

CLASS-XII (2022-23)

SAMPLE QUESTION PAPER - 2

TIME: 3 HOURS

ECONOMICS (030)

M.M. – 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. What type of loan is advanced by Commercial Banks? [1]
a) Loan and Advance b) All of these
c) Cash Credit d) Overdraft
2. When the saving curve crosses the X-axis and income is zero: [1]
a) autonomous consumption is zero b) None of these
c) autonomous consumption is negative d) autonomous consumption is positive
3. If you are given the following data, [1]
i. Total exports of merchandise ₹ 1,000 crore
ii. Total imports of merchandise ₹ 1,200 crore
iii. Total exports of invisibles ₹ 100 crore
iv. Total imports of invisibles ₹ 100 crore
the capital account must have
a) a credit balance of ₹ 300 crore b) a credit balance of ₹ 200 crore
c) a debit balance of ₹ 200 crore d) a debit balance of ₹ 100 crore
4. Consumption of all goods and services in the economy during the period of an accounting year is known as: [1]
a) aggregate supply b) none of these

c) aggregate demand

d) aggregate consumption

5. Minimum level of consumption under Keynesian Economics refers to: [1]

a) dependent consumption

b) autonomous consumption

c) both independent and autonomous consumption

d) independent consumption

OR

The Breakeven level of an economy is

a) $C = I$

b) $AD = AS$

c) $C = Y$

d) $C = AD$

6. The part of income which is not spent on consumption is called _____. [1]

a) Investment

b) Consumption

c) Saving

d) Multiplier

OR

Investment multiplier is defined as the rate of _____ change of _____ with respect to a given change in _____.

a) income, investment

b) investment, income

c) investments, savings

d) savings, investments

7. In case of equilibrium below the full employment condition [1]

a) None of these

b) $AD = AS$ but resources are not fully utilised

c) $AD > AS$ and resources are not fully utilised

d) $AS > AD$ and resources are fully utilised

8. **Assertion (A):** It is convenient to store value in terms of money. [1]

Reason (R): The value of money does not remain relatively stable compared to other commodities.

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.

9. Balance of invisibles is the [1]

a) Value of invisibles exported less value of visibles imported

b) Value of visibles exported less value of invisibles imported

- c) Value of invisibles exported less value of invisibles imported d) None of these

OR

Unilateral transfers are:

- a) one-sided payments b) factor incomes
c) all of these d) reciprocal payments
10. Giving reason, explain the treatment assigned to the following while estimating national income: [3]
i. Expenditure on the maintenance of an office building.
ii. Expenditure on adding a floor to the office building.

11. **Assertion (A):** Fixed exchange rate keeps the government under pressure to check inflation. [1]

Reason (R): If prices in the domestic market are low, demand for our exports will rise.

- 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.
12. Distinguish between a Current account deficit and a Trade deficit. [3]

OR

Explain the relationship between foreign exchange rate and demand for it.

13. Explain the concept of excess demand in macroeconomics. Also, explain the role of open market operation in correcting it. [4]
14. Explain two fiscal measures by which excess demand in an economy can be reduced. [4]
15. Explain the qualitative methods of credit control. [4]

OR

Explain the 'Government's Banks' function of a Central Bank.

16. Answer the following questions: [6]
(i) Calculate National Income by
i. income method and
ii. expenditure method from the following data:

S.no.	Contents	(Rs. in crores)
(i)	Profits	200
(ii)	Private Final Consumption Expenditure	440

S.no.	Contents	(Rs. in crores)
(iii)	Government Final Consumption Expenditure	250
(iv)	Compensation of Employees	350
(v)	Gross Domestic Capital Formation	90
(vi)	Consumption of Fixed Capital	20
(vii)	Net Exports	(-) 20
(viii)	Interest	60
(ix)	Rent	70
(x)	Net Factor Income to Abroad	50
(xi)	Net Indirect Taxes	60

- (ii) Calculate Net Value Added at Factor Cost from the following data.

