

SAMPLE QUESTION PAPER - 5
SUBJECT- ECONOMICS (030)
CLASS XII (2023-24)

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

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

SECTION A – MACRO ECONOMICS

1. **Statement I:** External assistance is recorded in the capital account of the Balance of Payments. **[1]**
Statement II: The Central Bank may finance a deficit in balance of payments by reducing reserves of foreign currency.

a) Both the statements are false.	b) Both the statements are true.
c) Statement II is true and statement I is false.	d) Statement I is true and statement II is false.
2. The broad definition of money is based on: **[1]**

a) Medium of payment function	b) Transferability of money
c) Store of the value function	d) None of these
3. If $APC = 0.6$, $APS =$ _____ **[1]**

a) 2.4	b) 1
c) 0.4	d) None of these
4. Devaluation which means fall in value of the domestic currency in terms of foreign currency takes place in _____. **[1]**

- a) Fixed Exchange Rate regime b) Both Flexible and Fixed Exchange Rate regime
- c) Flexible Exchange Rate regime d) None of these

5. Which of the following can have a negative value? [1]

- a) MPC b) APC
- c) APS d) MPS

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

- a) None of these b) Recession
- c) Inflationary gap d) deflationary gap

7. If the value of Average Propensity to Save (APS) is 0.2 and National Income is ₹4,000 crore, then consumption will be _____. [1]

- a) ₹3,800 crores b) ₹4,000 crores
- c) ₹3,200 crores d) ₹2,600 crores

8. Unforeseen obsolescence of fixed capital assets during production is: (choose the correct alternative) [1]

- a) Income loss b) Consumption of fixed capita
- c) None of these d) Capital loss

9. A farmer exchanges wheat for cloth. This system of exchange is referred to as _____. [1]

- a) Barter b) None of these
- c) Monetary Exchange d) Self-consumption

10. The increase in the value of the domestic currency in relation to foreign currency due to fluctuations in the foreign exchange rate is called: [1]



a) Devaluation

b) Depreciation

c) Appreciation

d) Revaluation

11. State giving reasons whether the following statements are True or False: [3]

- Capital goods are used up to produce other goods.
- Machine purchased is always a final good.

12. State, giving valid reasons, whether the following statements are true or false: [3]

- Current account in Balance of Payments records only the exports and imports of goods and services.
- Borrowings from abroad are recorded in the Capital Account of the Balance of Payments on the debit side.

OR

Would the central bank need to intervene in a managed floating system? Explain why?

13. Explain any two fiscal measures to correct the situation of deficient demand. [4]

14. Calculate the change in final income, if Marginal Propensity to Consume (MPC) is 0.8 [4] and change in initial investment is ₹1,000 crores.

OR

There is an increase in investment of Rs 100 crore in an economy. Marginal Propensity to Consume is 1. What can you say about total increase in the income?

15. Explain 'government's bank' function of Central Bank. [4]

16. Answer the following questions: [6]

- From the following data, calculate: [3]
 - Personal Disposable Income and
 - National Income

Items	(Rs. in Crore)
Private income	3,000
Compensation of employees	800

Mixed income of self-employed	900
Net factor income from abroad	(-) 50
Net retained earnings of private enterprises	600
Rent	350
Profit	600
Consumption of fixed capital	200
Direct taxes paid by households	300
Corporation tax	350
Net indirect taxes	250
Net exports	(-) 70
Interest	450

- ii. State the various components of the Expenditure Method that are used to calculate national income. [3]

(ii) OR

- i. Given the following data, find the values of 'Gross Domestic Capital Formation' and 'Operating Surplus'. [3]

S. No.	Particulars	Amount (Rs in crores)
(i)	National Income	22,100
(ii)	Wages and Salaries	12,000
(iii)	Private Final Consumption Expenditure	7,200
(iv)	Net Indirect Taxes	700
(v)	Gross Domestic Capital Formation	?
(vi)	Depreciation	500
(vii)	Government Final Consumption Expenditure	6,100
(viii)	Mixed-Income of Self-Employed	4,800
(ix)	Operating Surplus	?
(x)	Net Exports	3,400
(xi)	Rent	1,200
(xii)	Net Factor Income from Abroad	(-) 150

