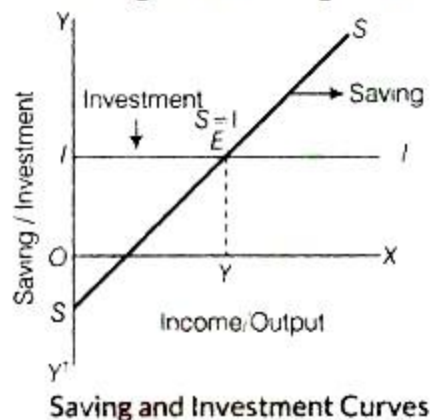


Fig. (b)

13. ◦ **Equilibrium level of income :**

- i. Equilibrium level of income is determined at a point, where ex-ante or planned saving is equal to planned investment.
- ii. This is because, in equilibrium: Aggregate Supply = Aggregate Demand or Consumption + Saving = Consumption + Investment, or Saving = Investment or  $AS = AD$  or  $C + S = C + I$  or  $S = I$

◦ **Diagrammatic presentation:**



In the diagram given,

E is the point where  $S = I$ , hence, the point at which the economy is in equilibrium. OY is the equilibrium level of National Income.

- **When  $S > I$ :** When savings are greater than investment in an economy, it refers to  $AD < AS$ . There will be a rise in inventory stock and prices will start to fall. The producers would now plan lesser output to clear their stocks. This would mean, lesser income in the economy. Lesser income implies lesser saving. The process

would continue till  $S = I$ .

- **When  $S < I$ :** If investments are more than savings, it means that  $AS < AD$ . Stocks would reduce and prices will start to rise. The producers will increase their production to stand benefited from such a condition and this will lead to an increase in investments. The process would continue till  $S = I$ .

OR

- i. Open market operations refer to the sale and purchase of securities in the open market by the RBI on behalf of the government. Open market operations affect the volume of cash reserves with the commercial banks and, thus, the overall availability of credit. The sale of government securities by the central bank to commercial banks reduces the cash reserves with the banks resulting in a decline of credit. The purchase of securities by the central bank increases the cash reserves with commercial banks and, thus credit. During the phase of deficient demand, the central bank purchases government securities from commercial banks which motivates the commercial banks to create more credit.
  - ii. The margin requirement is one method of qualitative credit control. A margin means the difference between the amount of loan and the market value of the security offered by the borrower against the loan. By changing the margin requirements the central bank can alter the number of loans made against securities by the banks. During the deflationary gap, the purpose of the central bank will be to promote investment and consumption. Hence, there will befall in the margin requirement which will result in an expansion in the borrowing power of the security and traders.
  - iii. Bank rate means the rate of interest at which the central bank lends to the commercial banks. Any change in bank rate affects credit creation by commercial banks. A decline in bank rate leads to a decline in commercial banks' lending rates of interest. As a result, credit becomes cheaper because the rate of interest is the cost of credit. A decline in bank rate encourages commercial banks in borrowing from the central bank. Thus, during the phase of deficient demand, the central bank declines the bank rate.
- 14.
- i. Fiscal deficit is not necessarily inflationary.
  - ii. As we know fiscal deficit shows borrowing requirement of the government.
  - iii. If we borrow when there is a situation of underemployment in an economy i.e., in a



situation of deficient demand, then it is not inflationary because in a situation of deficient demand output is held back because of lack of demand.

- iv. A high fiscal deficit (borrowing) is accompanied by higher demand and greater output which is not inflationary.
- v. On the other hand, if we borrow at the full employment level, then it is inflationary in nature.
- vi. A high fiscal deficit (borrowing) is accompanied by higher prices because aggregate demand is greater than aggregate supply after full employment level which is always inflationary.

### **PART B - INDIAN ECONOMIC DEVELOPMENT**

15. (a) All of these

**Explanation:** During colonial period India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute etc. and an importer of finished consumer goods like cotton, silk and woollen clothes.

16. (c) Different with development is wider concept

**Explanation:** Economic growth is quantitative change in an economy. On the other hand, economic development is quantitative plus qualitative change in an economy.

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

**Explanation:** The private sector provides healthcare for profit. People in rural areas are relatively poor and cannot afford expensive medical care. Accordingly, most medical facilities confined to urban areas.