S.no.	Contents	(Rs. in Lakhs)
(i)	Intermediate Consumption	300
(ii)	Change in Stock	50
(iii)	Net Indirect Taxes	70
(iv)	Sales	500
(v)	Consumption of Fixed Capital	20
(vi)	Imports	40

17. _____ are voluntary organisations of workers formed to promote and protect the interests of workers through collective action. [1]

- a) cooperative organisation b) None of the given
c) Trade unions d) Labour unions

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. In which year was the Planning Commission was set up in India? [1]

- a) 1950 b) 1948
c) 1947 d) 1949

OR

Self-reliance means avoiding:

- a) Exports b) Imports
c) Both exports and imports d) None of these

19. Answer questions (i) & (ii) OR questions (iii) & (iv). [6]

- (i) In the government of a country's budget, the Finance Minister proposed to raise the excise duty on cigarettes. He also proposed to increase income tax on

- individuals earning more than ₹ one crore per annum. Is the objective only to earn revenue for the government? What possible welfare objective can you think of from these proposals? Explain.
- (ii) Give the relationship between revenue deficit and fiscal deficit.
- (iii) Is the following a revenue receipt or a capital receipt in the context of government budget and why?
- Tax receipts
 - Disinvestment
- (iv) The fiscal deficit gives the borrowing requirement of the government. Elucidate.
20. The institutional source of credit whose area of operation is the one where banking facilities and cooperatives are absent and which operate at the district level is: [1]
- NABARD
 - Self-help group
 - Commercial bank
 - Regional rural bank
21. Tenancy reforms refers to [1]
- None
 - Those who take cultivable land on rent and pay either in terms of money or a part of produce
 - Dividing the land into small plots
 - Bringing together all plots of land of a cultivator into one compact block
- OR
- When did First Five Year Plan start?
- 30th January 1948
 - 1st April 1951
 - 26th January 1950
 - 15th August 1947
22. MUDRA Bank was set up to meet the credit needs of the _____. [1]
- exporters
 - large enterprises
 - farmers
 - small enterprises
23. Which is the problem of human capital formation in India? [1]
- Decreasing population
 - High academic level
 - Brain drain
 - Gender equality
24. Which of the following is a conventional source of energy? [1]
- Tides
 - Sun

c) Dried dung

d) Wind

OR

When was CPCB set up?

a) 1978

b) 1976

c) 1972

d) 1974

25. **Assertion (A):** Industrial policy pursued by the British colonial administration was to foster the process of industrial growth in Britain. [1]

Reason (R): The contribution of the industrial sector was insignificant. The public sector recorded a very dismal growth.

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.

26. Up to _____, Indian Government followed an inward looking trade strategy. [1]

a) 1992

b) 1990

c) 1991

d) 1989

27. **Assertion (A):** Modernization includes an adaptation of Technology and Change in Social Outlook. [1]

Reason (R): Modernization raises the standard of living of People.

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.

28. What is unemployment? What are the most common types of unemployment found in India? [3]

OR

Define worker population ratio.

29. How do you justify the cost of prevention/abatement of pollution? [3]

30. Mention the salient demographic indicators of China, Pakistan and India on the basis of population and Density by studying the table given below:- [4]

Country (2015)	Estimated population (in crores)	Annual growth of population	Density (per sq.km)
India	131.1	1.2	407
China	137.1	0.5	145
Pakistan	18.8	2.1	245

31. State whether the following statements are true/false, with valid arguments: [4]

- (i) Expenditure on health is an important determinant of human capital formation.
- (ii) National Council of Educational Research and Training (NCERT) is the regulating body for school education in the country.

32. Answer first two questions (i & ii) OR answer the last question (iii): [4]

- (i) How many countries are the members of WTO?
- (ii) Globalisation has done more harm than good. Justify your answer.
- (iii) Why there was need for economic reforms?