- ii. From the following data about a firm X for the year 2000 - 01, calculate the net value added at a market price during that year. [3]

Particulars	(Rs. in Crore)
Sales	90
Closing stock	25
Opening stock	15
Indirect tax	10
Depreciation	20
Intermediate consumption	40
Purchase of raw material	15
Rent	5

17. Answer the following questions: [6]
- (i) What is debt trap? Suggest measures to control such situation. [3]
- (ii) India is suffering from the problem of fiscal deficit for the last many years. Explain any two steps to deal with such a problem. [3]

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. Employment in India is facing the problems related to [1]
- a) Casualisation of workforce b) informalisation of workforce
- c) jobless growth d) All of the given
19. Which of the following features is common in India and Pakistan? [1]
- a) One child norm b) Growth due to service sector
- c) Large population d) Very high fertility rate
20. In _____ First **Industrial Policy Resolution** of Independent India was announced. [1]
- a) 1918 b) 1951
- c) 1956 d) 1917
21. *Agriculture* is a dominant sector of our economy and *credit* plays an important role in increasing *agriculture* production. The following are the institutional sources of agricultural credit except: [1]



- a) Commercial banks
- b) NABARD
- c) Regional banks
- d) Money lenders

22. **Assertion (A):** Those public sector undertakings which are making profits should be privatised. [1]

Reason (R): Only loss making PSUs should be privatised. Profit making PSUs should not be privatised only for drawing out funds to cover the deficit in government budget.

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

23. Following states have high literacy rate except _____. [1]

- a) Mizoram
- b) Rajasthan
- c) Kerala
- d) Delhi

24. Infant mortality rate is as low as ____ per thousand in China compared with ____ per thousand in India [1]

- a) 30, 60
- b) 35, 65
- c) 30, 63
- d) 20, 45

25. India heavily depends on _____ and _____ power plants. [1]

- a) None of given
- b) thermal, hydro
- c) CNG, solar
- d) solar, gohar gas

26. **Statement I:** Besides land settlement systems introduced by the colonial government, low levels of technology, lack of irrigation facilities and negligible use of fertilisers, all added up to aggravate the plight of the farmers and contributed to the dismal level of agricultural productivity. [1]

Statement II: During the British colonial period, there was a relatively higher yield of food crops in certain areas of the country due to commercialisation of agriculture.

- a) Both the statements are false. b) Statement II is true, but statement I is false.
- c) Statement I is true, but statement II is false. d) Both the statements are true.

27. Choose the correct pair of statements given in columns I and II below: [1]

	Column I		Column II
a.	Subsidies	i.	Maximum quantity of goods that can be imported
b.	Karve Committee, 1955	ii.	Using small-scale industries to promote rural development
c.	Import Substitution Policy	iii.	To encourage farmers for adopting new technology
d.	Quota	iv.	To protect domestic firms

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

28. **Recently Indians have drifted away from the traditional knowledge and practices and caused large scale damage to environment.** Explain how, adopting the traditional practices can be helpful in achieving the objective of sustainable development. [3]

OR

How do the Rising population factor contribute to the environmental crisis in India? What problem do they pose for the government?

29. Economists say that if casualisation increases the earning of the people, such phenomenon should be welcomed. Do you agree? Justify your answer. [3]

30. Differentiate between Self Reliance and Self Sufficiency. [4]

31. The policy of liberalisation changed the role of Reserve Bank of India (RBI) from a **regulator** to a **facilitator** in the financial sector. Defend or refute the given statement with valid arguments. [4]

OR

State the failures of economic reforms.