OR

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

**Explanation:** Urban poor includes migrants from the rural areas in search of employment, casual factory workers and self-employed serving largely as Street vendors. Urban poor are largely the spillover of the rural poor who tend to migrate in search of jobs.

18. (d) Assertion is wrong statement but reason is correct statement.

**Explanation:** The assertion is wrong because the great Leap Forward campaign was launched in 1958, focusing on widespread industrialisation of the economy. As per this,



people were encouraged to launch the household industry in their courtyards.

19. (c) Learn from developmental experiences of these countries

**Explanation:** International comparisons, or national evaluation indicators, focus on the qualitative, quantitative, and evaluate analysis of one country in relation to others. Often, the objective is to compare one country's performance to others in order to assess what countries have achieved, what needs to change in order for them to perform better or a country's progress in reaching certain objectives.

20. (c) Disinvestment

**Explanation:** Disinvestment is not a feature of liberalisation.

21. i. education

ii. investment

iii. linkage in productivity

iv. all

22. In order to alleviate poverty, the Government of India had launched a three-dimensional approach namely Trickle down approach, Poverty alleviation approach and Providing basic amenities.

This approach aims to eliminate poverty through growth, poverty alleviation programmes and provision of minimum basic amenities to the people.

However, this approach has not helped to alleviate poverty from our country.

It can be justified from the points below

- i. Problems like hunger, malnourishment, illiteracy and lack of basic amenities are still prevalent in India.
- ii. None of the poverty alleviation strategies resulted in any radical change in the ownership of assets, process of production and improvement of basic amenities to the needy.
- iii. Due to unequal distribution of assets, the benefits from poverty alleviation programmes have not actually reached the poor. Also, the amount of resources allocated for the poverty alleviation programmes is not sufficient.
- iv. Land reforms do not have highly successful records that further added to the inequality of income from land.
- v. Improper implementation of poverty alleviation programmes by ill-motivated and inadequately trained bureaucrats further worsened the situation. Corruption along with the inclination towards the interest of elites led to an inefficient and

misallocation of scarce resources.

OR

The agricultural sector in India is already overcrowded and suffering from the problem of disguised unemployment. A major proportion of the increasing labour force needs to find alternate employment opportunities in other non-farm sectors.

Animal husbandry, poultry development, fisheries, horticulture and information technology are the key areas of non-farm activities which have helped in promoting rural diversification. The rural workforce is actively engaged in various non-agricultural activities to augment their earnings. Non-agricultural activities can again be classified into two segments: dynamic sub-sectors; and traditional household industries.

23. Trade unions are voluntary organisations of workers formed to promote and protect the interests of workers through collective action. Workers use trade unions as their representative voice to demand their rights and improve their living and working conditions.

Aims of the formation of Trade Unions :

- i. To fight against the injustice and mal-practices in the Industrialists.
- ii. To fight for regulating the hours of work for the workers and labourers.
- iii. To fight for the higher wages for workers.
- iv. To demand better service facilities and working conditions.
- v. These were formed for maintaining the harmonious relations between the employers and the employees.

Thus, the role of trade unions is to fight against the poverty of workers, exploitation and the violation of their basic human dignity and to promote social justice in the global economy.

24. **Traditional Challenges:** are those which the rural areas have been facing for a long time. Rural credit and agricultural marketing are examples of traditional challenges. In spite of the expansion of rural credit structure, the volume of rural credit in the country is still insufficient as compared to its growing requirement. The one main defect of the Indian Agricultural marketing is the presence of too many middlemen and exploitation of farmers by them.

**Modern Challenges:** are those which the rural areas face with the changing times.



Diversification of agricultural activities and problems related to organic farming are examples of modern challenges.

25. The rationale behind choosing Self-reliance as a planning objective for the Indian economy are as follows:-
- i. **To reduce foreign dependence:** Planning objective of Self-reliance targeted to promote economic growth and modernization, the Indian five-year plans in the early years of the post-independence era stressed the use of domestic resources in order to reduce our dependence on foreign countries.
  - ii. **To avoid foreign interference:** In the post-independence era, it was feared that the dependence on imported food supplies, foreign technology, and foreign capital may increase foreign interference in the policies of our country.

OR

When we analyse, we find that privatisation is common to liberalisation and globalization. Without privatisation, an economy can neither be globalized nor liberalised. Findings of many studies demonstrated that privatization did not contribute to growth but helped to reduce income inequality, inflation contributed negatively to both economic growth and income equalization.