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

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

India and China: Opposite Directions

But CPEC, for now, offers little prospect of reducing China's and Pakistan's immediate tensions with India, panel members said. India is proposing its own transportation corridors that run in the opposite direction from those of China's "One Belt, One Road Initiative," an overall project intended to link China with Central Asia, Europe and East Asia. Theoretically, the Indian and Chinese projects could be linked, Zhao said. But mutual distrust precludes potential cooperation, he said.

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

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

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

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

India's long-running suspicions about the project were heightened by recent reports the Chinese navy intends to patrol Gwadar and that it provided an escort for the first ships leaving the port with Chinese cargo, said Sarah Watson an associate fellow and India specialist at the Center for Strategic and International Studies. More broadly, China's deepening involvement with Pakistan makes it

more likely to move beyond traditional verbal support for its ally to military backing in case of a conflict with India, she said.

Questions:

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

34. Answer first 3 questions (i, ii, iii) OR last 2 questions (iv, v): [6]

- (i) What is the major aim of designing multi-agency system of rural banking?
- (ii) Name any two non-institutional sources of agricultural credit.
- (iii) The livestock in India faces low productivity as compared to other countries. What are the solutions of this problem?
- (iv) State the challenges of rural development.
- (v) Mention some obstacles that hinder the mechanism of agricultural marketing.

SOLUTION

SECTION A – MACRO ECONOMICS

1. (b) All of these

Explanation: All the options are the type of loan is advanced by Commercial Banks.

2. (d) autonomous consumption is positive

Explanation: autonomous consumption is positive

3. (b) a credit balance of ₹ 200 crore

Explanation: a credit balance of ₹ 200 crore

4. (d) aggregate consumption

Explanation: Consumption of all goods and services in the economy during the period of an accounting year is known as aggregate consumption.

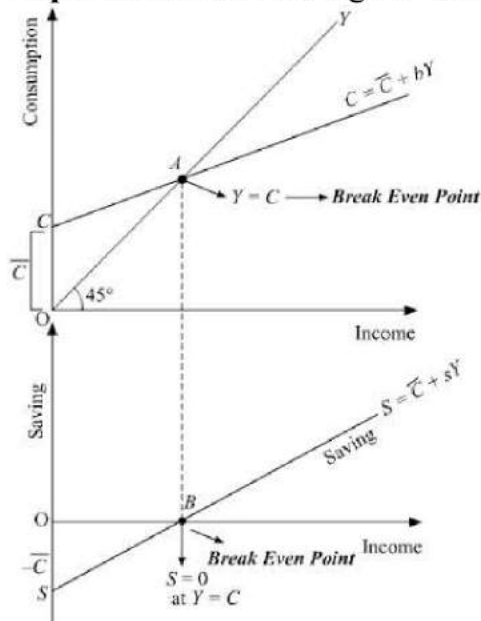
5. (c) both independent and autonomous consumption

Explanation: both independent and autonomous consumption

OR

- (c) $C = Y$

Explanation: See the figure below:



6. (c) Saving

Explanation: Saving is act abstinence from consumption. The part of income which is not consumed is called savings.

OR

- (a) income, investment

Explanation: income, investment

7. (c) $AD > AS$ and resources are not fully utilised

Explanation: $AD > AS$ and resources are not fully utilised

8. (c) A is true but R is false.

Explanation: It is convenient to store value in terms of money because the value of money remains relatively stable compared to other commodities.

9. (c) Value of invisibles exported less value of invisibles imported

Explanation: We know Net exports = exports - imports. Same is the case with

invisible.

OR

(a) one-sided payments

Explanation: Unilateral transfers are one-sided payments.

10. i. Expenditure on the maintenance of an office building is not included in national income, as it is a part of intermediate consumption.
ii. Expenditure on adding a floor to the office building is included in national income because it is a part of investment expenditure or capital formation.