32. 'Indian education system is considered faulty from the employment angle'. Do you agree? Explain. [4]

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

(i) i. State any three main drawbacks of rural banking. [3]

ii. State the sources of agricultural credit in India. [3]

(ii) **OR**

i. Explain the steps taken by the government in developing rural market. [3]

ii. Why is agricultural diversification essential for sustainable livelihoods? [3]

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

Strong fundamentals of China-India trade

It is the nature of China-India bilateral trade as a confidence-building measure that must be underlined to appreciate its interface with their political relations which remains so critical for its long-term prospects. Therefore, more than being measured in terms of statistics and profits, it is the political impact of trade that remains the barometer of their economic engagement. Both sides clearly display that understanding at least in their more recent initiatives. Moreover, with the inclusion of India's trade with Hong Kong and Macao (as also India's rising trade with Taiwan, and the possibility of eventual unification of Taiwan), Greater China has already emerged as India's largest trading partner and one of its kind.

Major items of export from India to China remain iron and chrome ore, plastic and linoleum, marine products, cotton yarn and fabrics, organic and inorganic chemicals, dye intermediates, bulk drugs and pharmaceuticals, construction quality wire rods, tobacco and tea, while China's exports to India include items like raw silk and silk yarn, coking coal, some types of chemicals, pulses, mercury and antimony, freshwater pearls, pig iron, newsprint and several low-technology consumer items. Gradually, many new sectors—like border trade or high-tech trade—are being also explored while information technology and infrastructure development are already emerging as major areas for cooperation.

Thirdly, it is the dynamism of their economies and societies, especially their young populations and increasingly skilled manpower, that are going to be their critical asset. In absolute terms, as a proportion of their total trade or even in terms of per capita trade this may present a dismal picture, yet trends in the growth rate of China-India trade show strong potential and have important political implications. However, even in terms of its share in their total foreign trade, while India accounts for little more than 1% in China's total foreign trade, China now accounts for over 5% of India's total foreign trade which creates substantial stakes for mutual co-operation.

Finally, their foreign exchange reserves provide perhaps the easiest layman's indicator of their international economic standing. China's foreign exchange reserves, which stood at a mere USD1.6 billion for 1978, had exceeded USD659 billion by March 2005. These may not be huge figures compared to those of Japan at USD843 billion yet they are when compared to India's USD142 billion. The same also remains true of their foreign direct investment (FDI) inflows where China and India are often projected as either poles apart or competing against each other. However, both have again continued to sustain growth simultaneously without any major friction. Their FDI remains perhaps the strongest mover of their foreign trade and especially in the case of China, it has come to be known as the main locomotive for their economic success.

(Source: <https://journals.openedition.org/chinaperspectives/2853>)

Questions:

- i. What reinforced China's position as India's largest trading partner? Compare the share of India and China to each other's total foreign trade.
- ii. Identify the simplest indicator of the international economic position of a country. Also, name the strongest factor of the foreign trade in India and China.

Solutions

SECTION A – MACRO ECONOMICS

1.
(b) Both the statements are true.
Explanation: Both the statements are true.
2.
(c) Store of the value function
Explanation: Broad money is less liquid. So, based on the store of the value function.
3.
(c) 0.4
Explanation: 0.4
4. (a) Fixed Exchange Rate regime
Explanation: Fixed Exchange Rate regime
5.
(c) APS
Explanation: APS can be negative or less than 1.
6.
(c) Inflationary gap
Explanation: Inflationary gap
7.
(c) ₹3,200 crores
Explanation: $APC = 1 - APS = 1 - 0.2 = 0.8$
Also $APC = \frac{\text{Consumption (C)}}{\text{Income (Y)}} = \frac{C}{4,000} = 0.8$
 $\therefore C = 4,000 \times 0.8 = ₹3,200 \text{ crores}$
8.
(d) Capital loss
Explanation: Capital loss
9. (a) Barter
Explanation: Exchange of Commodity for Commodity is known as Barter System of Exchange which was followed before the evolution of money.
10.
(c) Appreciation
Explanation: The increase in the value of the domestic currency in relation to foreign currency due to fluctuations in the foreign exchange rate is called appreciation.
11. a. False: Capital goods are used up to produce other goods. Capital goods like machines make production of other goods feasible, but they themselves don't get transformed in the production process, i.e., they are not used up to produce other goods.
b. False: Whether machine' is a final good or not depends on how it is being used.