The New Economic Policy was introduced with the objective to deregulate the economy and ensure economic development. So, privatisation was crucial for the success of this policy as it ensures high productivity, a competitive environment which promotes innovation and efficiency, diversification of activities and consumer sovereignty.

In order to encourage private sector, the following measures have been adopted:

- i. The government through its economic policy reduced the number of industries reserved for public sector from 17 to 3 at present.
  - ii. It has now been planned to reduce the share of public sector investment to 45%. It increases the share of private sector to 55%.
  - iii. Financial corporations cannot force the industries for conversion of their loans into equity shares.
  - iv. It has now been decided to increase the participation of the general public and workers by selling them the shares of public enterprises.
26. Following points indicate the common success story of India and Pakistan:
- i. Doubling per capita income : Both India and Pakistan have succeeded in more than



doubling their per capita income.

- ii. Reduction in the incidence of absolute poverty : In both the countries the incidence of absolute poverty has also been reduced significantly.
- iii. Self sufficiency in food production : Food production has successfully kept pace with the rise in population. Leaving aside annual fluctuation due to weather conditions, both countries are sufficient in food.

27. Answer any two of the following questions:

- i. Yes, plastic bags result in serious environmental problems. Because plastic bags can not be recycled.
- ii. Human capital considers education and health as a means to increase labour productivity. Human development is based on the idea that education and health are integral to human well-being because only when people have the ability to read and write and the ability to lead a long and healthy life, they will be able to make other choices they value. In human capital view, any investment in education and health is unproductive, if it does not enhance output of goods and services. In the human development perspective, human beings are ends in themselves. So, human capital is a part of human development.
- iii. Strategic and minority sale:

Basis	Strategic Sale	Minority Sale
Meaning	It involves at least 51% of the state sale of the Public Sector Unit (PSU), whose management is transferred to the private sector for control.	<b>Minority Sale</b> – it is the disinvestment made through public offers. It involves less than 49% sale of state PSU and is controlled by the government.
Control	The control and management of the Public Sector Unit is transferred to the private sector.	The control and management of the Public Sector Unit remain with the government.

- iv. Regular salaried employees are more in urban areas than in rural areas due to the following reasons:
  - a. **Agriculture:** Rural population is primarily engaged in agricultural sector and are not willing to take the risk of leaving their farms for regular salaried employment. This is also a reason for regular salaried employment to be less prevalent in rural

areas.

- b. **Education and Training:** Regular salaried employment requires certain educational qualifications and professional skills. Education and training facilities are not as good in rural areas as in urban areas. Therefore, the chances of regular employment are higher for urban people.
- c. **Infrastructure:** Large companies including MNCs are concentrated in the urban areas due to the presence of economic infrastructure and availability of modern facilities like banks, transport, communication, etc. These companies hire regular salaried employees leading to a concentration in the urban areas.

28. Answer the following questions:

- i. Since the resources are limited so one can't achieve each and every objective in one go. One needs to fix some goals and plan to achieve its priority wise in a specific period of time. Every plan should have specified goals which it seeks to pursue. Goals are the ultimate targets; the achievement of which ensures the success of plans. A plan specifies the means and ways to allocate scarce resources in an optimum manner to achieve these desired goals. Without specific goals, a plan would be directionless and resources would not be utilised in a proper manner without wastage. Therefore, every plan should have specific goals which it strives to achieve. Following goals are focused in every plan:
  - a. Modernisation
  - b. Equity
  - c. Growth
  - d. Self-reliance
- ii. One of the most important sources of Human Capital Formation is investment done in education. There are many other factors which contribute to human capital formation. These are as follows:
  - a. Expenditure on education
  - b. On-the-job training
  - c. Migration
  - d. Expenditure on health
  - e. Expenditure on information
- iii. Poverty is an economic state where people lack certain commodities that are considered essential for the lives of human beings.

The term absolute poverty is used to refer to the poverty conditions where an individual cannot meet the most basic commodities to sustain life and other normal activities.

This means that any person who is struggling to find food, shelter, and clothing is in absolute poverty.

Relative poverty is defined to the standard of living as compared to the economic standards of living for other people within the surrounding.

This means that an individual is considered poor concerning the environment or the living conditions of the people he or she is living with.