11. (c) A is true but R is false.

Explanation: Fixed exchange rate keeps the government under pressure to check inflation because if prices in the domestic market are high, demand for our exports will reduce.

12. Current Account Deficit (CAD) refers to an excess of payments for the value of import of visible items, invisible items and unilateral transfers over the receipts from the value of export of visible items, invisible items and unilateral transfers.
Trade deficit refers to the excess of the payments for the value of import of visible items over the value of receipts of export of visible items. Trade deficit = Export of visible goods - import of visible goods.

OR

There is an inverse relationship between foreign exchange rate and demand for foreign exchange. That is why demand curve for the foreign exchange becomes downward sloping signifying the inverse relationship.

13. **Excess Demand:**

Excess Demand is the situation of an economy when Aggregate Demand is more than the Aggregate Supply corresponding to full employment. Generally, excess demand results in inflation (continuous rise in prices) without an increase in output and employment.

Role of open market operations to correct the problem of excess demand are mentioned below:

1. **Open market operations** refer to purchase and sale of securities by the Central Bank on behalf of the government in the open market. It directly affects the supply of money in the hands of citizens of the country.
 2. In the case of excess demand, the Central Bank sells its securities to the common public and financial institutions. It reduces the supply of money in the economy and reduces the money or credit creation power of commercial banks.
 3. Thus, the Aggregate Demand comes down and the economy attains equilibrium.
14. Excess demand refers to a situation in which aggregate demand exceeds aggregate supply corresponding to full employment. This gives rise to an inflationary gap which causes a rise in the price level leading to inflation. The two fiscal measures to reduce excess demand are as follows :
1. **Reduction in Government Expenditure :** It is the principal component of fiscal policy. When there is excess demand government expenditure on public works, education, defence, maintenance on law and order should be reduced. A reduction by government will reduce a pressure on aggregate demand and it will shift downward. The fall in govt expenditure should be equal to the inflationary gap.

2. Increase in taxes : The Government should levy new taxes and enhance the rate of the existing ones. This will reduce disposable income of the people and will result in reduction in aggregate demand.
15. Qualitative instruments are those instruments of credit control which focus on selected sectors of the economy. Following are the qualitative methods of credit control:
- Margin requirements-** Margin requirement refers to the percentage down payment on borrowing to finance the purchase of stock by firms. The difference between the value of security and the amount of loan is a margin. A rise in margin requirement reduces the volume of credit used by the traders while a fall in the margin requirement results in an expansion in the borrowing power of the security and of traders.
 - Moral suasion-** Moral suasion means persuasion and request by the central bank to the banks to follow the monetary policy of the central bank. Being the lender of the last resort, the central bank can use its moral influence and persuade the banks to achieve its object. Moral suasion is exercised through discussions, letters, speeches and hints to banks.
 - Selective credit controls-** Selective credit controls may be applied to control the credit. Application in a positive manner will motivate the expansion of credit facilities to particular sectors usually the priority sectors. Application in a negative manner would restrict the flow of credit to a particular sector.

OR

A Central Bank keeps the banking account of government departments, both of the centre and states. It performs the same banking functions for the government as Commercial Bank performs for its customers. It accepts their deposits from government departments as well as institutions and operate their accounts on a regular basis. It undertakes inter-bank transfer. It also gives loans to the government. A Central Bank also provides various services as agent of the government. It manages public debt. It also gives advice to the government regarding money market, capital market, government loans and economic policy matters. It also collects cheques and drafts drawn on other banks in favour of the government.