- If the machine is bought by a household, then it is a final good because it is used for final consumption.
- If the machine is bought by a firm for its own use, then also it is a final good because it is used for investment.
- If the machine is bought by a firm for re-sale, then it is an intermediate good.

12. a. The Current account in Balance of Payments records only the exports and imports of goods and services is false as the Current Account of Balance of Payments records unilateral transfers along with exports and imports of goods and services.
- b. The Borrowings from abroad are recorded in the Capital Account of the Balance of Payments on the debit side is false as the borrowings from abroad are recorded in the Capital Account of Balance of Payments on the credit side as it results in an inflow of foreign currency in the economy.

OR

The managed floating system is a combination of two systems – fixed and floating exchange rate systems. It calls for the government or central bank to intervene when the need for the same is needed. The government or the central bank helps in moderating the exchange rate movements by purchasing and selling the foreign currency. Thus, to avoid dirty floating, the government exercises its power to intervene, whenever the need arises. sometime it is also called managed floating system and this process is going on by the official reserve transaction process that is done by the rbi.

13. Fiscal policy refers to the revenue and expenditure policy of the government. It is also called budgetary policy of the government. Two fiscal measures to correct the deficient demand are:
- a. **Taxes:** Taxes are compulsory payments made to the government by the household. By decreasing the tax burden on the households, the government increases the disposable income of the households. Accordingly, AD is raised and deficient demand is managed.
- b. **Public borrowing:** In a situation of deficient demand, the government reduces its borrowing from the public. So that people are left with greater liquidity and aggregate expenditure remains high.

14. Given Additional Investment = 1000 and Value of MPS is 0.2

$$\text{Investment Multiplier (K)} = \frac{1}{1-MPC} = \frac{1}{1-0.8}$$

$$K = \frac{1}{0.2} = 5$$

$$\text{Also, } K = \frac{\Delta Y}{\Delta I}$$

$$5 = \frac{\Delta Y}{1000}$$

$$\Delta Y = ₹5,000 \text{ crores}$$

$$\text{Change in final income} = 5,000 \text{ crores.}$$

OR

Given,

1. Marginal Propensity to Consume (MPC) = 1

2. There is an increase in investment of Rs 100 crore in an economy. i.e Change in Investment (ΔI) = Rs 100 crore.

Now, Multiplier (K) = $\frac{1}{1-MPC}$ or

$$K = \frac{1}{1-1}$$

or $K = \infty$ i.e Infinity

Again,

$$K = \frac{\text{Change in Income}(\Delta Y)}{\text{Change in Investment}(\Delta I)}$$

$$\text{or } \infty = \frac{\Delta Y}{100}$$

$$\text{or } \Delta Y = 100 \times \infty$$

or Increase in Income (ΔY) = ∞ i.e Infinity

Hence if MPC = 1, there will be an infinite increase in income.

15. Central bank functions as a banker to the government—both central and state governments. It carries out all banking business of the government. Government keeps their cash balances in the current account with the central bank. Similarly, central bank accepts receipts and makes payment on behalf of the governments. Also, the central bank carries out exchange, remittance and other banking operations on behalf of the government. Central bank gives loans and advances to governments for temporary periods, as and when necessary and it also manages the public debt of the country. Remember, the central government can borrow any amount of money from RBI by selling its rupees securities to the latter.