16. Answer the following questions:

- National Income by Income Method** = Profits + Compensation of Employees + Interest + Rent - Net Factor Income to Abroad

$$= 200 + 350 + 60 + 70 - 50$$

$$= \text{Rs. 630 crores}$$
National Income by Expenditure Method = Private final consumption expenditure + Government final consumption expenditure + Gross domestic capital formation + Net exports - Net indirect taxes - Consumption of fixed capital - Net factor income to abroad

$$= 440 + 250 + 90 + (-20) - 60 - 20 - 50$$

$$= \text{Rs. 630 crores}$$
- Value of output** = Sales + Change in Stock
Value of output = 500 + 50

$$= 550$$

Gross Value Added at Market Price (GVA_{MP}) = Value of output - intermediate Consumption
(GVA_{MP}) = 550 - 300
= Rs. 250 lakhs

Net Value Added at Factor Cost (NVA_{fc}) = GVA_{mp} - Consumption of Fixed Capital - Net Indirect Taxes (NIT)
NVA_{FC} = 250 - 20 - 70
= Rs. 160 lakhs

17. (c) Trade unions

Explanation: The Trade Unions were the associations of the workers which came into existence for the betterment of the workers.

Aims of the formation of Trade Unions :

- (i) To fight 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.

SECTION B – INDIAN ECONOMIC DEVELOPMENT

18. (a) 1950

Explanation: In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson. The era of five year plans had begun.

OR

(b) Imports

Explanation: Imports

19. Answer questions (i) & (ii) OR questions (iii) & (iv).

- (i) The objective was not to only earn revenue for the government.

Both the proposals put by the Finance Minister have the objective of promotion of social welfare:

- i. The proposal of raising the excise duty on cigarettes aims to reduce the consumption of cigarettes which is harmful to the health of smokers as well as non-smokers. Raising of excise duty on cigarettes will increase the price of cigarettes resulting in lesser consumption.
 - ii. The proposal to increase income tax on individuals earning more than ₹ one crore per annum aims to reduce inequality of income in the society and to generate resources for the welfare of poor people.
- (ii) a. Fiscal deficit is always a wider concept than revenue deficit.
- b. Revenue deficit is defined as the excess of government's revenue expenditure over revenue receipts. In terms of formula:
- Revenue Deficit = Revenue Expenditures (RE) - Revenue Receipts (RR)
- c. In short, there will be revenue deficit in a government budget when revenue expenditure exceeds revenue receipts.

d. Fiscal deficit is defined as the excess of total budget expenditure over total receipts net of borrowings.

e. Initially, Fiscal deficit does not take into account all types of receipts. It does not take into account borrowing. But finally they have to depend on borrowing to met fiscal deficit.

Fiscal Deficit = Revenue Deficit + Capital Deficit (Excluding Borrowing)
= Borrowing

= Net borrowing at home + Borrowing from RBI + Borrowing from abroad

(iii) i. Tax receipts neither create a liability nor lead to the reduction of assets, therefore they are revenue receipts because we know that all those receipts which neither create a liability nor reduce the assets of the government are termed as revenue receipts.

ii. Disinvestment refers to the withdrawal of existing investment, eg. the government of India is undertaking disinvestment by selling its shares in Maruti Udyog Ltd. It is a capital receipt for the government as it reduces the assets of the government.

(iv) We know, Fiscal Deficit = Total Expenditure - Revenue Receipts - Non-dept creating capital receipts. It means, the fiscal deficit is financed by debt-creating capital receipts, i.e., the fiscal deficit is met through borrowings.

So, it is rightly said that fiscal deficit gives the borrowing requirement of the government.

20. (d) Regional rural bank

Explanation: Regional rural bank

21. (b) Those who take cultivable land on rent and pay either in terms of money or a part of produce

Explanation: Tenancy reforms aim to regulation of rent, provide security of tenure and conferring ownership to tenants. The tenancy reforms laws provide the provisions for registration of tenants, or giving ownership rights to the former tenants to bring them directly under the state

OR

(b) 1st April 1951

Explanation: First Five Year Plan starts on 1st April 1951.

22. (d) small enterprises

Explanation: MUDRA Bank was set up to meet the credit needs of small enterprises.

23. (c) Brain drain

Explanation: Migration of persons to developed countries is a serious threat to the process of human capital formation in the country. Those who decide to migrate are persons of high calibre such as scientists, administrators, executives, engineers etc. Brain drain slows down the process of human capital formation in the domestic economy.

24. (c) Dried dung

Explanation: Dried dung is a conventional source of energy.

OR

(d) 1974

Explanation: In order to address two major environmental concerns in India, viz.,

water and air pollution, the government set up the Central Pollution Control Board (CPCB) in 1974.

25. (b) Both A and R are true but R is not the correct explanation of A.

Explanation: The industrial policy pursued by the British colonial administration was to foster the process of industrial growth in Britain. In India, the capital goods industry was developed only to the extent that it aided the development of industry in Britain. The contribution of the industrial sector was insignificant. The public sector recorded a very dismal growth.

26. (c) 1991

Explanation: During 1950-91 inward looking trade strategy was adopted by Government. In the first seven plans trade was characterised by what is commonly called inward looking trade strategy. Technically this strategy is called import substitution.

27. (b) Both A and R are true but R is not the correct explanation of A.

Explanation: Both A and R are true but R is not the correct explanation of A.

28. Unemployment is a situation in which the people who are willing to work at the prevailing wages are unable to find jobs. The most common types of unemployment found in India are:

- i. **Seasonal Unemployment:** This type of unemployment takes place when people are not able to find jobs during some months of the year. The situation of seasonal unemployment arises mainly in the agricultural sector people are busy during sowing, harvesting, weeding and threshing. However, there are certain months in which they do not get much work.
- ii. **Disguised Unemployment:** In disguised unemployment, more than required persons are engaged in a job. This type of unemployment usually happens among family members engaged in agricultural activity.

OR

Worker population ratio is defined as the ratio between the total number of workers in a country and the population in the country. It is also termed as Workforce Participation Rate (Ratio).

Symbolically, it can be represented as:

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

29. Pollution results in a number of diseases and ailments, leading to loss of work for the individuals and loss of output for the society. Further, society has to bear the cost of medical treatment of persons suffering from such diseases. Sometimes, these diseases lead to an early death which is a heavy loss to society. All the losses put together will amount to an unimaginable figure. Hence, we should not mind the cost of preventing pollution as the cost of prevention would be definitely too low in comparison to the cost of consequences due to pollution to society.

30. The table reveals the picture as under:-

- o Population size:- Out of every six persons living in this world, one is an Indian and another Chinese. The population size of India is higher than that of Pakistan but lower than China.
- o The density of population:- Density of population is higher in India(407) but the lowest in China(145). It is lowest in China as compared to both the countries

India and Pakistan. The main reason is that China has a larger geographical area.

31. State whether the following statements are true/false, with valid arguments:

(i) (a) True

Explanation: True, expenditure on health is an important determinant of human capital formation.

(ii) (b) False

Explanation: False, it is an autonomous organisation

32. Answer first two questions (i & ii) OR answer the last question (iii):

(i) 164 on December 2017

(ii) Yes, I agree that globalisation has done more harm than good. It concentrated on the goal of growth but ignored equity. It leads to redistribution of economic power and increases inequalities among nations. One study reveals that in the globalising world, the economies are moving away from each other rather than coming closer. Globalisation is increasing pressure on economies for structural and conceptual readjustments. Indians are going through the pains and uncertainties of structural and conceptual readjustments for the sake of benefits which are yet to come. Globalisation is unfair from the view point of developing countries as none of the MNCs have set up manufacturing plants in India or signed any technology transfer agreement with any Indian company like INTEL, AMO and CISCO. Further MNCs always aim at increasing their profits and capturing markets, they do not care about the welfare of the people. Globalisation is also unfair because of the fact that it has lead to the unemployment in developing countries by making capital intensive techniques possible there.