16. Answer the following questions:

(i) i. **Personal Disposable Income:**

= Personal income - Direct personal tax - Miscellaneous receipts and fines paid by households..(i)

Personal income = Private income - Corporate tax - Undistributed profits or Corporate saving

$$= 3000 - 350 - 600$$

$$= \text{Rs. } 2050 \text{ crores}$$

Putting in equation.....(i)

$$\text{Personal Disposal Income} = 2050 - 300 - 0$$

$$= \text{Rs. } 1750 \text{ crores.}$$

National Income (Income Method):

$$NDP_{FC} = \text{Compensation of employees} + \text{Operating surplus} + \text{Mixed income}$$

$$\text{Operating Surplus} = \text{Rent} + \text{Royalty} + \text{Interest} + \text{Profit}$$

Note: Net retained earnings of private enterprise is also known as profit

$$= 800 + (350 + 0 + 450 + 600) + 900$$

$$= \text{Rs. } 3100 \text{ crores.}$$

$$NNP_{FC} = NDP_{FC} + \text{Net factor income from abroad}$$

$$= 3100 + (-50)$$

$$= 3050 \text{ crores.}$$

- ii. Following are the components of the Expenditure Method that are used to calculate national income:
 - i. **Private Final Consumption Expenditure**- Private final consumption expenditure includes the money value of consumer goods and services purchased by households and non-profit institutions for current use.
 - ii. **Government Final Consumption Expenditure**- It refers to expenditure on final goods and services by the government, like expenditure on the purchase of goods for consumption by the defence personnel.
 - iii. **Investment Expenditure**- Investment means an addition to the stock of capital goods and inventory. Investment may be of the following four types:
 - a. Business fixed investment
 - b. Inventory investment
 - c. Public investment
 - d. Residential construction investment.
 - iv. **Net Exports**- Net exports means the difference between exports and imports.

(ii) OR

- i. Gross Domestic Capital Formation = (i) - {iii + vii + x} + vi - xii + iv GDCF = 22,100 - {7,200 + 6,100 + 3,400} + 500 - (-150) + 700
 GDCF = 6,750 crores
 Operating surplus = National Income – wages and salaries – Mixed Income of Self Employed – Net Factor Income from Abroad
 = (i) - (ii) - (viii) - (xii)
 = 22,100 - 12,000 - 4,800 - (-150)
 = Rs 5,450 crores

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

Same as when we calculate Operating Surplus then first we calculate NDP at FC then we used income method format.

- ii. Net Value added at Market Price = Sales + Change in Stocks (Closing stock - opening stock) - Intermediate consumption - Depreciation
 = 90 crore + (25 crore - 15 crore) - 40 crore - 20 crore.
 = Rs. 40 crore.
 Therefore net value added at a market price of firm X for the year 2000-01 is Rs 40 crore.

17. Answer the following questions:

(i) Debt trap:-

Debt trap refers to a situation in which government borrows new funds to pay previous loan or to pay interest on previous loans, this creates a trap for the government and burden of future payments mounts up. In order to solve the

problem of debt trap, government may resort to disinvestment or may reduce wasteful expenditures like unnecessary subsidies, etc.

(ii) India is suffering from the problem of fiscal deficit for the last many years. Two measures to deal with the problem of fiscal deficit are:

- i. The curtailment of capital expenditure which is measured in projects of capital formation and other developmental activities.
- ii. To raise revenue receipts by mobilising resources through taxation.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18.

(d) All of the given

Explanation: Employment in India is facing the problems related to informalisation of workforce, jobless growth and casualisation of workforce.

19.

(b) Growth due to service sector

Explanation: Pakistan's share of growth in the tertiary sector: 53.4%

India's share of growth in the tertiary sector: 56.4%

20. **(a)** 1918

Explanation: 1918

21.

(d) Money lenders

Explanation: Landlords, village traders and Moneylenders are the three important sources of non-institutional source. They charge exorbitantly high interest rates and manipulated the accounts to exploit the illiterate farmers. Non-institutional credit led to a debt trap for the farmers.

22.

(d) A is false but R is true.

Explanation: A is false but R is true.

23.

(b) Rajasthan

Explanation: Rajasthan has a literacy rate of 66.11 percent as of the 2011 census and is the least when compared to Kerala, Delhi and Mizoram.

24.

(c) 30, 63

Explanation: The infant mortality rate is the number of deaths of infants under one year old per 1000 live births. This rate is often used as an indicator of the level of health in a country.