(iii) Ans. Need for economic reforms or the New economic policy was felt mainly because of the following measures:

1. **Mounting fiscal deficit:** Prior to 1991, fiscal deficit of the government had been mounting year after year on the account of continuous increase in its non-development expenditure. Fiscal deficit means difference between the total expenditure and total receipts .Due to persistent rise in fiscal deficit there was corresponding rise in public debt and interest payment liability. There was possibility that the economy might lead to debt-trap situation. Thus it becomes essential for the government to reduce its non-development expenditure and restore fiscal discipline in the economy.
2. **Adverse balance of payment:** Balance of payments is the systematic record of country's exports and imports with rest of the world. When receipts of foreign exchange fall short of their payments, the problem of adverse balance of payment arises. Despite the restrictive policy adopted by the government till 1990 import substitution and export promotion the desired result could not be met. Our export could not compete in terms of price and quality in the international market. As a result there was slow growth of export and rapid increase in imports. Accordingly, the burden of foreign debt services increased tremendously and led to depletion of foreign exchange reserves.
3. **Gulf Crises:** On account of Iraq war in 1990-91 prices of petrol shot-up. Besides, India used to receive huge amount of remittances from gulf countries

in terms of foreign exchange which stopped due to this war. Gulf crisis thus further accentuated the already adverse balance of payments position.

4. **Poor performances of PSUs:** Due to poor performances of public sector undertakings, they degenerated in to a liability. Most of public sector undertakings were incurring loss and their performance was quite satisfactory.
5. **Rise in price:** Due to rise in prices of foodgrains there was pressure of inflation prior to 1991, which deepened the economic crisis from bad to worse.
6. **Fall in foreign exchange reserves:** In 1990-91 India's foreign exchange reserves fell to such a low level that there was not enough to pay for an import bill of even 10 days. The situation grew so acute that Chandrashekhar had to mortgage country's gold to discharge its foreign debt servicing obligations. In such situation the government had to helplessly resort to policy of liberalisation as suggested by international institutions, in order to secure loans from them. On the account of the above compelling factors, it became inevitable for the govt. to adopt New Economic Policy.

33. ANS

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

34. Answer first 3 questions (i, ii, iii) OR last 2 questions (iv, v):

- (i) The major aim of designing multi-agency system is to dispense adequate credit for diverse needs at cheaper rates.
- (ii) Landlords and moneylenders
- (iii) In numbers, livestock population is quite impressive but its productivity is quite low as compared to other countries. The main solutions to the problem are as follows:
 - It requires improved technology and promotion of good breeds of animals to enhance productivity.
 - Improved veterinary care and credit facilities to small and marginal farmers and landless labourers would enhance sustainable livelihood options through livestock production.
- (iv) Following are the main problems of rural development:
 - i. **Growth Rate of Agriculture-** The growth rate of agriculture is very less due to a decline in public investment in agriculture. As a result, there is large scale poverty in rural areas.
 - ii. **Inadequate Infrastructure-** There is inadequate economic infrastructure like irrigation, electricity, credit, marketing, transport, etc. There is inadequate social

infrastructure like health and education.

iii. **Lack of Non-farm Activities-** There are inadequate non-farm activities to support agriculture such as animal husbandry, dairying, fisheries, etc. Non-farm activities provide supplementary gainful employment and enable people to overcome poverty.

(v) **Some obstacles that hinder the mechanism of agricultural marketing are:**

- i. Faulty weighing and manipulation of accounts by traders which results in exploitation of farmers when they sell their products to traders.
- ii. Presence of a large number of middlemen(kuchcha areas, pucca areas, brokers, wholesalers, retailers, moneylenders, etc.)
- iii. Farmers do not have proper storage facilities to store their produce for selling later at a better price. Hence, they are forced to sell even at a lower price to save the produce from decaying.
- iv. Lack of grading system.
- v. Due to lack of knowledge about the prices prevailing in the markets, farmers are forced to sell their produce at unreasonable prices and at the improper time due to lack of proper marketing facilities.