25.

(b) thermal, hydro

Explanation: Some resources are underutilised which produced electricity. Thermal and hydroelectric can be produced in the country.

26.

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

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

27.

(c) c - iii

Explanation: import substitution policy are to mean to protect domestic firms.

28. **Recently Indians have drifted away from the traditional knowledge and practices and caused large scale damage to environment.** The given statement is quite appropriate.

- India is very much privileged to have about 15,000 species of plants which have medicinal properties. The traditional health care systems such as Ayurveda, Unani, Tibetan etc. are very useful for treating chronic health problems.
- Traditional cosmetic products are herbal in composition. These products are not only environment-friendly but also are free-from side effects. They do not involve large-scale industrial and chemical processing.

OR

(i) Air pollution

(ii) Water contamination

(iii) Affluent consumption standard

(iv) Illiteracy

(v) Industrialization

(vi) Urbanization

(vii) Global warming

(viii) Poaching

(ix) Reduction of forest coverage.

29. No, I don't agree. It is dependent on the priority of goals in a person's life. A person whose foremost goal is to earn higher income may choose it. But a person who gives more importance to stability, security, social status may not like it. A marginal farmer is happier than an agriculture labour because his earnings may be low but he has freedom and not exploited by anyone. Similarly, a permanent and regular worker of the pharmaceutical company will not be happy to become a daily wage worker even if his total income decreases as there is no security, stability and status in casual employment.

30. Difference between Self reliance and Self Sufficiency can be summarised as below:

- a. An economy must have enough resources or foreign exchange to purchase all inputs required for production, if they are not available within the country. If it has enough resources to buy these resources it is said to be self-reliant. On the contrary, when a country can produce everything within its domestic territory, it is said to be self-sufficient.
- b. It is possible to be self-reliant but it is not possible for an economy to be self sufficient.

- c. Self-sufficiency is also not desirable economically because it may be cheaper and better to buy certain inputs from other countries. For that a country needs foreign exchange. If a country has foreign exchange, it is self-reliant.
- d. Self - Sufficiency means a country is possessing (or producing) all the resources it needs.

Self - Reliance is depending on own resources of the country and avoiding dependence on external flows.

31. The policy of liberalisation changed the role of Reserve Bank of India (RBI) from a **regulator** to a **facilitator** in the financial sector.

The given statement is defended. Financial institutions in India are regulated through various norms of the Reserve Bank of India (RBI).

As a regulator (prior to liberalisation), RBI used to fix interest rate structure for the commercial banks, however, as a facilitator (post-liberalisation) the RBI now facilitates the free market forces to act accordingly. In the post liberalisation era, greater autonomy has been ensured for financial institutions for their functioning.

OR

Following are the failures of economic reforms:

- i. **Agricultural Crisis-** Economic reforms have been biased towards industrialisation and ignored agriculture. Economic reforms have not been able to benefit the agricultural sector because public investment in agriculture has been reduced in the reform period. Accordingly, India is witnessing a widening gulf between the rural and urban economies.
- ii. **Dependence on Foreign Capital and Technology-** New Economic Policy has accorded more importance to foreign assistance and foreign technology than internal resources and local technology.
- iii. **Unemployment-** Hundreds of small scale units throughout the country have been forced to close down in face of growing competition from MNCs. This has resulted in mass retrenchment and unemployment.
- iv. **Promotion of Consumerism-** New Economic Policy has encouraged alien culture and encouraged the production of "comforts" and "luxuries". This may expand the size of the market for the traders and the manufacturers but certainly enhances the vulnerability of the households as consumers.
- v. **More Importance to Privatisation-** New Economic Policy encourages the private sector and discourages the public sector. As a result of privatization, there was inadequate investment in infrastructural facilities such as power, communication, transport, etc. because these do not provide an instant return (profit) on capital.
- vi. **Environment-** Economic reforms have adversely affected the environment.

Industrialisation and commercial farming have created the problem of pollution.

32. Yes, I agree with this statement. The Indian education system is largely irrelevant to the needs of the Indian economy. There is no linkage between education and employment opportunities.

After completing their school and college education, for a number of years, men and women remain unemployed because they do not have practical training and useful skills. Most of the students do not gain any occupational and vocational training. They are not ready to be absorbed by the industry. So along with the quantitative expansion of education, we also need qualitative improvement in it. We urgently need large investments in public sector institutions of higher learning and fundamental reform of the curriculum. Hence, the Indian education system is considered faulty from the employment angle.

33. Answer the following questions:

(i) i. Following are the three drawbacks of rural banking:

- i. **Inadequate**- The volume of rural credit in India is not sufficient to meet the demand for rural credit.
 - ii. **Less Attention to Poor Farmers**- Most of the lenders insist on security before granting loans. Since poor farmers are not in a position to offer any security for loans, poor farmers do not avail of credit facilities. Well-to-do farmers get more attention.
 - iii. **Unfavourable Conditions**- Lenders often impose unfavourable conditions for granting loans including high-interest rates.
- ii. The sources of agricultural credit in India may be grouped into non-institutional sources and institutional sources.
- i. **Non-institutional sources**- Non-institutional sources of credit are the conventional sources and include landlords, village traders, relatives and moneylenders. These sources accounted for 93% of the total borrowing of the farmers in 1951.
 - ii. **Institutional Sources**- Institutional sources of credit are non-conventional sources and include cooperative credit societies, commercial banks, Regional Rural Banks, NABARD and other government agencies. With the passage of time, the role of institutional sources of credit is increasing day-by-day.

(ii) OR

i. **Following are the steps were taken by the government in developing rural markets:**

- i. The government collects market information relating to agricultural products through different media like statistics departments, radio, television, newspapers, etc and make it available to farmers.
- ii. It has made better transport arrangements to encourage farmers to carry their products to the market. Railways are offering subsidized transport facility to the farmers to bring their produce to the urban markets where often they get a better deal.
- iii. It has provided warehousing and storage facilities in the villages.
- iv. It has promoted co-operative marketing in several ways.

ii. The agricultural diversification implies diversification of crop production and shifting of agricultural workforce to other allied activities such as livestock, poultry, fisheries, etc and non-agricultural sector. Diversification of crops implies production of a diverse variety of crops rather than 1 specialised crop. Diversification is essential because there is greater risk in depending exclusively on farming for a livelihood and to provide productive sustainable livelihood options to rural people. Most of the agricultural employment activities are concentrated in the Kharif season while during the Rabi season it becomes difficult to find gainful employment in areas lacking in irrigation facilities. Therefore, expansion into other sectors is essential to provide supplementary gainful employment and in realising higher levels of income for rural people to overcome poverty and other problems. A substantial portion of Indian farming is dependent on the vagaries of monsoon, making it a risky affair to rely upon solely. Accordingly, the need for diversification is required to enable the farmers to earn from other alternative non-farm occupations. Also, agriculture being overcrowded cannot further generate employment opportunities. Therefore, the prospects of the non-farm sectors should be opened up in rural areas to provide job opportunities This lessens the excess burden on agriculture by reducing disguised unemployment.

34. i. The inclusion of India's trade with Hong Kong and Macao (as also India's rising trade with Taiwan, and the possibility of eventual unification of Taiwan) has made Greater China emerge as India's largest trading partner and one of its kind. In terms of its share in their total foreign trade, while India accounts for little more than 1% of China's total foreign trade, China now accounts for over 5% of India's total foreign trade which creates substantial stakes for mutual cooperation.
- ii. The foreign exchange reserves provide perhaps the easiest layman's indicator of the international economic position of a country. The foreign direct investment (FDI) inflows of a country, too, indicate its economic standing. China and India have often been projected as strong competitors. However, both have again continued to sustain growth simultaneously without any major friction. Their FDI remains perhaps the strongest mover/factor of their foreign trade and especially in the case of China, it has come to be known as the main locomotive for their economic success.